
***COUNTY OF CARROLL,
NEW HAMPSHIRE***

FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT
THEREON)

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2009

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PROFESSIONAL ASSOCIATION
Certified Public Accountants

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, 2009, 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 D). 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, 2009 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.

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The budgetary comparison information on pages 32 through 34 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

March 11, 2010

BASIC FINANCIAL STATEMENTS

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Equivalents	\$ 738,366	\$ 114,264	\$ 852,630
Temporary Investments	820,500	-	820,500
Taxes Receivable	2,203	-	2,203
Accounts Receivable	355,369	2,249,407	2,604,776
Due from Other Governments	18,545	340,731	359,276
Internal Balances	2,037,121	(2,037,121)	-
Inventories	46,029	45,766	91,795
Prepaid Expenses	269,761	12,685	282,446
Restricted Assets: Cash and Equivalents	-	-	-
Capital Assets:			
Land and Improvements	50,052	75,369	125,421
Buildings and Improvements	10,735,961	2,052,433	12,788,394
Wastewater System	1,734,036	633,637	2,367,673
Water System	1,508,026	-	1,508,026
Furniture, Equipment and Vehicles	1,888,619	841,351	2,729,970
Construction in Progress	-	691,449	691,449
Less Accumulated Depreciation	(4,767,239)	(2,704,110)	(7,471,349)
Total Capital Assets, Net of Depreciation	11,149,455	1,590,129	12,739,584
TOTAL ASSETS	\$ 15,437,349	\$ 2,315,861	\$ 17,753,210
LIABILITIES			
Accounts Payable	\$ 600,260	\$ 139,167	\$ 739,427
Accrued Liabilities	113,272	82,523	195,795
Due to Other Governments	-	112,569	112,569
Contract Payable	-	230,151	230,151
Deferred Revenue	-	-	-
Non-current Liabilities:			
Portion Due Or Payable Within One Year:			
Bonds and Notes	697,737	-	697,737
Capital Lease Obligations	32,779	-	32,779
Portion Due Or Payable After One Year:			
Bonds and Notes	4,450,939	-	4,450,939
Capital Lease Obligations	57,582	-	57,582
Compensated Absences	100,589	148,182	248,771
Total Liabilities	6,053,158	712,592	6,765,750
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,910,418	1,590,129	7,500,547
Restricted for:			
Juvenile Incentive	42,849	-	42,849
Deeds Surcharge	90,465	-	90,465
Capital Reserves	156,450	-	156,450
Unincorporated Place	239,921	-	239,921
Other Purposes:			
Expendable	287,771	-	287,771
Unrestricted (Deficit)	2,656,317	13,140	2,669,457
Total Net Assets	\$ 9,384,191	\$ 1,603,269	\$ 10,987,460

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	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	\$ 2,848,602	\$ 931,774	\$ 25,738	\$ 200,000	\$ (1,691,090)	\$ -	\$ (1,691,090)
Public Safety	5,815,808	370,946	-	-	(5,444,862)	-	(5,444,862)
Human Services	4,055,173	-	-	-	(4,055,173)	-	(4,055,173)
Farm	176,480	115,915	-	-	(60,565)	-	(60,565)
Interest on Long-term Debt	210,455	-	-	-	(210,455)	-	(210,455)
Total Governmental Activities	13,106,518	1,418,635	25,738	200,000	(11,462,145)	-	(11,462,145)
Business-type Activities							
Mountain View Nursing Home	10,703,162	7,506,744	1,732,951	-	-	(1,463,467)	(1,463,467)
Total Business-type Activities	10,703,162	7,506,744	1,732,951	-	-	(1,463,467)	(1,463,467)
Total	\$ 23,809,680	\$ 8,925,379	\$ 1,758,689	\$ 200,000	(11,462,145)	(1,463,467)	(12,925,612)
General Revenues:							
Taxes:							
County Tax Assessment					13,173,407	-	13,173,407
Property Taxes - Unincorporated Place					215,386	-	215,386
Payment in Lieu of Taxes					-	-	-
Grants and Contributions Not Restricted to Specific Purposes					802,686	-	802,686
Interest and Investment Earnings					34,633	286	34,919
Miscellaneous					39,319	866	40,185
Gain (Loss) on Disposal of Capital Assets					1,210	-	1,210
Capital Contributions					-	-	-
Transfers					(2,088,953)	2,088,953	-
Total General Revenues, Special Items and Transfers					12,177,688	2,090,105	14,267,793
Change in Net Assets					715,543	626,638	1,342,181
Net Assets, Beginning of Year, Restated					8,668,648	976,631	9,645,279
Net Assets, End of Year					\$ 9,384,191	\$ 1,603,269	\$ 10,987,460

