
**COUNTY OF CARROLL,
NEW HAMPSHIRE**

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS'
REPORT THEREON)**

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008**

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REPORT OF INDEPENDENT AUDITORS

Board of County Commissioners

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the County of Carroll, New Hampshire, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the index. These financial statements are the responsibility of the County's management. 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 includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The County has not adopted the provisions of GASB Statement #45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions) for the reporting of postemployment health insurance benefits. The County does NOT pay any of the costs associated with the postemployment health insurance benefits of retirees. However, because of current NH RSA's, the County is required to carry the retirees on its health insurance policy at the same premium as current employees (See Note V E). The amount by which this departure would affect the liabilities, net assets and expenses of the governmental and business-type activities is not reasonably determinable.

In our opinion, except for the effects of not implementing GASB Statement #45 as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the County of Carroll, New Hampshire as of December 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 33 through 35 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it. The County of Carroll has not presented the Management's Discussion and Analysis report (required supplemental information) that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Respectfully submitted,

Mason + Rich, P.A.

MASON + RICH PROFESSIONAL ASSOCIATION
Certified Public Accountants

December 21, 2009

BASIC FINANCIAL STATEMENTS

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Equivalents	\$ 1,984,674	\$ 106,681	\$ 2,091,355
Temporary Investments	614,548	-	614,548
Taxes Receivable	6,709	-	6,709
Accounts Receivable	172,374	1,560,097	1,732,471
Due from Other Governments	101,311	282,772	384,083
Internal Balances	1,293,425	(1,293,425)	-
Inventories	40,521	40,273	80,794
Prepaid Expenses	275,927	11,042	286,969
Restricted Assets: Cash and Equivalents	-	-	-
Capital Assets:			
Land and Improvements	50,052	75,369	125,421
Buildings and Improvements	10,735,961	2,190,244	12,926,205
Wastewater System	1,734,036	633,637	2,367,673
Water System	1,508,026	-	1,508,026
Furniture, Equipment and Vehicles	1,856,730	827,670	2,684,400
Construction in Progress	-	-	-
Less Accumulated Depreciation	(4,350,645)	(2,736,660)	(7,087,305)
Total Capital Assets, Net of Depreciation	11,534,160	990,260	12,524,420
TOTAL ASSETS	\$ 16,023,649	\$ 1,697,700	\$ 17,721,349
LIABILITIES			
Accounts Payable	\$ 1,074,368	\$ 162,795	\$ 1,237,163
Accrued Liabilities	283,513	283,587	567,100
Due to Other Governments	-	99,737	99,737
Deferred Revenue	-	-	-
Non-current Liabilities:			
Portion Due Or Payable Within One Year:			
Bonds and Notes	697,737	-	697,737
Capital Lease Obligations	17,600	-	17,600
Portion Due Or Payable After One Year:			
Bonds and Notes	5,148,676	-	5,148,676
Capital Lease Obligations	45,268	-	45,268
Compensated Absences	87,839	174,950	262,789
Total Liabilities	7,355,001	721,069	8,076,070
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,624,879	990,260	6,615,139
Restricted for:			
Juvenile Incentive	163,696	-	163,696
Deeds Surcharge	93,409	-	93,409
Capital Reserves	258,330	-	258,330
Unincorporated Place	212,979	-	212,979
Other Purposes:			
Expendable	282,932	-	282,932
Unrestricted (Deficit)	2,032,423	(13,629)	2,018,794
Total Net Assets	\$ 8,668,648	\$ 976,631	\$ 9,645,279

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Functions/Programs							
General Government	\$ 2,507,515	\$ 959,341	\$ 23,556	\$ -	\$ (1,524,618)	\$ -	\$ (1,524,618)
Public Safety	5,477,640	293,988	-	7,000	(5,176,652)	-	(5,176,652)
Human Services	3,071,312	-	108,838	-	(2,962,474)	-	(2,962,474)
Farm	150,088	136,802	-	-	(13,286)	-	(13,286)
Interest on Long-term Debt	239,844	-	-	-	(239,844)	-	(239,844)
Total Governmental Activities	11,446,399	1,390,131	132,394	7,000	(9,916,874)	-	(9,916,874)
Business-type Activities							
Mountain View Nursing Home	10,231,929	6,547,406	1,305,191	-	-	(2,379,332)	(2,379,332)
Total Business-type Activities	10,231,929	6,547,406	1,305,191	-	-	(2,379,332)	(2,379,332)
Total	\$ 21,678,328	\$ 7,937,537	\$ 1,437,585	\$ 7,000	(9,916,874)	(2,379,332)	(12,296,206)
General Revenues:							
Taxes:							
County Tax Assessment					12,432,528	-	12,432,528
Property Taxes - Unincorporated Place					243,434	-	243,434
Payment in Lieu of Taxes					-	-	-
Grants and Contributions Not Restricted to Specific Purposes					5,902	-	5,902
Interest and Investment Earnings					60,186	276	60,462
Miscellaneous					60,925	88	61,013
Gain on Sale of Capital Assets					-	-	-
Capital Contributions					-	27,500	27,500
Transfers					(2,364,712)	2,364,712	-
Total General Revenues, Special Items and Transfers					10,438,263	2,392,576	12,830,839
Change in Net Assets					521,389	13,244	534,633
Net Assets, Beginning of Year, Restated					8,147,259	984,022	9,131,281
Net Assets, End of Year					\$ 8,668,648	\$ 997,266	\$ 9,665,914

