



**CARROLL**  
**COUNTY**  
**NEW HAMPSHIRE**

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Financial Statements  
For the Year Ended December 31, 2019

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
County of Carroll, New Hampshire

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the County of Carroll, New Hampshire (the County), as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine



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 major fund, and the aggregate remaining fund information of the County of Carroll, New Hampshire, as of December 31, 2019, and the respective changes in financial position 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 Management's Discussion and Analysis, the Budgetary Comparison for All Budgeted Funds, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Melanson".

Merrimack, New Hampshire  
December 30, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Carroll, New Hampshire (the County), we offer readers this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2019.

### **Overview of the Financial Statements**

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

#### ***Government-Wide Financial Statements***

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

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

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

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds are reported in two categories: governmental funds and fiduciary funds.

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Reconciliations to facilitate this comparison between governmental funds and governmental activities are provided.

#### *Fiduciary Funds*

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

#### **Notes to Financial Statements**

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

#### **Required Supplementary Information (Other than MD&A)**

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

#### **Financial Highlights**

- As of the close of the current year, net position of governmental activities was \$(889,549), a change of \$(126,428), as further discussed in the next section.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$7,706,074, a change of \$(127,145) in comparison to the prior year.
- At the end of the current year, unassigned fund balance of the General Fund was \$4,563,136, a change of \$(155,391) in comparison to the prior year.

## Government-Wide Financial Analysis

Net position of the County's governmental activities for the current and prior years are as follows:

	<u>2019</u>	<u>2018</u>
Current assets	\$ 9,899,517	\$ 9,692,012
Noncurrent assets	<u>24,560,152</u>	<u>22,113,184</u>
Total assets	34,459,669	31,805,196
Deferred outflows of resources	1,461,438	2,013,243
Current liabilities	4,119,454	3,634,086
Noncurrent liabilities	<u>32,008,633</u>	<u>29,996,555</u>
Total liabilities	36,128,087	33,630,641
Deferred inflows of resources	682,569	950,919
Net investment in capital assets	7,532,555	7,123,895
Restricted	303,579	282,296
Unrestricted	<u>(8,725,683)</u>	<u>(8,169,312)</u>
Total net position	<u>\$ (889,549)</u>	<u>\$ (763,121)</u>

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At the close of the most recent year, total net position was \$(889,549), a change of \$(126,428) from the prior year.

The largest portion of net position, \$7,532,555, reflects our investment in capital assets (e.g., land, land improvements, buildings and improvements, infrastructure, machinery and equipment, vehicles, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$303,579, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position reflects a deficit of \$(8,725,683), primarily resulting from unfunded pension and OPEB liabilities.



Change in net position of the County's governmental activities for the current and fiscal years are as follows:

	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,768,539	\$ 13,318,314
Operating grants and contributions	132,499	157,541
General revenues:		
County taxes	16,521,886	16,521,886
Investment income	2,150	1,827
Miscellaneous	<u>240,768</u>	<u>96,751</u>
Total revenues	30,665,842	30,096,319
Expenses:		
General government	3,972,103	3,538,679
Public safety	2,436,465	2,372,588
Corrections	4,362,621	3,949,274
Human services	4,994,539	4,826,059
Cooperative extension	277,389	238,937
Economic development	353,500	327,750
Nursing home	13,811,497	13,080,476
Interest	<u>584,156</u>	<u>605,143</u>
Total expenses	<u>30,792,270</u>	<u>28,938,906</u>
Change in net position	(126,428)	1,157,413
Net position - beginning of year	<u>(763,121)</u>	<u>(1,920,534)</u>
Net position - end of year	<u>\$ (889,549)</u>	<u>\$ (763,121)</u>

Governmental activities for the year resulted in a change in net position of \$(126,428). Key elements of this change are as follows:

Governmental funds operating results	\$ (127,145)
Purchase of capital assets, net of capital lease	294,432
Deposit on capital assets	145,759
Depreciation expense in excess of principal debt service	(31,531)
Change in accrued interest liability	17,031
Change in compensated absence liability	10,225
Change in net pension liability related items	(281,803)
Change in net OPEB liability related items	<u>(153,396)</u>
Total	<u>\$ (126,428)</u>

## Financial Analysis of the County's Funds

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

### **Governmental Funds**

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

#### *General Fund*

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was \$4,563,136, while total fund balance was \$7,701,437. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund budgeted expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>
Unassigned fund balance	\$ 4,563,136	\$ 4,718,527	\$ (155,391)
Total fund balance	\$ 7,701,437	\$ 7,830,570	\$ (129,133)

As a percentage of total budgeted expenditures:

Unassigned fund balance	14.3%	15.3%	-1.0%
Total fund balance	24.2%	25.4%	-1.2%

#### *Nonmajor Governmental Funds*

The nonmajor governmental funds fund balance changed by \$1,988 primarily from timing differences between the receipt and disbursement of grants.