The Accompanying Notes are an Integral Part of This Financial Statement

COUNTY OF CARROLL, NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Equivalents	\$ 657,820	\$ 80,546	\$ 738,366
Temporary Investments	2,766	817,734	820,500
Taxes Receivable	-	2,203	2,203
Accounts Receivable	352,605	2,764	355,369
Due from Other Funds	2,137,526	156,450	2,293,976
Due from Other Governments	-	18,545	18,545
Inventories	46,029	-	46,029
Prepaid Expenses	266,735	3,026	269,761
Restricted Assets: Cash and Equivalents	-	-	-
TOTAL ASSETS	\$ 3,463,481	\$ 1,081,268	\$ 4,544,749
LIABILITIES			
Accounts Payable	\$ 599,030	\$ 1,230	\$ 600,260
Accrued Liabilities	20,337	-	20,337
Due to Other Funds	-	256,855	256,855
Due to Other Governments	-	-	-
Total Liabilities	619,367	258,085	877,452
FUND BALANCES			
Reserved for Encumbrances	25,972	-	25,972
Reserved for Inventories	46,029	-	46,029
Reserved for Prepaid Expenses	266,735	-	266,735
Reserved by Trust Instrument	-	287,771	287,771
Reserved by Capital Reserves	-	156,450	156,450
Unreserved Reported in:			
General Fund	2,505,378	-	2,505,378
Nonmajor Special Revenue Funds	-	378,962	378,962
Capital Projects Funds	-	-	-
TOTAL FUND BALANCES	2,844,114	823,183	3,667,297
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,463,481	\$ 1,081,268	\$ 4,544,749

The Accompanying Notes are an Integral Part of This Financial Statement

(Continued)
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COUNTY OF CARROLL, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

<i>Total Governmental Fund Balances (Previous Page)</i>	\$ 3,667,297
<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.	11,149,455
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.	(5,432,561)
<i>Net Assets of Governmental Activities - Statement 1</i>	<u>\$ 9,384,191</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 13,173,407	\$ 215,386	\$ 13,388,793
License Permits and Fees	-	28,195	28,195
Charges for Services	1,044,459	31,719	1,076,178
Intergovernmental	797,142	231,282	1,028,424
Interest	20,718	13,916	34,634
Other	126,470	23,229	149,699
County Jail	90,167	-	90,167
County Farm	115,915	-	115,915
Total Revenues	15,368,278	543,727	15,912,005
Expenditures			
Current:			
General Government	1,784,238	519,040	2,303,278
Public Safety	2,295,214	88,494	2,383,708
Corrections	3,110,907	-	3,110,907
Farm	186,464	-	186,464
Human Services	3,927,813	-	3,927,813
County Taxes	-	87,725	87,725
State Education Taxes	-	-	-
Capital Outlay	-	236,794	236,794
Debt Retirement - Principal	694,542	-	694,542
- Interest	460,170	-	460,170
Total Expenditures	12,459,348	932,053	13,391,401
Excess (Deficiency) of Revenues Over Expenditures	2,908,930	(388,326)	2,520,604
Other Financing Sources (Uses)			
Proceeds of Long-term Debt	-	-	-
Operating Transfers In	-	297,296	297,296
Operating Transfers (Out)	(2,284,369)	(101,880)	(2,386,249)
Total Other Financing Sources (Uses)	(2,284,369)	195,416	(2,088,953)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	624,561	(192,910)	431,651
Fund Balances, Beginning of Year	2,219,553	1,016,093	3,235,646
Fund Balances, End of Year	\$ 2,844,114	\$ 823,183	\$ 3,667,297