The Accompanying Notes are an Integral Part of This Financial Statement

COUNTY OF CARROLL, NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Equivalents	\$ 1,777,921	\$ 206,753	\$ 1,984,674
Temporary Investments	2,721	611,827	614,548
Taxes Receivable	-	6,709	6,709
Accounts Receivable	170,204	2,170	172,374
Due from Other Funds	1,652,029	373,292	2,025,321
Due from Other Governments	-	101,311	101,311
Inventories	40,521	-	40,521
Prepaid Expenses	271,180	4,747	275,927
Restricted Assets: Cash and Equivalents	-	-	-
TOTAL ASSETS	\$ 3,914,576	\$ 1,306,809	\$ 5,221,385
LIABILITIES			
Accounts Payable	\$ 1,070,945	\$ 3,423	\$ 1,074,368
Accrued Liabilities	179,475	-	179,475
Due to Other Funds	444,603	287,293	731,896
Due to Other Governments	-	-	-
Total Liabilities	1,695,023	290,716	1,985,739
FUND BALANCES			
Reserved for Encumbrances	161,904	-	161,904
Reserved for Inventories	40,521	-	40,521
Reserved for Prepaid Expenses	271,180	-	271,180
Reserved by Trust Instrument	-	376,341	376,341
Reserved by Capital Reserves	-	258,330	258,330
Unreserved Reported in:			
General Fund	1,745,948	-	1,745,948
Nonmajor Special Revenue Funds	-	381,422	381,422
Capital Projects Funds	-	-	-
TOTAL FUND BALANCES	2,219,553	1,016,093	3,235,646
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,914,576	\$ 1,306,809	\$ 5,221,385

(Continued)
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The Accompanying Notes are an Integral Part of This Financial Statement

COUNTY OF CARROLL, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

<i>Total Governmental Fund Balances (Previous Page)</i>	\$ 3,235,646
<i>Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because of the Following Items:</i>	
Capital Assets Used in Governmental Activities are NOT Financial Resources and Therefore Are Not Reported in the Funds.	11,534,160
Long-term Liabilities, Including Bonds Payable and Unmatured Compensated Absences, Are NOT Due and Payable in the Current Period and Therefore Are NOT Reported in the Funds.	(6,101,158)
<i>Net Assets of Governmental Activities - Statement 1</i>	<u>\$ 8,668,648</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 12,432,528	\$ 243,434	\$ 12,675,962
License Permits and Fees	-	41,170	41,170
Charges for Services	1,039,051	30,415	1,069,466
Intergovernmental	-	138,295	138,295
Interest	42,174	18,012	60,186
Other	117,089	44,415	161,504
County Jail	42,116	-	42,116
County Farm	136,802	-	136,802
Total Revenues	13,809,760	515,741	14,325,501
Expenditures			
Current:			
General Government	1,716,982	483,005	2,199,987
Public Safety	2,110,612	122,096	2,232,708
Corrections	2,938,251	-	2,938,251
Farm	164,556	-	164,556
Human Services	2,956,999	-	2,956,999
County Taxes	-	76,938	76,938
State Education Taxes	-	-	-
Capital Outlay	-	72,362	72,362
Debt Retirement - Principal	697,737	-	697,737
- Interest	413,096	-	413,096
Total Expenditures	10,998,233	754,401	11,752,634
Excess (Deficiency) of Revenues Over Expenditures	2,811,527	(238,660)	2,572,867
Other Financing Sources (Uses)			
Proceeds of Long-term Debt	-	-	-
Operating Transfers In	20,008	292,589	312,597
Operating Transfers (Out)	(2,657,301)	(20,008)	(2,677,309)
Total Other Financing Sources (Uses)	(2,637,293)	272,581	(2,364,712)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	174,234	33,921	208,155
Fund Balances, Beginning of Year, Restated	2,045,319	982,172	3,027,491
Fund Balances, End of Year	\$ 2,219,553	\$ 1,016,093	\$ 3,235,646

(Continued)

COUNTY OF CARROLL, NEW HAMPSHIRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net Change in Fund Balances - Total Governmental Funds (Previous Page) \$ 208,155

Governmental Funds Report Capital Outlays During the Fiscal Year as Expenditures on Statement 4. However, on Statement of Activities (Statement 2) the Cost of Those Capital Items Has Been Capitalized and the Cost is Then Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount by Which Capital Outlay Expenditures Exceeded Depreciation Expense for the Current Fiscal Year. (346,361)

Repayment of Bond and Capital Lease Principal is an Expenditure in the Governmental Funds (Statement 4), But the Repayment Reduces Long-term Liabilities in the Statement of Net Assets (Statement 2). Also, Bond Proceeds Are Recognized as an Other Financing Source on Statement 4 But Are Recorded as a Long-term Liability in Statement of Net Assets (Statement 2). This is the Amount of the Repayments and Bond Proceeds That Have Been Charged to Long-term Liabilities. 657,664

Accrued Interest on the Governmental Funds is Reported as an Expenditure When Paid, While Interest Due at Year End is Recognized as a Liability and an Expense on the Statement of Net Assets (Statement 2). This is the Net Amount by Which Accrued Interest Expense Exceeded Interest Expense for the Current Fiscal Year. 10,490

Estimated Compensated Absences Payable Are Recognized When Payable on Statement 4 But Are Accrued and Expensed at Year End on Statement 2. (8,559)

Change in Net Assets of Governmental Activities (Statement 2) \$ 521,389

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2008

	Business- Type Activities
	Mountain View Nursing Home
ASSETS	
Current Assets:	
Cash and Equivalents	\$ 106,681
Accounts Receivable	1,560,097
Due From Other Governments	282,772
Due From Other Funds:	
From Capital Projects	43,651
Inventories	40,273
Prepaid Expenses	11,042
Total Current Assets	<u>2,044,516</u>
Capital Assets:	
Land and Improvements	75,369
Buildings and Improvements	2,190,244
Wastewater System	633,637
Furniture, Equipment and Vehicles	827,670
Less Accumulated Depreciation	<u>(2,736,660)</u>
Total Capital Assets, Net of Depreciation	990,260
TOTAL ASSETS	<u><u>\$ 3,034,776</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 162,795
Accrued Liabilities	<u>283,587</u>
Due to Other Governments	<u>99,737</u>
Deferred Revenues	<u>-</u>
Due to Other Funds:	
To General Fund	1,265,765
To Special Revenue Funds	<u>71,311</u>
Total Due to Other Funds	<u>1,337,076</u>
Total Current Liabilities	1,883,195
Long-term Liabilities:	
Compensated Absences	<u>174,950</u>
Total Liabilities	<u><u>2,058,145</u></u>
NET ASSETS	
Invested in Capital Assets	990,260
Unrestricted (Deficit)	<u>(13,629)</u>
Total Net Assets	<u>976,631</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,034,776</u></u>