### **Budgetary Highlights**

There were no increases to the original budget during 2019; however, there were line item changes approved by the County Delegation.

The total fund balance of all governmental funds changed by \$(127,145) during the current year. Key factors in this change are as follows:

Revenues less than budget	\$ (206,025)
Expenditures less than appropriations	2,208,948
Use of fund balance as a funding source	(2,208,342)
Other GAAP adjustments	<u>78,274</u>
Total	\$ <u>(127,145)</u>

## **Capital Assets and Debt Administration**

### ***Capital Assets***

Total investment in capital assets for governmental activities at year-end amounted to \$24,414,393 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, machinery and equipment, vehicles, and construction in progress.

Major capital asset events during the current year included the following additions:

- Energy efficiency upgrades of \$3,297,505
- Vehicles of \$107,336
- Paving of \$99,455
- Other additions of \$233,400

Additional information on capital assets can be found in the Notes to Financial Statements.

### ***Long-Term Debt***

At the end of the current year, total bonded debt outstanding was \$13,530,065, all of which was backed by the full faith and credit of the County.

Additional information on long-term debt can be found in the Notes to Financial Statements.

## **Requests for Information**

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

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Statement of Net Position  
December 31, 2019

	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets:	
Cash and short-term investments	\$ 7,731,486
Restricted cash	298,942
Receivables:	
Accounts, net	1,373,947
Intergovernmental	378,765
Other	31,853
Inventory	<u>84,524</u>
Total Current Assets	9,899,517
Noncurrent Assets:	
Deposit on asset	145,759
Capital Assets:	
Land	45,552
Construction in progress	3,297,505
Other capital assets, net of accumulated depreciation	<u>21,071,336</u>
Total Noncurrent Assets	<u>24,560,152</u>
Total Assets	34,459,669
<b>Deferred Outflows of Resources</b>	
Related to pensions	1,293,368
Related to OPEB	<u>168,070</u>
Total Deferred Outflows of Resources	1,461,438
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	1,317,231
Accrued expenses	842,778
Other liabilities	33,434
Accrued interest	201,341
Current portion of noncurrent liabilities:	
Bonds payable	1,230,006
Capital lease payable	249,087
Compensated absences	<u>245,577</u>
Total Current Liabilities	4,119,454
Noncurrent Liabilities:	
Bonds payable, net of current portion	12,300,059
Capital lease payable, net of current portion	3,248,445
Compensated absences, net of current portion	68,958
Net pension liability	14,284,418
Net OPEB liability	<u>2,106,753</u>
Total Noncurrent Liabilities	<u>32,008,633</u>
Total Liabilities	36,128,087
<b>Deferred Inflows of Resources</b>	
Related to pensions	679,511
Related to OPEB	<u>3,058</u>
Total Deferred Inflows of Resources	682,569
<b>Net Position</b>	
Net investment in capital assets	7,532,555
Restricted for grants and other statutory restrictions	303,579
Unrestricted	<u>(8,725,683)</u>
Total Net Position	<u>\$ (889,549)</u>

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Statement of Activities  
For the Year Ended December 31, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Change in</u>
			<u>Contributions</u>	<u>Net Position</u>
<b>Governmental Activities:</b>				
General government	\$ 3,972,103	\$ 1,074,859	\$ 38,210	\$ (2,859,034)
Public safety	2,436,465	321,677	14,000	(2,100,788)
Corrections	4,362,621	212,631	80,289	(4,069,701)
Human services	4,994,539	-	-	(4,994,539)
Cooperative extension	277,389	-	-	(277,389)
Economic development	353,500	-	-	(353,500)
Nursing home	13,811,497	12,159,372	-	(1,652,125)
Interest	<u>584,156</u>	<u>-</u>	<u>-</u>	<u>(584,156)</u>
 Total Governmental Activities	 <u>\$ 30,792,270</u>	 <u>\$ 13,768,539</u>	 <u>\$ 132,499</u>	 <u>(16,891,232)</u>
		<b>General Revenues:</b>		
		County taxes		16,521,886
		Investment income		2,150
		Miscellaneous		<u>240,768</u>
		Total General Revenues		<u>16,764,804</u>
		Change in Net Position		(126,428)
		<b>Net Position:</b>		
		Beginning of year		<u>(763,121)</u>
		End of year		<u>\$ (889,549)</u>