(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, 2009

<i>Net Change in Fund Balances - Total Governmental Funds (Previous Page)</i>	\$ 431,651
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.	(383,715)
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.	670,244
The Statement of Activities Reports a Gain or (Loss) on the Sale or Disposal of Capitalized Assets Based on the Proceeds Received and the Net Book Value of the Assets at the Time of Sale.	(990)
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.	11,103
Estimated Compensated Absences Payable Are Recognized When Payable on Statement 4 But Are Accrued and Expensed at Year End on Statement 2.	(12,750)
<i>Change in Net Assets of Governmental Activities (Statement 2)</i>	<u>\$ 715,543</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2009

	Business- Type Activities Mountain View Nursing Home
ASSETS	
Current Assets:	
Cash and Equivalents	\$ 114,264
Accounts Receivable	2,249,407
Due From Other Governments	340,731
Inventories	45,766
Prepaid Expenses	12,685
Total Current Assets	<u>2,762,853</u>
Capital Assets:	
Land and Improvements	75,369
Buildings and Improvements	2,052,433
Wastewater System	633,637
Furniture, Equipment and Vehicles	841,351
Construction in Progress	691,449
Less Accumulated Depreciation	<u>(2,704,110)</u>
Total Capital Assets, Net of Depreciation	<u>1,590,129</u>
TOTAL ASSETS	<u><u>\$ 4,352,982</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 139,167
Accrued Liabilities	82,523
Due to Other Governments	112,569
Contract Payable	230,151
Deferred Revenues	<u>-</u>
Due to Other Funds:	
To General Fund	2,037,121
To Special Revenue Funds	<u>-</u>
Total Due to Other Funds	<u>2,037,121</u>
Total Current Liabilities	2,601,531
Long-term Liabilities:	
Compensated Absences	148,182
Total Liabilities	<u><u>2,749,713</u></u>
NET ASSETS	
Invested in Capital Assets	1,590,129
Unrestricted (Deficit)	13,140
Total Net Assets	<u>1,603,269</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,352,982</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, 2009

	Business Type Activity
	Mountain View Nursing Home
<i>Operating Revenues</i>	
Intergovernmental:	
Quality Assessment	\$ 1,336,052
Charges for Services:	
Personal Resources and Other	789,526
Medicaid	2,490,526
Private	2,307,847
Medicare	517,562
Physical, Speech and Occupational Therapy	1,081,623
Laboratory and Medical Supplies	9,395
Meals	238,016
Pharmacy	72,249
Medicaid Proportional Share	396,899
Total Charges for Services	7,903,643
Other:	
Miscellaneous	866
Interest on Deposits	286
Total Other	1,152
<i>Total Operating Revenues</i>	<i>9,240,847</i>
<i>Operating Expenses</i>	
General Operating:	
Administration	1,073,028
Dietary	1,478,951
Nursing	5,627,934
Plant Operations	524,054
Laundry	90,253
Housekeeping	479,395
Physicians and Pharmacy	91,201
Physical Therapy	355,394
Recreational Therapy	425,058
Social Services	138,716
Special Services	288,671
Total General Operating	10,572,655
Depreciation	130,507
<i>Total Operating Expenses</i>	<i>10,703,162</i>
Operating Income (Loss)	(1,462,315)
<i>Contributions and Transfers</i>	
Capital Contributions	-
Transfers In	2,088,953
<i>Total Contributions and Transfers</i>	<i>2,088,953</i>
Change in Net Assets	626,638
Total Net Assets Beginning of the Year	976,631
Total Net Assets End of the Year	\$ 1,603,269