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business Type Activity
	Mountain View Nursing Home
<i>Operating Revenues</i>	
Intergovernmental:	
Quality Assessment	\$ 949,912
Charges for Services:	
Personal Resources and Other	738,798
Medicaid	2,515,218
Private	2,188,910
Medicare	312,567
Physical, Speech and Occupational Therapy	516,844
Laboratory and Medical Supplies	16,373
Meals	214,135
Pharmacy	44,561
Medicaid Proportional Share	355,279
Total Charges for Services	6,902,685
Other:	
Miscellaneous	88
Bad Debt Expense	(20,635)
Interest on Deposits	276
Total Other	(20,271)
<i>Total Operating Revenues</i>	<i>7,832,326</i>
<i>Operating Expenses</i>	
General Operating:	
Administration	984,177
Dietary	1,491,669
Nursing	5,440,694
Plant Operations	522,048
Laundry	104,980
Housekeeping	483,088
Physicians and Pharmacy	74,204
Physical Therapy	333,041
Recreational Therapy	372,632
Social Services	120,411
Special Services	156,479
Total General Operating	10,083,423
Depreciation	148,506
<i>Total Operating Expenses</i>	<i>10,231,929</i>
Operating Income (Loss)	(2,399,603)
<i>Contributions and Transfers</i>	
Capital Contributions	27,500
Transfers In	2,364,712
<i>Total Contributions and Transfers</i>	<i>2,392,212</i>
Change in Net Assets	(7,391)
Total Net Assets Beginning of the Year	984,022
Total Net Assets End of the Year	\$ 976,631

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business- Type Activities Mountain View Nursing Home
<i>Cash Flows From Operating Activities</i>	
Cash Received For Services	\$ 7,052,493
Cash Received for Interfund Services Provided	214,135
Cash Paid to Suppliers	(6,062,555)
Cash Paid to Employees	(3,807,293)
Cash Paid for Other Expenses	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>(2,603,220)</u>
<i>Cash Flows from Non-Capital Financing Activities</i>	
Operating Transfers From (To) Other Funds	<u>2,364,712</u>
<i>Cash Flows from Capital and Related Financing Activities</i>	
Acquisition of Equipment	<u>(121,100)</u>
<i>Net Cash Provided (Used) for Capital and Related Financing Activities</i>	<u>(121,100)</u>
<i>Cash Flows from Investing Activities</i>	
Interest on Investments	<u>276</u>
Increase (Decrease) in Cash and Cash Equivalents	(359,332)
Cash and Cash Equivalents at Beginning of Year	466,013
Cash and Cash Equivalents at End of Year	<u>\$ 106,681</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>	
Operating Income (Loss)	\$ (2,399,603)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Interest on Investments	(276)
Depreciation	148,506
Changes in Assets and Liabilities:	
Accounts Receivable	(537,046)
Due From Other Governments	(28,376)
Inventories	11,890
Prepaid Expense	(3,232)
Due from Other Funds	-
Accounts Payable	(5,522)
Accrued Liabilities	60,265
Due to Other Governments	(8,954)
Deferred Revenues	-
Due to Other Funds	151,645
Compensated Absences	7,483
Total Adjustments	<u>(203,617)</u>
Nonoperating Revenues (Expenses)	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ (2,603,220)</u>
<i>Noncash Transactions</i>	
Contributed Equipment and Vehicles	<u>\$ (27,500)</u>
Fully Depreciated Equipment Written Off During the Year	<u>\$ (34,157)</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - ALL AGENCY FUNDS
DECEMBER 31, 2008

	Agency Funds					Totals
	Nursing Home Residents' Funds	Recreation and Gift Cart Funds	Employees' Benefit Fund	Sheriff's Department	Register of Deeds	
ASSETS						
Cash	\$ 31,061	\$ 26,919	\$ 9,951	\$ 5,545	\$ 532,210	\$ 605,686
Accounts Receivable	-	2,894	-	-	5,331	8,225
Due From Other Funds:						
From Nursing Home	-	-	-	-	-	-
Inventories	-	2,096	-	-	-	2,096
TOTAL ASSETS	<u>\$ 31,061</u>	<u>\$ 31,909</u>	<u>\$ 9,951</u>	<u>\$ 5,545</u>	<u>\$ 537,541</u>	<u>\$ 616,007</u>
LIABILITIES						
Due to Other Governments:						
To State of New Hampshire	\$ -	\$ -	\$ -	\$ -	\$ 470,927	\$ 470,927
To Carroll County	-	-	-	-	66,614	66,614
Due to Specific Individuals/Groups	31,061	31,909	9,951	5,545	-	78,466
TOTAL LIABILITIES	<u>\$ 31,061</u>	<u>\$ 31,909</u>	<u>\$ 9,951</u>	<u>\$ 5,545</u>	<u>\$ 537,541</u>	<u>\$ 616,007</u>

The Accompanying Notes Are an Integral Part of This Financial Statement

COUNTY OF CARROLL, NEW HAMPSHIRE

NOTES TO THE FINANCIAL STATEMENTS

I | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Carroll County is a “body corporate” under the authority of the New Hampshire Revised Statute Annotated (RSA) 23:1. The elected County Commissioners are responsible for the day to day operation of the County. The Commissioners present a recommended budget to the County Convention for approval annually. Either the budget approved by the Convention or, if the Convention does not approve the budget timely, the Commissioners’ original budget as submitted for approval, becomes effective for the year.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when recognizable and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. County tax assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the

(Continued on next page)

COUNTY OF CARROLL, NEW HAMPSHIRE

NOTES TO THE FINANCIAL STATEMENTS

County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

County tax assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

The County reports the following major proprietary fund:

The Mountain View Nursing Home fund accounts for the activities of the County Nursing Home. The fund accounts for the operation and maintenance of the Nursing Home, which provides intermediate and skilled nursing care to the elderly residents of the County. The Home is funded through a combination of Medicaid and Medicare funds from the Federal Government, the State and the County as well as from the private resources of the residents of the Home.