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Governmental Funds  
Balance Sheet  
December 31, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and short-term investments	\$ 7,731,486	\$ -	\$ 7,731,486
Restricted cash	298,942	-	298,942
Receivables:			
Accounts, net	1,373,947	-	1,373,947
Intergovernmental	350,983	27,782	378,765
Other	31,853	-	31,853
Due from other funds	9,059	-	9,059
Inventory	84,524	-	84,524
Total Assets	\$ <u>9,880,794</u>	\$ <u>27,782</u>	\$ <u>9,908,576</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,303,145	\$ 14,086	\$ 1,317,231
Accrued expenses	842,778	-	842,778
Due to other funds	-	9,059	9,059
Other liabilities	33,434	-	33,434
Total Liabilities	2,179,357	23,145	2,202,502
<b>Fund Balances</b>			
Nonspendable:			
Inventory	84,524	-	84,524
Restricted:			
Deeds surcharge account	72,759	-	72,759
Dube fund	226,183	-	226,183
Remaining grant funds	-	4,637	4,637
Assigned:			
Subsequent year budget - reduce taxes	2,400,000	-	2,400,000
IDN funding	66,484	-	66,484
Encumbrances	288,351	-	288,351
Unassigned	4,563,136	-	4,563,136
Total Fund Balances	<u>7,701,437</u>	<u>4,637</u>	<u>7,706,074</u>
Total Liabilities and Fund Balances	\$ <u>9,880,794</u>	\$ <u>27,782</u>	\$ <u>9,908,576</u>

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
December 31, 2019

<b>Total governmental fund balances</b>	\$ 7,706,074
Capital assets, including deposits on capital assets, used in governmental activities are not financial resources and, therefore, are not reported in	24,560,152
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(201,341)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable	(13,530,065)
Capital lease payable	(3,497,532)
Compensated absences	(314,535)
Net pension liability and related deferred outflows/inflows of resources	(13,670,561)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(1,941,741)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>(889,549)</u></b>

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended December 31, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
County taxes	\$ 16,521,886	\$ -	\$ 16,521,886
Nursing home	12,159,372	-	12,159,372
Charges for services	1,609,164	-	1,609,164
Intergovernmental	14,000	118,499	132,499
Investment income	2,150	-	2,150
Miscellaneous	185,762	-	185,762
	<hr/>	<hr/>	<hr/>
Total Revenues	30,492,334	118,499	30,610,833
<b>Expenditures</b>			
Current:			
General government	7,061,835	38,390	7,100,225
Public safety	2,310,845	-	2,310,845
Corrections	3,942,599	78,121	4,020,720
Human services	4,994,539	-	4,994,539
Cooperative extension	277,389	-	277,389
Economic development	353,500	-	353,500
Nursing home	12,683,333	-	12,683,333
Capital outlay	554,848	-	554,848
Debt service:			
Principal	1,284,656	-	1,284,656
Interest	601,187	-	601,187
	<hr/>	<hr/>	<hr/>
Total Expenditures	34,064,731	116,511	34,181,242
Excess (deficiency) of revenues over expenditures	(3,572,397)	1,988	(3,570,409)
<b>Other Financing Sources (Uses)</b>			
Proceeds of capital leases	3,443,264	-	3,443,264
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	3,443,264	-	3,443,264
Change in Fund Balance	(129,133)	1,988	(127,145)
Fund Balances, at Beginning of Year	7,830,570	2,649	7,833,219
	<hr/>	<hr/>	<hr/>
Fund Balances, at End of Year	\$ 7,701,437	\$ 4,637	\$ 7,706,074
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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, 2019

**Net change in fund balances - governmental funds** \$ (127,145)

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

Capital asset purchases	3,737,696
Deposit on capital asset	145,759
Depreciation	(1,436,487)

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

Repayments of bonds payable	1,284,656
Amortization of bond premium	55,006
Proceeds of capital lease payable	(3,443,264)
Repayments of capital lease payable	65,294

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 17,031

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

Compensated absences	10,225
Change in pension expense from GASB 68	(281,803)
Change in OPEB expense from GASB 75	<u>(153,396)</u>

**Change in net position - governmental activities** \$ (126,428)

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Fiduciary Funds  
Statement of Fiduciary Net Position  
December 31, 2019

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b>Assets</b>		
Cash and short-term investments	\$ <u>46,803</u>	\$ <u>114,723</u>
Total Assets	46,803	114,723
<b>Liabilities</b>		
Due to others	<u>-</u>	<u>114,723</u>
Total Liabilities	<u>-</u>	<u>114,723</u>
<b>Net Position</b>		
Total net position held in trust	\$ <u><u>46,803</u></u>	\$ <u><u>-</u></u>