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business- Type Activities Mountain View Nursing Home
<i>Cash Flows From Operating Activities</i>	
Cash Received For Services	\$ 8,255,276
Cash Received for Interfund Services Provided	238,016
Cash Paid to Suppliers	(5,698,784)
Cash Paid to Employees	(4,375,939)
Cash Paid for Other Expenses	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>(1,581,431)</u>
<i>Cash Flows from Non-Capital Financing Activities</i>	
Operating Transfers From (To) Other Funds	<u>2,088,953</u>
<i>Cash Flows from Capital and Related Financing Activities</i>	
Acquisition of Equipment	<u>(500,225)</u>
<i>Net Cash Provided (Used) for Capital and Related Financing Activities</i>	<u>(500,225)</u>
<i>Cash Flows from Investing Activities</i>	
Interest on Investments	<u>286</u>
Increase (Decrease) in Cash and Cash Equivalents	7,583
Cash and Cash Equivalents at Beginning of Year	<u>106,681</u>
Cash and Cash Equivalents at End of Year	<u>\$ 114,264</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>	
Operating Income (Loss)	<u>\$ (1,462,315)</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Interest on Investments	(286)
Depreciation	130,507
Changes in Assets and Liabilities:	
Accounts Receivable	(689,310)
Due From Other Governments	(57,959)
Inventories	(5,493)
Prepaid Expense	(1,643)
Due from Other Funds	43,651
Accounts Payable	(23,628)
Accrued Liabilities	(201,064)
Due to Other Governments	12,832
Deferred Revenues	-
Due to Other Funds	700,045
Compensated Absences	(26,768)
Total Adjustments	<u>(119,116)</u>
Nonoperating Revenues (Expenses)	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ (1,581,431)</u>
<i>Noncash Transactions</i>	
Contributed Equipment and Vehicles	<u>\$ -</u>
Fully Depreciated Equipment Written Off During the Year	<u>\$ (163,057)</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - ALL AGENCY FUNDS
DECEMBER 31, 2009

	Agency Funds					Totals
	Nursing Home Residents' Funds	Recreation and Gift Cart Funds	Employees' Benefit Fund	Sheriff's Department	Register of Deeds	
ASSETS						
Cash	\$ 34,815	\$ 32,960	\$ 5,475	\$ 3,161	\$ 580,982	\$ 657,393
Accounts Receivable	-	5,045	-	-	4,652	9,697
Due From Other Funds:						
From Nursing Home	-	-	-	-	-	-
Inventories	-	2,801	-	-	-	2,801
TOTAL ASSETS	<u>\$ 34,815</u>	<u>\$ 40,806</u>	<u>\$ 5,475</u>	<u>\$ 3,161</u>	<u>\$ 585,634</u>	<u>\$ 669,891</u>
LIABILITIES						
Due to Other Governments:						
To State of New Hampshire	\$ -	\$ -	\$ -	\$ -	\$ 511,067	\$ 511,067
To Carroll County	-	-	-	-	74,567	74,567
Due to Specific Individuals/Groups	34,815	40,806	5,475	3,161	-	84,257
TOTAL LIABILITIES	<u>\$ 34,815</u>	<u>\$ 40,806</u>	<u>\$ 5,475</u>	<u>\$ 3,161</u>	<u>\$ 585,634</u>	<u>\$ 669,891</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 fund:

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), the Beane, Dube, Parsons Fund and the CDBG Grant Funds.

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

Additionally, the County reports 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

The County participates in the New Hampshire Public Deposit Investment Pool established in accordance with RSA 383:22-24. Based on GASB Statement No. 40, investments with the Pool are considered to be unclassified. At this time, the Pool's investments are limited to "short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire and New Hampshire municipal obligations, certificates of deposit from A1/P1-rated banks, money market mutual funds (maximum of 20% of portfolio), overnight to 30-day repurchase agreements (no limit, but collateral level at 102% in U.S. Treasury and Government Agency instruments delivered to Custodian) and reverse overnight repurchase agreements with primary dealers or dealer banks."

The Pool is operated under contract with a private investment advisor, approved by the State Bank Commissioner and the advisory committee created under RSA 383:24. The Pool is a 2a7-like pool, which means that it is not registered with the Securities Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Cost and market value of the Pool's investments are the same.

2. RECEIVABLES AND PAYABLES

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The Department of Revenue Administration, based upon data reported on the assessment of properties by the cities and towns in the County, annually sets the County tax assessment for each community within the County. Based upon the assessments from the Department of Revenue Administration, the County Treasurer issues a warrant to the cities and towns in the County for them to assess, collect and pay to the County the County tax assessment. The tax is due annually by December seventeenth with interest at ten percent chargeable on any unpaid amounts.