Non-major Governmental Fund Types:

Special Revenue Funds – accounts for specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes. Non-major special revenue funds include the County Extension Service, Juvenile Placement, Victim/Witness Assistance, Deeds Surcharge, Unincorporated Place (Hales Location) and the Beane Fund.

Capital Projects Funds – accounts for financial resources segregated for the acquisition or construction of major capital facilities and include Capital Reserves.

Additionally, the County report the following funds:

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations or other governments. The fiduciary funds of the County are agency funds (residents' fund, Recreation and Gift Cart Fund, Employees' Benefit Fund, Sheriff's Department and Register of Deeds).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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COUNTY OF CARROLL, NEW HAMPSHIRE

NOTES TO THE FINANCIAL STATEMENTS

AFSCME (Mountain View Nursing Home) – once an employee has accumulated thirty-five (35) days of sick leave, any days or portion thereof in excess of thirty-five (35) shall be paid to the employee at fifty percent (50%) – union employees; one hundred percent (100%) – non-union employees of the current wage rate no later than the second pay day in December each year or upon termination of employment, provided the employee has been employed continuously for five years or more, employee is in good standing at time of termination, and has given a minimum of 14 days written notice to the employee's supervisor.

All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

- **Encumbrances** – These monies have been reserved for goods and services encumbered, or ordered before the end of the fiscal year, for which delivery of goods and services had not been made prior to the close of the fiscal year.
- **Prepays** – These monies have been reserved for reported prepaids in the General Fund to comply with accounting standards.

8. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital asset (net of accumulated depreciation) reduced by the outstanding balances of any debt used for the acquisition, construction or improvement of those capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provision on enabling legislation or through external restriction imposed by creditors, grantors or laws or regulations of other governments. The County reports the following restricted net asset categories:

(Continued on next page)

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

Juvenile Incentive – Under New Hampshire RSA (Revised Statutes Annotated) 170-G:4 XVI the State's Division for Children and Youth Services shall distribute funds to cities, towns and counties to "develop and maintain prevention programs, court diversion programs and alternative dispositions for juveniles other than placements outside of the home."

Deeds Surcharge – Under New Hampshire RSA 478:17-j, the Register of Deeds, with approval of the County Convention may impose a \$2 surcharge which may "only be used for the purchase, rental or repair of equipment" and which "shall be a separate, non-lapsing account, and the moneys in the account shall not be available for use as general revenue of the county."

Capital Reserves – Under New Hampshire RSA 35:1, the County may raise and appropriate funds for the "construction, reconstruction or acquisition of a specific capital improvement, or the acquisition of a specific item or specific items of equipment." Such resources that have been previously appropriated by the County Convention are reported as restricted net assets at year end.

Unincorporated Place - Under New Hampshire RSA the County Commissioners "shall have the same responsibilities for providing services as a town and its governing body."

Other Purposes-Expendable – Public-purpose expendable trust funds (Beane Fund), reported as special revenue funds, are reported as restricted net assets as the funds are restricted by the donors for specific uses.

9. RESTATEMENT OF BEGINNING FUND BALANCES AND NET ASSETS

Beginning fund balances and net assets have been restated as follows:

	Other Governmental Funds	Governmental Activities
Beginning Fund Balances/Net Assets as Previously Reported	\$ 976,642	\$ 8,141,729
Correction of Prior Year's Receivable Due from State of New Hampshire – Rooms and Meals Revenue	<u>5,530</u>	<u>5,530</u>
Beginning Fund Balances/Net Assets as Restated	<u>\$ 982,172</u>	<u>\$ 8,147,259</u>

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

II | RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

The details of this difference are as follows:

Bonds Payable	\$ (5,846,413)
Add: Accrued Interest Payable on Bonds and Capital Leases at Year End	(104,038)
Capital Leases Payable	(62,868)
Compensated Absences	<u>(87,839)</u>
Net Adjustments to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	<u>\$ (6,101,158)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, on the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital Outlay	\$ 122,843
Depreciation Expense	<u>(469,204)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ (346,361)</u>

Another element of that reconciliation states that "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 consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

The details of this difference are as follows:

Debt Issued or Incurred:

Capital Lease Financing	\$ (58,365)
Issuance of General Obligation Bonds	-

Principal Repayments:

General Obligation Debt	697,737
Payment on Capital Lease	<u>18,292</u>

Net Adjustment to Decrease Net Changes in Fund

Balances – Total Governmental Funds to Arrive at	
Changes in Net Assets of Governmental Activities	<u>\$ 657,664</u>

III | STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The County observes the following procedures in establishing the budgetary data reflected in the financial statements:

1. The County Commissioners deliver or mail to each member of the County Convention and to the Chairman of the Board of Selectmen in each town and the Mayor of each city within the County and to the Secretary of State prior to December 1, annually their operating budget for the ensuing calendar year, together with a statement of actual expenditure and income for at least nine months of the preceding calendar year.
2. Within ten to twenty days after mailing the budget, a public hearing is held on the budget estimates as submitted by the Committee.
3. Twenty-eight days must elapse after the mailing of the operating budget before the County Convention may vote on the appropriations for the ensuing budget period.
4. The County Convention must adopt its annual budget no later than March 31.
5. The final form of the County Budget is filed with the Secretary of State's office and the Commissioner of Revenue Administration no later than March 31.
6. The Commissioners are authorized to transfer budget amounts within any department. However, any revisions that transfer amounts between departments or alter the total expenditures of any fund must be approved by the Executive Committee of the Delegation.
7. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (Extension Service, Victim/Witness and Deeds Surcharge) and Enterprise Fund. However, the County legally adopts only one budget for all of the funds.
8. Budget appropriations lapse at year end except for any outstanding encumbrances or approved appropriation carryovers.