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2019

	Private Purpose Trust Funds
<b>Additions</b>	
Contributions	\$ 5,828
Interest income	<u>5</u>
Total additions	5,833
<b>Deductions</b>	
Other	<u>4,886</u>
Total deductions	<u>4,886</u>
Net increase	947
<b>Net position</b>	
Beginning of year	<u>45,856</u>
End of year	\$ <u><u>46,803</u></u>

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

## COUNTY OF CARROLL, NEW HAMPSHIRE

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the County of Carroll, New Hampshire (the County) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of 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 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

##### ***Government-Wide and Fund Financial Statements***

###### *Government-Wide Financial Statements*

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

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

###### *Fund Financial Statements*

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

##### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

###### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all

eligibility requirements imposed by the provider have been met. The effect of interfund activity has been eliminated from the government-wide financial statements.

#### *Fund Financial Statements*

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

The County reports the following major governmental fund:

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

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

The County reports the following fiduciary funds:

- The *Private-Purpose Trust Fund* is used to account for trust arrangements under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency Funds* account for fiduciary assets held by the County in a custodial capacity as an agent on behalf of others (e.g., inmate funds and nursing home resident funds). Agency funds report only assets and liabilities and, therefore, have no measurement focus.

#### **Cash and 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. Generally, a cash and investment pool is maintained

that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

***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".

***Inventory***

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

***Capital Assets***

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

***Compensated Absences***

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

### ***Long-Term Obligations***

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

### ***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 classifications are as follows:

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

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

### *Net Position*

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

### *Use of Estimates*

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

## **2. Stewardship, Compliance, and Accountability**

### *Budgetary Information*

County department heads submit to the County Commissioners a proposed budget and includes proposed expenditures and the means of financing them. Hearings are conducted by the County Commissioners prior to the County's budget meeting to discuss the proposed budget. The final version of the budget is legally enacted by the County Delegation. During the year, appropriations may be transferred between line items, as authorized by the County Delegation, but total expenditures may not exceed the total approved budget. Appropriations for certain projects and specific items not fully expended at year-end are carried forward as continued appropriations to the new year in which they supplement the appropriations of that year. A copy of the budget is published in the County's Annual Report.

## **3. Deposits and Investments**

State statutes (RSA 29:1, II) place certain limitations on the nature of deposits and investments available to the County. Deposits may be made in NH banks or banks outside the state if such banks pledge and deliver to a third-party custodial bank with various collateralized security.

### *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. The County does not have formal deposit policies related to custodial credit risk of deposits.



As of December 31, 2019, none of the County’s bank balance was exposed to custodial credit risk as uninsured or uncollateralized. As of December 31, 2019, approximately \$6.8 million was collateralized by securities held by the pledging financial institution’s trust department or agent, but not in the County’s name.

**4. Restricted Cash**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Within the General Fund, the restricted cash amount of \$298,942 is composed of amounts from the Registry of Deeds surcharge fund and the Dube fund.

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

The allowance for doubtful accounts for Nursing Home receivables has been estimated at approximately \$205,000 at December 31, 2019. Nursing Home receivables are also reported net of contractual allowances.

**6. Interfund Accounts**

***Receivables/Payables***

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is a summary of the December 31, 2019 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 9,059	\$ -
Grants Fund	<u>-</u>	<u>9,059</u>
Total	<u>\$ 9,059</u>	<u>\$ 9,059</u>

## 7. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 1,611	\$ 99	\$ -	\$ 1,710
Buildings and improvements	26,823	124	-	26,947
Infrastructure	3,876	-	-	3,876
Machinery and equipment	7,426	125	-	7,551
Vehicles	<u>775</u>	<u>107</u>	-	<u>882</u>
Total capital assets, being depreciated	40,511	455	-	40,966
Less accumulated depreciation for:				
Land improvements	(1,379)	(105)	-	(1,484)
Buildings and improvements	(10,067)	(824)	-	(10,891)
Infrastructure	(1,913)	(72)	-	(1,985)
Machinery and equipment	(4,523)	(331)	-	(4,854)
Vehicles	<u>(577)</u>	<u>(104)</u>	-	<u>(681)</u>
Total accumulated depreciation	<u>(18,459)</u>	<u>(1,436)</u>	-	<u>(19,895)</u>
Total capital assets, being depreciated, net	22,052	(981)	-	21,071
Capital assets, not being depreciated:				
Land	46	-	-	46
Construction in progress	<u>15</u>	<u>3,297</u>	<u>(15)</u>	<u>3,297</u>
Total capital assets, not being depreciated	<u>61</u>	<u>3,297</u>	<u>(15)</u>	<u>3,343</u>
Governmental activities capital assets, net	<u>\$ 22,113</u>	<u>\$ 2,316</u>	<u>\$ (15)</u>	<u>\$ 24,414</u>

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

General government	\$ 135
Public safety	113
Corrections	233
Nursing home	<u>955</u>
Total depreciation expense	<u>\$ 1,436</u>

**8. Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net position by the County that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and No. 75, are more fully discussed in the corresponding pension and OPEB notes.