3. INVENTORIES AND PREPAID ITEMS

All inventories are valued at cost using the first-in/ first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and vehicles, are reported in the applicable governmental or business-type activities columns 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 one year for governmental activities. For business-type activities (Mountain View Nursing Home) the County uses a threshold of \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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

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

Property, plant, and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	10-40
Wastewater and Water Systems	50
Vehicles	5-20
Equipment	5-15

5. COMPENSATED ABSENCES

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

Employees are entitled to paid vacations according to the following schedule:

Length of Employment	Vacation Leave Earned
Up to 5 years of service	.0385 hours for each hour worked
6 through 10 years	.0578 hours for each hour worked
11 through 15 years	.0770 hours for each hour worked
16 or more years	.963 hours for each hour worked

Sick Leave Policy:

Non-Union Regular County Employees – after five or more years of continuous service are eligible upon termination to receive up to 12 days of accumulated sick leave.

Teamsters (Sheriff and Dispatch Dept.) – there is a buy-back of personal leave every December for three-quarters ($3/4^{\text{th}}$) days for each day of unused personal leave, not to exceed 15 days.

AFSCME (Jail) – once an employee has accumulated forty (40) days of sick leave, any days or portion thereof in excess of forty (40) days shall be paid to the employee at sixty-five percent (65%) current wage rate on the first 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.

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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.

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	\$ (5,148,676)
Add: Accrued Interest Payable on Bonds and Capital Leases at Year End	(92,935)
Capital Leases Payable	(90,361)
Compensated Absences	<u>(100,589)</u>
Net Adjustments to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	<u>\$ (5,432,561)</u>

(Continued on next page)

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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	\$ 99,844
Depreciation Expense	<u>(483,559)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u>(383,715)</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."

The details of this difference are as follows:

<i>Debt Issued or Incurred:</i>	
Capital Lease Financing	\$ (62,151)
Issuance of General Obligation Bonds	-
<i>Principal Repayments:</i>	
General Obligation Debt	697,737
Payment on Capital Lease	<u>34,658</u>
Net Adjustment to Decrease Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ <u>670,244</u>

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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.
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.

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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 \$2,330,523. At year end, \$2,238,049 of the County's bank balance of \$3,397,253 was exposed to custodial credit risk as follows:

Collateralized by a Stand-by Letter of Credit with the Federal Home Loan Bank of Pittsburgh	\$ 793,396
Collateralized by FNMA Securities With a Total Market Value of \$9,718,754	1,035,941
Uncollateralized and Uninsured	<u>408,712</u>
Total	<u>\$ 2,238,049</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	\$ -	\$ 2,203	\$ 2,203
Accounts	352,605	2,764	355,369
Intergovernmental	<u>-</u>	<u>18,545</u>	<u>18,545</u>
Gross Receivables	352,605	23,512	376,117
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 352,605</u>	<u>\$ 23,512</u>	<u>\$ 376,117</u>

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	\$ 2,249,407
Uncollectibles	<u>-</u>
Net Total Receivables	<u>\$ 2,249,407</u>

(Continued on next page)

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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	-	-	-	-
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>1,856,730</u>	<u>99,844</u>	<u>(67,955)</u>	<u>1,888,619</u>
Total Capital Assets Being Depreciated	<u>15,839,253</u>	<u>99,844</u>	<u>(67,955)</u>	<u>15,871,142</u>
Less: Accumulated Depreciation for:				
Land Improvements	(4,500)	-	-	(4,500)
Buildings and Improvements	(2,771,527)	(270,390)	-	(3,041,917)
Wastewater System	(301,022)	(41,350)	-	(342,372)
Water System	(261,234)	(29,960)	-	(291,194)
Furniture, Equipment and Vehicles	<u>(1,012,362)</u>	<u>(141,859)</u>	<u>66,965</u>	<u>(1,087,256)</u>
Total Accumulated Depreciation	<u>(4,350,645)</u>	<u>(483,559)</u>	<u>66,965</u>	<u>(4,767,239)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,488,608</u>	<u>(383,715)</u>	<u>(990)</u>	<u>11,103,903</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,534,160</u>	<u>\$ (383,715)</u>	<u>\$ (990)</u>	<u>\$ 11,149,455</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	-	691,449	-	691,449
Total Capital Assets, Not Being Depreciated	-	691,449	-	691,449
Capital Assets, Being Depreciated:				
Land Improvements	75,369	-	-	75,369
Buildings and Improvements	2,190,244	17,156	(154,967)	2,052,433
Wastewater System	633,637	-	-	633,637
Furniture, Equipment and Vehicles	827,670	21,772	(8,091)	841,351
Total Capital Assets Being Depreciated	3,726,920	38,928	(163,058)	3,602,790
Less: Accumulated Depreciation for:				
Land Improvements	(24,065)	(8,915)	-	(32,980)
Buildings and Improvements	(1,656,351)	(39,490)	154,967	(1,540,874)
Wastewater System	(620,963)	(12,674)	-	(633,637)
Furniture, Equipment and Vehicles	(435,282)	(69,428)	8,091	(496,619)
Total Accumulated Depreciation	(2,736,661)	(130,507)	163,058	(2,704,110)
Total Capital Assets, Being Depreciated, Net	990,259	(91,579)	-	898,680
Business-type Activities Capital Assets, Net	\$ 990,259	\$ 599,870	\$ -	\$ 1,590,129