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

9. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgets for the Enterprise Fund are adopted on a basis which is not consistent with GAAP. The budget for the Enterprise Fund is prepared on a spending measurement focus using the modified accrual basis of accounting while the Enterprise Fund is reported on a cost of services measurement focus using the accrual basis of accounting.

IV | DETAILED NOTES ON ALL FUNDS

A. Deposits and Custodial Credit Risk

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 a deposit policy for custodial credit risk. At year end the carrying amount of the County's deposits was \$3,311,589. At year end, \$2,157,514 of the County's bank balance of \$3,251,645 was exposed to custodial credit risk as follows:

Collateralized by a Joint Custody Agreement	\$ 1,203,992
Collateralized by FNMA Securities With a Total Collateral Value of \$652,381	643,074
Collateralized by a Tri- Party Collateral Agreement with Bank of New York	220,317
Uncollateralized and Uninsured	<u>90,131</u>
Total	<u>\$ 2,157,514</u>

For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

B. Receivables

Receivables as of year-end for the County's individual major funds and non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Other Governmental Funds	Total
<i>Receivables:</i>			
Taxes	\$ -	\$ 6,709	\$ 6,709
Accounts	170,204	2,170	172,374
Intergovernmental	<u>-</u>	<u>101,311</u>	<u>101,311</u>
Gross Receivables	170,204	110,190	280,394
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 170,204</u>	<u>\$ 110,190</u>	<u>\$ 280,394</u>

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

Revenues of the County Nursing Home are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Gross Receivables	\$1,560,097
Uncollectibles	<u>-</u>
Net Total Receivables	<u>\$1,560,097</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

C. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 45,552	\$ -	\$ -	\$ 45,552
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>45,552</u>	<u>-</u>	<u>-</u>	<u>45,552</u>
Capital Assets, Being Depreciated:				
Land Improvements	4,500	-	-	4,500
Buildings and Improvements	10,735,961	-	-	10,735,961
Wastewater System	1,734,036	-	-	1,734,036
Water System	1,508,026	-	-	1,508,026
Furniture, Equipment and Vehicles	<u>1,733,887</u>	<u>122,843</u>	<u>-</u>	<u>1,856,730</u>
Total Capital Assets Being Depreciated	<u>15,716,410</u>	<u>122,843</u>	<u>-</u>	<u>15,839,253</u>
Less: Accumulated Depreciation for:				
Land Improvements	(4,500)	-	-	(4,500)
Buildings and Improvements	(2,500,997)	(270,530)	-	(2,771,527)
Wastewater System	(259,673)	(41,349)	-	(301,022)
Water System	(231,273)	(29,961)	-	(261,234)
Furniture, Equipment and Vehicles	<u>(884,998)</u>	<u>(127,364)</u>	<u>-</u>	<u>(1,012,362)</u>
Total Accumulated Depreciation	<u>(3,881,441)</u>	<u>(469,204)</u>	<u>-</u>	<u>(4,350,645)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,834,969</u>	<u>(346,361)</u>	<u>-</u>	<u>11,488,608</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,880,521</u>	<u>\$ (346,361)</u>	<u>\$ -</u>	<u>\$ 11,534,160</u>

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	-	-	-	-
Capital Assets, Being Depreciated:				
Land Improvements	75,369	-	-	75,369
Buildings and Improvements	2,172,100	18,144	-	2,190,244
Wastewater System	633,637	-	-	633,637
Furniture, Equipment and Vehicles	731,371	130,456	(34,157)	827,670
Total Capital Assets Being Depreciated	3,612,477	148,600	(34,157)	3,726,920
Less: Accumulated Depreciation for:				
Land Improvements	(15,151)	(8,914)	-	(24,065)
Buildings and Improvements	(1,607,165)	(49,186)	-	(1,656,351)
Wastewater System	(595,618)	(25,345)	-	(620,963)
Furniture, Equipment and Vehicles	(404,377)	(65,061)	34,157	(435,281)
Total Accumulated Depreciation	(2,622,311)	(148,506)	34,157	(2,736,660)
Total Capital Assets, Being Depreciated, Net	990,166	94	-	990,260
Business-type Activities Capital Assets, Net	\$ 990,166	\$ 94	\$ -	\$ 990,260

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 123,417
Public Safety (Sheriff and Corrections)	338,955
Human Services	-
Farm	6,832
Total Depreciation Expense – Governmental Activities	<u>\$ 469,204</u>

Business-Type Activities:

County Nursing Home	\$ 148,506
Total Depreciation Expense – Business-type Activities	<u>\$ 148,506</u>

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances at year end is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 243,642
Nonmajor Governmental Funds	General	301,981
Nonmajor Governmental Funds	Mountain View Nursing Home	71,311
General	Mountain View Nursing Home	1,408,387
Mountain View Nursing Home	Nonmajor Governmental Funds	<u>43,651</u>
Total		<u>\$ 2,068,972</u>

Interfund Transfers:

Transfer out:	Transfer In:			Total
	General Fund	Nonmajor Governmental	Mountain View Nursing Home	
General	\$ -	\$ 292,589	\$ 2,364,712	\$ 2,657,301
Nonmajor Governmental	<u>20,008</u>	<u>-</u>	<u>-</u>	<u>20,008</u>
Total	<u>\$ 20,008</u>	<u>\$ 292,589</u>	<u>\$ 2,364,712</u>	<u>\$ 2,677,309</u>

E. Leases

Operating Leases

The County does have numerous operating leases for vehicles at the Sheriff's Department.