**9. Tax Anticipation Notes Payable**

The following summarizes tax anticipation notes payable activity during 2019:

<u>Issue Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
\$ 13,131,532	04/19/19	12/31/19	2.79%	\$ -	\$ 8,500,000	\$ (8,500,000)	\$ -
\$ 1,868,468	04/19/19	12/31/19	3.53%	-	-	-	-
		<b>Total</b>		<u>\$ -</u>	<u>\$ 8,500,000</u>	<u>\$ (8,500,000)</u>	<u>\$ -</u>

On April 8, 2020, the County issued a \$12,149,900 tax-exempt tax anticipation note with a maturity date of December 31, 2020 and an interest rate of 1.09%. On April 8, 2020, the County issued a \$2,850,100 federally taxable tax anticipation note with a maturity date of December 31, 2020 and an interest rate of 1.49%.

**10. Capital Lease Obligations**

The County is the lessee of vehicles and energy upgrades under capital leases expiring in various years through 2036. Future minimum lease payments under capital leases consisted of the following as of December 31, 2019:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 249,087	\$ 94,080	\$ 343,167
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 - 2029	1,012,827	265,898	1,278,725
2030 - 2034	1,012,827	127,721	1,140,548
2035 - 2036	<u>404,785</u>	<u>12,400</u>	<u>417,185</u>
<b>Total</b>	<u>\$ 3,497,532</u>	<u>\$ 812,610</u>	<u>\$ 4,310,142</u>

Vehicles and energy upgrades financed by capital leases payable totaling \$3,465,160 are reported in capital assets net of \$88,451 accumulated depreciation.

**11. Long-Term Debt**

***Long-Term Debt Supporting Activities***

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

<u>Governmental Activities</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/19</u>
General Obligation Bonds - public offerings:				
Nursing home construction	\$ 23,500,000	08/01/30	2.50 - 5.00%	\$ <u>12,925,000</u>
Total Governmental Activities				\$ <u><u>12,925,000</u></u>

***Future Debt Service***

Annual payments to retire all general obligation public offering bonds outstanding as of December 31, 2019 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,175,000	\$ 483,219	\$ 1,658,219
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 - 2029	5,875,000	895,938	6,770,938
2030	<u>1,175,000</u>	<u>47,000</u>	<u>1,222,000</u>
Total	\$ <u><u>12,925,000</u></u>	\$ <u><u>2,884,626</u></u>	\$ <u><u>15,809,626</u></u>

The General Fund has been designated as the source to repay the general obligation bonds outstanding as of December 31, 2019.

**Changes in Long-Term Liabilities**

During the year ended December 31, 2019, the following changes occurred in long-term liabilities (in thousands):

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
Bonds payable:						
Public offerings	\$ 14,209	\$ -	\$ (1,285)	\$ 12,924	\$ (1,175)	\$ 11,749
Bond premium	<u>661</u>	<u>-</u>	<u>(55)</u>	<u>606</u>	<u>(55)</u>	<u>551</u>
Subtotal	14,870	-	(1,340)	13,530	(1,230)	12,300
Other:						
Capital lease payable	120	3,443	(66)	3,497	(249)	3,248
Compensated absences	324	-	(10)	314	(245)	69
Net pension liability	14,184	100	-	14,284	-	14,284
Net OPEB liability	<u>2,055</u>	<u>52</u>	<u>-</u>	<u>2,107</u>	<u>-</u>	<u>2,107</u>
Totals	\$ <u>31,553</u>	\$ <u>3,595</u>	\$ <u>(1,416)</u>	\$ <u>33,732</u>	\$ <u>(1,724)</u>	\$ <u>32,008</u>

**12. Deferred Inflows of Resources**

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

**13. New Hampshire Retirement System – Pension (GASB 68)**

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

**Plan Description**

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

and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

***Benefits Provided***

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

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

Years of creditable service as of <u>January 1, 2012</u>	Minimum <u>Age</u>	Minimum <u>Service</u>	Benefit <u>Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

***Contributions***

Plan members are required to contribute a percentage of their earnable compensation to the pension plan, for which the contribution rates are 7% for employees and 11.55% for police and 11.80% for fire. The County makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.88% to 24.77% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2019 were \$1,313,022, which was equal to the contractually required contribution.