The leases, subject to termination within 30 days after written notice, require the County to pay all costs for gasoline and insurance with the lesser assuming the cost of maintenance. Total vehicle lease expense for the year was \$101,404 and is reported under Public Safety (Sheriff's Department).

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

The County Extension Service also has an operating lease for office space. Total office lease expense for the year was \$29,430 and is reported under General Government. Future minimum annual operating lease payments are as follows:

<u>Year Ended December 31,</u>	
2009	\$ 134,344
2010	128,844
2011	79,298
2012	<u>51,650</u>
Total	<u>\$ 394,136</u>

Capital Leases

The County's General Fund has entered into an agreement for the lease of Sheriff's Department vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

	<u>Governmental Activities</u>
<i>Asset:</i>	
Vehicle	\$ 78,154
Less: Accumulated Depreciation	<u>(14,014)</u>
Total	<u>\$ 64,140</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of year end were as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2009	\$ 37,397
2010	21,060
2011	21,060
2012	<u>6,806</u>
Total Minimum Lease Payment	86,323
Less: Amount Representing Interest	<u>(23,455)</u>
Present Value of Minimum Lease Payments	<u>\$ 62,868</u>

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

F. Long-term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Amount
<i>Governmental Activities:</i>	
\$152,500 – State of New Hampshire Revolving Loan; Due in Annual Installments of \$15,250 Through September 2010; Interest at 2.375%	\$ 30,500
\$235,000 – Public Improvement Bond (Rural Development); Due in Annual Installments of \$7,834 Through July 2032; Interest at 4.5%	187,996
\$8,000,000 – Jail Construction Bond; Due in Annual Installments of \$535,000 Through July 2015, \$530,000 Through July 15, 2017; Interest at 3.00 to 4.45%	4,790,000
\$1,400,000 – State of New Hampshire Revolving Loan, Ten Year Loan, Due in Annual Installments of \$139,653 through July 2014, Interest at 2.305%	<u>837,917</u>
Total Outstanding Governmental Activities	<u>\$ 5,846,413</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2009	\$ 697,737	\$ 224,752
2010	697,737	200,757
2011	682,487	176,492
2012	682,487	152,056
2013	677,487	127,085
2014-2018	2,298,823	264,879
2019-2023	39,170	20,706
2024-2028	39,170	11,894
2029-2032	<u>31,315</u>	<u>3,169</u>
Total	<u>\$ 5,846,413</u>	<u>\$ 1,181,790</u>

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

In December 2001, the County was awarded a Wastewater System Improvement State Aid Grant (C-609). The grant is subject to appropriation by the State Legislature and, accordingly, is NOT recorded as receivable at year end. Amounts anticipated by the County to be received from the State to cover the State's share of the annual principal and interest on the \$152,500 Revolving Loan are as follows:

Year Ended December 31	Principal	Interest	Total
2009	\$ 3,050	\$ 72	\$ 3,122
2010	<u>3,050</u>	<u>145</u>	<u>3,195</u>
Total	<u>\$ 6,100</u>	<u>\$ 217</u>	<u>\$ 6,317</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds	\$ 6,544,150	\$ -	\$ (697,737)	\$ 5,846,413	\$ 697,737
Capital Leases	22,795	58,365	(18,292)	62,868	17,600
Compensated Absences	<u>79,281</u>	<u>-</u>	<u>-</u>	<u>87,839</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 6,646,226</u>	<u>\$ 66,923</u>	<u>\$ (716,029)</u>	<u>\$ 5,997,120</u>	<u>\$ 715,337</u>
<i>Business-Type Activities:</i>					
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Leases	-	-	-	-	-
Compensated Absences	<u>167,467</u>	<u>7,483</u>	<u>-</u>	<u>174,950</u>	<u>-</u>
Business-type Activity Long-term Liabilities	<u>\$ 167,467</u>	<u>\$ 7,483</u>	<u>\$ -</u>	<u>\$ 174,950</u>	<u>\$ -</u>

The County issues tax anticipation notes annually in advance of the payment of the County tax assessments in November and December by the various towns and cities in the County. These notes are necessary to meet the cash flow needs during the fiscal year, which include the County's normal operating budget. Short-term debt activity for the year was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
County Tax Anticipation Notes Payable	<u>\$ -</u>	<u>\$10,000,000</u>	<u>\$(10,000,000)</u>	<u>\$ -</u>

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

The County's Unincorporated Place, Hales Location, may also issue tax anticipation notes in advance of the payments of property taxes for the unincorporated Place. Short-term debt activity for Hales Location for the year was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

V | OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County, along with numerous other municipalities in the State, is a member of three public entity risk pools in the State currently operating as a common risk management and insurance program for which all political subdivision in the State of New Hampshire are eligible to participate. The pools provide coverage for workers' compensation, unemployment and property liability insurance. As a member of the property liability pool, the County shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program. Contributions paid for the fiscal year totaled \$267,236 for property liability coverage, workers' compensation and unemployment. There were no deductible claims for the fiscal year for property liability insurance.

The pool agreement permits the pool to make additional assessments to members should there be deficiency in pool assets to meet its liabilities. At this time, the pool foresees no likelihood of an additional assessment for past years.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. The County participates in a federally assisted contract for services with the Department of Health and Human Services Medicaid (Title XIX) - through the New Hampshire Department of Health and Human Services and also receives a Victim/Witness Advocacy Grant Program with the Department of Justice (through the New Hampshire Attorney General's Office).