***Summary of Significant Accounting Policies***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by

NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At December 31, 2019, the County reported a liability of \$14,284,418 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the most recent measurement date of June 30, 2019, the County's proportion was 0.29687123%, which was an increase of .00229597% from its previous year proportion.

For the year ended December 31, 2019, the County recognized pension expense of \$1,627,378. In addition, the County reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 78,980	\$ (307,156)
Changes of assumptions	512,519	-
Differences between projected and actual earnings on pension plan investments	-	(116,683)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(255,672)
Contributions subsequent to the measurement date	<u>701,869</u>	<u>-</u>
Total	<u>\$ 1,293,368</u>	<u>\$ (679,511)</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 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 ended December 31:</u>	
2020	\$ 347,233
2021	(279,443)
2022	(205,459)
2023	<u>49,657</u>
Total	\$ <u>(88,012)</u>

***Actuarial Assumptions***

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

Price inflation	2.50% per year
Wage inflation	3.25% per year (3.00% for teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	7.25%, net of plan investment expense, including inflation

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

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, most recently performed in 2016.

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 geometric real rates of return for each major class are summarized in the following table:



Asset Class	Target Allocation Percentage	Weighted Average Long-Term Expected Real Rate of Return
Large cap equities	22.50 %	4.25%
Small/mid cap equities	7.50	4.50%
Total domestic equities	30.00	
Int'l equities (unhedged)	13.00	4.50%
Emerging int'l equities	7.00	6.00%
Total international equities	20.00	
Core bonds	9.00	1.12%
Global multi-sector fixed income	10.00	2.46%
Absolute return fixed income	6.00	1.50%
Total fixed income	25.00	
Private equity	10.00	7.90%
Private debt	5.00	4.86%
Total alternative investments	15.00	
Real estate	10.00	3.00%
Total	100.00 %	

***Discount Rate***

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

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

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 19,127,425	\$ 14,284,418	\$ 10,281,712

***Pension Plan Fiduciary Net Position***

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

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

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

***County OPEB Plan***

The following OPEB disclosures for the County’s OPEB plan are based on a measurement date of January 1, 2019.

***Plan Description***

The County indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the County who participate in the single-employer plan pay 100% of the healthcare premiums to participate in the County’s healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees, due to the age of consideration. This increased rate is an implicit subsidy the County pays for the retirees. The County’s OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75. The OPEB plan does not issue a publicly available financial report.

*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.

*Plan Membership*

As of January 1, 2018, the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Active employees	<u>166</u>
Total	<u><u>167</u></u>

*Funding Policy*

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

*Actuarial Assumptions and Other Inputs*

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

Discount rate	4.10%
Salary increases	2.50%
Healthcare cost trend rates	9.50% for 2019, fluctuating 0.50%, to an ultimate rate of 5.00% as of 2028 and later years
Retirees' share of benefit-related costs	100%
Participation rate	40%

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, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

*Total OPEB Liability*

The County's total OPEB liability of \$1,038,929 was measured as of January 1, 2019, and was determined by an actuarial valuation as of January 1, 2018.

*Changes in the Total OPEB Liability*

The following summarizes the changes to the total OPEB liability for the past year:

Beginning of year balance	\$ 957,799
Service cost	60,681
Interest	38,892
Benefit payments	<u>(18,443)</u>
Net change	<u>81,130</u>
End of year balance	<u>\$ 1,038,929</u>

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

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 1,134,500	\$ 1,038,929	\$ 929,305

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

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

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ 872,491	\$ 1,038,929	\$ 1,190,822

*OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB*

For the year ended December 31, 2019, the County recognized OPEB expense of \$131,794. At December 31, 2019, the County reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 107,854	\$ -
Change in assumptions	<u>2,987</u>	<u>-</u>
Total	<u>\$ 110,841</u>	<u>\$ -</u>

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

Year ended December 31:

2020	\$ 32,221
2021	32,221
2022	32,221
2023	<u>14,178</u>
Total	<u>\$ 110,841</u>

***New Hampshire Retirement System Medical Subsidy Plan***

*Plan Description*

In addition to the County's OPEB plan discussed above, the County participates in the New Hampshire Retirement System's (NHRS) Medical Subsidy Plan. 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 Medicare Supplement - \$236.84  
2 Person Medicare Supplement - \$473.68

*Contributions*

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The County contributed 0.29% of gross payroll for Group I employees, 1.81% of gross payroll for Group I teachers, and 3.66% and 3.66% 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*

Actuarial assumptions are the same in the Retirement System footnote.

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

The County's proportionate share of the net OPEB liability for the NHRS medical subsidy as of the measurement date of June 30, 2019 was \$1,067,824, representing 0.24356675%.

For the year ended December 31, 2019, the County recognized an OPEB expense related to the NHRS medical subsidy of \$149,748. At December 31, 2019, the County reported related deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (1,858)
Change in proportion	1,905	-
Net difference between projected and actual earnings on OPEB investments	-	(1,200)
Contributions subsequent to the measurement date	<u>55,324</u>	<u>-</u>
Total	\$ <u>57,229</u>	\$ <u>(3,058)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the year will be included as a reduction of the net OPEB liability in 2020.

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

<u>Year Ended December 31:</u>	
2019	\$ (749)
2020	(796)
2021	83
2022	<u>309</u>
Total	\$ <u>(1,153)</u>

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

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 1,158,217	\$ 1,067,824	\$ 989,278

*Healthcare Cost Trend Rate*

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

***Consolidation of Total/Net 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, 2019:

	Net OPEB <u>Liability</u>	Total Deferred Outflows of <u>Resources</u>	Total Deferred (Inflows) of <u>Resources</u>	Total OPEB <u>Expense</u>
County OPEB Plan	\$ 1,038,929	\$ 110,841	\$ -	\$ 131,794
NHRS Medical Subsidy Plan	<u>1,067,824</u>	<u>57,229</u>	<u>(3,058)</u>	<u>149,748</u>
Total	\$ <u>2,106,753</u>	\$ <u>168,070</u>	\$ <u>(3,058)</u>	\$ <u>281,542</u>

**15. Commitments and Contingencies**

***Outstanding Legal Matters***

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

***Grants***

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

***Encumbrances***

At year-end, the County's General Fund had \$288,361 in encumbrances that will be honored in 2020.

**16. Subsequent Events**

Management has evaluated subsequent events through December 30, 2020, which is the date the financial statements were available to be issued.



The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operation and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the County, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

**17. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the County beginning with its fiscal year ending December 31, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the County beginning with its fiscal year ending December 31, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**COUNTY OF CARROLL, NEW HAMPSHIRE**

All Budgeted Funds  
 Schedule of Revenues, Expenditures, and Other Financing Sources/Uses - Budget and Actual  
 For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts	Final Budget
	<u>Budget</u>	<u>Budget</u>	(Budgetary	Positive
			Basis)	(Negative)
<b>Revenues</b>				
General Fund:				
County taxes	\$ 16,521,886	\$ 16,521,886	\$ 16,521,886	\$ -
Nursing home	11,620,295	11,620,295	12,334,172	713,877
Charges for services	1,506,776	1,506,776	1,609,164	102,388
Intergovernmental	14,000	14,000	14,000	-
Investment income	1,555	1,555	2,150	595
Miscellaneous	30,502	30,502	185,762	155,260
Total General Fund	<u>29,695,014</u>	<u>29,695,014</u>	<u>30,667,134</u>	<u>972,120</u>
Grants Fund	<u>1,296,644</u>	<u>1,296,644</u>	<u>118,499</u>	<u>(1,178,145)</u>
Total Revenues	<u>30,991,658</u>	<u>30,991,658</u>	<u>30,785,633</u>	<u>(206,025)</u>
<b>Expenditures</b>				
General Fund:				
Current:				
General government	3,989,949	3,864,268	3,637,830	226,438
Public safety	2,503,440	2,512,900	2,310,845	202,055
Corrections	3,945,620	3,945,620	3,947,602	(1,982)
Human services	5,050,000	5,050,000	4,994,539	55,461
Cooperative extension	277,389	277,389	277,389	-
Economic development	353,500	353,500	353,500	-
Nursing home	13,492,846	13,390,447	12,885,971	504,476
Capital outlay	409,564	605,064	581,022	24,042
Debt service:				
Principal	1,284,656	1,284,656	1,284,656	-
Interest	578,316	601,436	601,187	249
Total General Fund	<u>31,885,280</u>	<u>31,885,280</u>	<u>30,874,541</u>	<u>1,010,739</u>
Grants Fund	<u>1,314,720</u>	<u>1,314,720</u>	<u>116,511</u>	<u>1,198,209</u>
Total Expenditures	<u>33,200,000</u>	<u>33,200,000</u>	<u>30,991,052</u>	<u>2,208,948</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,208,342)	(2,208,342)	(205,419)	2,002,923
<b>Other Financing Sources</b>				
Use of fund balance	<u>2,208,342</u>	<u>2,208,342</u>	<u>2,208,342</u>	<u>-</u>
Overall Budgetary Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,002,923</u>	<u>\$ 2,002,923</u>

See Independent Auditors' Report.