The contract and the grants are subject to program compliance audits by the grantors or their representatives. The audits of the contract and the grants for or including the fiscal year have not yet been reviewed by the grantor. Accordingly, the County's compliance with applicable contract requirements will be established at some future date after the grantor's review. The amount if any, of expenditures which may be disallowed by the contracting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

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COUNTY OF CARROLL, NEW HAMPSHIRE

NOTES TO THE FINANCIAL STATEMENTS

C. Employee Pension Plan

PLAN DESCRIPTION - Substantially all County employees participate in the State of New Hampshire Retirement System (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All County full-time employees are eligible to participate in the System. The System is divided into two employee groups: Group I which includes all employees except fire fighters and police officers and Group II which is for fire fighters and police officers (including County Sheriff's Departments). The New Hampshire Retirement System issues annually a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the New Hampshire Retirement System, 4 Chenell Drive, Concord, NH.

GROUP I EMPLOYEES - who retire at or after age 60 but before age 65 are entitled to retirement benefits equal to 1.667% of the average of their three highest paid years of compensation, multiplied by their years of service. At age 65 the benefit is recalculated at 1.50% of AFC multiplied by their years of service credit. Earlier retirement allowances at reduced rates are available after age 50 with 10 years of service. Benefits fully vest upon reaching 10 years of service or attaining age 60.

GROUP II EMPLOYEES - who attain age 45 with 20 years or more of service are entitled to retirement benefits equal to 2.5% of the average of their three highest paid years of service, multiplied by their years of service, not to exceed 40. Benefits vest ratably beginning after 10 years of service.

The System also provides death and disability benefits. Cost-of-living increases have been periodically granted to retirees by the State Legislature.

FUNDING POLICY - The System is funded by contributions from both the employees and employers. Group I employees are required by State statute to contribute 5.0 percent of gross earnings. Group II employees are required to contribute 9.3 percent of their gross earnings. The employer must, under the same statute, contribute monthly at an actuarially determined rate. The current rates are 6.81% (5.8% for teachers and 8.74% regular employees, 11.84% for police officers and 15.92% for firefighters) of covered payroll. The contribution requirement for the year was \$1,072,575, which consisted of \$656,264 from the County and \$416,311 from employees. The County's contributions to the System for the years ended December 31, 2007 and 2006 were \$567,467 and \$465,864, respectively, which were equal to the amount required under State statute to be contributed for the year.

D. Deficit Net Assets

The County's Mountain View Nursing Home (Proprietary Fund) had an unrestricted net asset deficit of \$13,629 at year end. The Nursing Home has seen its daily reimbursement rate from the State for Medicaid residents remain flat or even decrease over the last few years. The County Delegation budgets for the Nursing Home to be subsidized on the modified accrual basis annually by County taxpayers. However, as the Nursing Home is run on the full accrual basis, the subsidies and the decrease in the Medicaid reimbursement rates have not provided sufficient resources to meet the cost of the services that the Home must provide to its residents.

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

E. GASB #45 and Postemployment Benefits

Plan Description – The County’s Healthcare plan is through a public entity risk pool in the State currently operating as a common risk management and insurance program. New Hampshire RSA 100-A:50 requires that the health insurance premiums be rated together (‘retired employees shall be deemed to be part of the same group of active employees....for purposes of determining medical insurance premiums’). This results in the blended insurance rate that is an increased cost for current employees and a lower cost for retired employees, even if, as in the case of the County, the retiree pays 100% of their health insurance premium.

The County was required to implement the provisions of GASB #45 for its fiscal year beginning after December 15, 2007, i.e., the year ended December 31, 2008. However, the County has not had an actuarial study done for its postemployment benefits.

The County believes that the amount of time and expense required to implement the requirements of GASB #45 are excessive, especially since the County does NOT pay for retiree health insurance. In addition, the requirement to provide health insurance to retirees is mandated by State RSA’s and not by vote of the County Delegation. Implementing the requirements of GASB #45 would result in the County carrying a liability on its full accrual statements (Statement 1) that would never be liquidated. At year end, the County has 165 current employees on its health insurance and 2 retirees.

New Hampshire Retirement System does offer, for qualified retirees, an insurance subsidy that is paid directly to the insurance pool. However, the subsidy ceased July 1, 2009 for those Group 1 employees retiring after that date and the County has no plans or intentions to pay the lapsed subsidy.

The following is provided for the year end December 31, 2008 for informational purposes only:

a) Plan Type: The County provides medical benefits to eligible retirees.

b) Eligibility: Group I – 60 or older with no minimum service
50 with ten years of service
Members age plus service equals 70
with a minimum of 20 years of service

Group II - 60 or older with no minimum service
45 with 20 years of service

c) Benefit Costs: The retiree is responsible for the full price of the medical premium.

d) Premium Costs: At year end, there were 165 full-time employees covered by the insurance plan and 2 retired employees on the plan. Monthly premiums were as follows:

<u>Individual</u>	<u>Married</u>	<u>Family</u>	<u>Retiree</u>
\$630.32	\$1,260.65	\$1,719.59	\$630.32
			to
			\$1,260.65

(Continued on next page)

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

F. Subsequent Event

At the November 30, 2009, Delegation Meeting , the Delegation authorized the Commissioners to borrow up to \$23.5 million in bonds for the purpose of building the Carroll County Nursing Home.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF CARROLL, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Adopted Budget	Prior Year's Encumbrances	Supplemental Budget	Approved Transfers	Revised Budget	Actual	Variance With Final Budget
Revenues							
Taxes	\$ 12,432,528	\$ -	\$ -	\$ -	\$ 12,432,528	\$ 12,432,528	\$ -
Charges for Services							
Register of Deeds' Fees	863,801	-	-	-	863,801	787,179	(76,622)
Sheriff's Writ Fees	60,000	-	-	-	60,000	88,077	28,077
Sheriff's Other	74,220	-	-	-	74,220	37,614	(36,606)
Sheriff - US Forestry	26,520	-	-	-	26,520	15,617	(10,903)
Court Bailiffs	116,385	-	-	-	116,385	110,564	(5,821)
Total Charges for Services	1,140,926	-	-	-	1,140,926	1,039,051	(101,875)
Interest	142,500	-	-	-	142,500	42,174	(100,326)
Other							
Water Rents	67,464	-	-	-	67,464	57,452	(10,012)
Insurance Refunds	4,000	-	-	-	4,000	-	(4,000)
Social Services and Human Services	1	-	-	-	1	6,033	6,032
Other	39,101	-	-	-	39,101	53,604	14,503
Total Other	110,566	-	-	-	110,566	117,089	6,523
County Jail	47,000	-	-	-	47,000	42,116	(4,884)
County Farm							
Produce	2,500	-	-	-	2,500	1,900	(600)
Hay	35,000	-	-	-	35,000	51,726	16,726
Wood	25,000	-	-	-	25,000	22,076	(2,924)
Maintenance and Equipment	24,000	-	-	-	24,000	61,100	37,100
Miscellaneous	-	-	-	-	-	-	-
Total County Farm	86,500	-	-	-	86,500	136,802	50,302
Fund Balance Used for Prior Year's Encumbrances	-	142,897	-	-	142,897	-	(142,897)
Fund Balance Used to Reduce the Tax Rate	800,000	-	-	-	800,000	-	(800,000)
Total Revenues	\$ 14,760,020	\$ 142,897	\$ -	\$ -	\$ 14,902,917	\$ 13,809,760	\$ (1,093,157)