**Notes to Required Supplementary Information  
For All Budgeted Funds**

**Budgetary Basis**

The final appropriation appearing on the previous page represents the final amended budget after all line item transfers and supplemental appropriations.

**Budget/GAAP Reconciliation**

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

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

<u>All Budgeted Funds</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 30,610,833	\$ 34,181,242
Other financing sources/uses (GAAP Basis)	<u>3,443,264</u>	<u>-</u>
Subtotal (GAAP Basis)	34,054,097	34,181,242
Reverse beginning of year appropriation carryforwards from expenditures	-	(210,077)
Add end of year appropriation carryforwards to expenditures	-	288,351
Reverse capital lease proceeds	(3,443,264)	(3,443,264)
Reclassify inter-department activity	<u>174,800</u>	<u>174,800</u>
Budgetary Basis	<u>\$ 30,785,633</u>	<u>\$ 30,991,052</u>

See Independent Auditors' Report.

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability  
 (Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll as of the Measurement Date</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
December 31, 2015	June 30, 2015	0.30156592%	\$ 11,946,616	\$ 7,937,633	150.51%	65.47%
December 31, 2016	June 30, 2016	0.29524066%	\$ 15,699,704	\$ 8,080,062	194.30%	58.30%
December 31, 2017	June 30, 2017	0.32072781%	\$ 15,773,371	\$ 8,193,800	192.50%	62.66%
December 31, 2018	June 30, 2018	0.29457526%	\$ 14,184,395	\$ 8,534,565	166.20%	64.73%
December 31, 2019	June 30, 2019	0.29687123%	\$ 14,284,418	\$ 8,595,594	166.18%	65.59%

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

See Independent Auditors' Report.

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Required Supplementary Information  
 Schedule of Pension Contributions  
 (Unaudited)

New Hampshire Retirement System

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<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll as of the Fiscal Year</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2015	June 30, 2015	\$ 1,069,128	\$ 1,069,128	\$ -	\$ 8,278,451	12.91%
December 31, 2016	June 30, 2016	\$ 1,093,858	\$ 1,093,858	\$ -	\$ 7,706,848	14.19%
December 31, 2017	June 30, 2017	\$ 1,209,870	\$ 1,209,870	\$ -	\$ 8,508,488	14.22%
December 31, 2018	June 30, 2018	\$ 1,259,428	\$ 1,259,428	\$ -	\$ 8,599,083	14.65%
December 31, 2019	June 30, 2019	\$ 1,313,022	\$ 1,313,022	\$ -	\$ 9,004,212	14.58%

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

See Independent Auditors' Report.

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Required Supplementary Information  
Schedules of Proportionate Share and Contributions of the Net OPEB Liability  
(Unaudited)

**Schedule of Proportionate Share**

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll as of the Measurement Date</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
December 31, 2018	June 30, 2018	0.23965152%	\$ 1,097,234	\$ 8,534,565	12.86%	7.53%
December 31, 2019	June 30, 2019	0.24356675%	\$ 1,067,824	\$ 8,595,594	12.42%	7.75%

**Schedule of Contributions**

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll as of the Fiscal Year</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2018	June 30, 2018	\$ 107,570	\$ 107,570	\$ -	\$ 8,599,083	1.25%
December 31, 2019	June 30, 2019	\$ 106,257	\$ 106,257	\$ -	\$ 9,004,212	1.18%

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

See Independent Auditors' Report.

**COUNTY OF CARROLL, NEW HAMPSHIRE**

Required Supplementary Information  
 Schedule of Changes in the Total OPEB Liability  
 (Unaudited)

County of Carroll, New Hampshire OPEB Plan

	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 957,799	\$ 940,153
Changes:		
Service cost	60,681	66,058
Interest	38,892	32,037
Assumption changes	-	(62,732)
Benefit payments	<u>(18,443)</u>	<u>(17,717)</u>
Net change in total OPEB liability	<u>81,130</u>	<u>17,646</u>
Total OPEB liability - ending	\$ <u>1,038,929</u>	\$ <u>957,799</u>
Covered employee payroll	\$ 7,462,603	\$ 7,280,588
Total OPEB liability as a percentage of covered employee payroll	13.92%	13.16%

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

Does not include New Hampshire Retirement Medical Subsidy.

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

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

See Independent Auditors' Report.