GAAP is the budgetary basis used in the preparation of this schedule.

Exhibit J
(Continued)

COUNTY OF CARROLL, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Adopted Budget	Prior Year's Encumbrances	Supplemental Budget	Approved Transfers	Revised Budget	Actual	Variance With Final Budget
EXPENDITURES							
<i>General Government</i>							
Commissioners' Office	\$ 218,761	\$ 26,495	\$ -	\$ -	\$ 245,256	\$ 227,171	\$ 18,085
Treasurer	6,644	-	-	-	6,644	6,586	58
Special Fees and Services	13,200	-	-	-	13,200	18,319	(5,119)
Human Resources	85,113	-	-	-	85,113	79,591	5,522
Water Works	66,819	-	-	-	66,819	58,628	8,191
County Attorney	367,522	-	-	-	367,522	368,165	(643)
Register of Deeds	436,163	-	-	-	436,163	427,512	8,651
Medical Referee	7,000	-	-	-	7,000	13,628	(6,628)
Maintenance of Administration Building	199,753	25,750	-	-	225,503	195,754	29,749
General Maintenance	90,495	-	-	-	90,495	75,294	15,201
Sewer System	41,550	-	-	-	41,550	46,770	(5,220)
Regional Appropriation	189,425	-	-	-	189,425	189,425	-
County Convention	10,150	-	-	-	10,150	10,139	11
Total General Government	1,752,595	52,245	-	-	1,804,840	1,716,982	87,858
<i>Public Safety</i>							
Sheriff's Department	1,621,248	-	-	-	1,621,248	1,449,684	171,564
Dispatch Center	715,270	-	-	-	715,270	660,928	54,342
Total Public Safety	2,336,518	-	-	-	2,336,518	2,110,612	225,906
<i>Corrections</i>							
County Jail	2,894,387	-	-	-	2,894,387	2,938,251	(43,864)
<i>Farm</i>							
	165,278	-	-	-	165,278	164,556	722
<i>Human Services</i>							
Human Services Department	3,207,508	90,652	-	-	3,298,160	2,956,999	341,161
<i>Capital Outlay</i>							
	-	-	-	-	-	-	-
<i>Debt Service - Principal</i>							
Principal - Long-Term Debt	697,737	-	-	-	697,737	697,737	-
<i>Debt Service - Interest</i>							
Interest on Tax Anticipation Notes	200,000	-	-	-	200,000	165,685	34,315
Interest - Long-Term Debt	247,688	-	-	-	247,688	247,411	277
Total Interest	447,688	-	-	-	447,688	413,096	34,592
Total Debt Service	1,145,425	-	-	-	1,145,425	1,110,833	34,592
Total Expenditures	11,501,711	142,897	-	-	11,644,608	10,998,233	646,375
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,258,309	\$ -	\$ -	\$ -	\$ 3,258,309	\$ 2,811,527	\$ (446,782)

GAAP is the budgetary basis used in the preparation of this schedule.

Exhibit 1
(Continued)

COUNTY OF CARROLL, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Adopted Budget	Prior Year's Encumbrances	Supplemental Budget	Approved Transfers	Revised Budget	Actual	Variance With Final Budget
<i>Other Financing Sources (Uses)</i>							
Operating Transfers In:							
From Special Revenue Funds:							
Extension Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,008	\$ (20,008)
From Capital Projects:							
Capital Reserves	14,000	-	-	-	14,000	-	14,000
From Enterprise Funds:							
County Nursing Home	-	-	-	-	-	-	-
Total Operating Transfers In	14,000	-	-	-	14,000	20,008	(6,008)
Operating Transfers (Out):							
To Special Revenue Funds:							
Extension Service	(230,978)	-	-	-	(230,978)	(230,978)	-
Victim/Witness Grant	(61,657)	-	-	-	(61,657)	(61,611)	46
To Capital Projects:							
To Capital Reserves	(14,001)	-	-	-	(14,001)	-	14,001
To Jail Construction Capital Project	-	-	-	-	-	-	-
To Enterprise Funds:							
County Nursing Home	(2,965,673)	-	-	-	(2,965,673)	(2,364,712)	600,961
Total Operating Transfers (Out)	(3,272,309)	-	-	-	(3,272,309)	(2,657,301)	615,008
Total Other Financing Sources (Uses)	(3,258,309)	-	-	-	(3,258,309)	(2,637,293)	609,000
Excess (Deficiency) of Revenues Over Expenditures and other Financing Sources (Uses)	-	-	-	-	-	174,234	162,218
Fund Balances, Beginning of Year	2,045,319	-	-	-	2,045,319	2,045,319	-
Fund Balances, End of Year	\$ 2,045,319	\$ -	\$ -	\$ -	\$ 2,045,319	\$ 2,219,553	\$ 162,218