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 128,831
Public Safety (Sheriff and Corrections)	345,857
Human Services	-
Farm	8,871
Total Depreciation Expense – Governmental Activities	<u>\$ 483,559</u>

Business-Type Activities:

County Nursing Home	\$ 130,507
Total Depreciation Expense – Business-type Activities	<u>\$ 130,507</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	\$ 256,855
General	Mountain View Nursing Home	2,037,121
Total		<u>\$ 2,293,976</u>

Interfund Transfers:

Transfer out:	Transfer In:			Total
	General Fund	Nonmajor Governmental	Mountain View Nursing Home	
General	\$ -	\$ 297,296	\$ 2,088,953	\$ 2,386,249
Total	<u>\$ -</u>	<u>\$ 297,296</u>	<u>\$ 2,088,953</u>	<u>\$ 2,386,249</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 \$104,106 and is reported under Public Safety (Sheriff's Department).

The County Extension Service also has an operating lease for office space. Total office lease expense for the year was \$36,315 and is reported under General Government. Future minimum annual operating lease payments are as follows:

Year Ended	
December 31,	
2010	\$ 131,656
2011	81,660
2012	16,215
Total	<u>\$ 229,531</u>

(Continued on next page)

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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:

	Governmental Activities
<i>Asset:</i>	
Vehicle	\$ 140,305
Less: Accumulated Depreciation	<u>(18,869)</u>
Total	<u><u>\$ 121,436</u></u>

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

Year Ending December 31,	Governmental Activities
2010	\$ 38,118
2011	38,117
2012	<u>23,865</u>
Total Minimum Lease Payment	100,100
Less: Amount Representing Interest	<u>(9,739)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 90,361</u></u>

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.

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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%	\$ 15,250
\$235,000 – Public Improvement Bond (Rural Development); Due in Annual Installments of \$7,834 Through July 2032; Interest at 4.5%	180,162
\$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%	4,255,000
\$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>698,264</u>
Total Outstanding Governmental Activities	<u>\$ 5,148,676</u>

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

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2010	\$ 697,737	\$ 200,757
2011	682,487	176,492
2012	682,487	152,056
2013	677,487	127,085
2014	677,487	101,783
2015-2019	1,629,170	167,942
2020-2024	39,170	18,944
2025-2029	39,170	10,131
2030-2032	<u>23,481</u>	<u>1,848</u>
Total	<u>\$ 5,148,676</u>	<u>\$ 957,038</u>

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
2010	<u>\$ 3,050</u>	<u>\$ 145</u>	<u>\$ 3,195</u>

(Continued on next page)

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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	\$ 5,846,413	\$ -	\$ (697,737)	\$ 5,148,676	\$ 697,737
Capital Leases	62,868	62,151	(34,658)	90,361	32,779
Compensated Absences	87,839	12,750	-	100,589	-
Governmental Activity					
Long-Term Liabilities	<u>\$ 5,997,120</u>	<u>\$ 74,901</u>	<u>\$ (732,395)</u>	<u>\$ 5,339,626</u>	<u>\$ 730,516</u>
<i>Business-Type Activities:</i>					
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Leases	-	-	-	-	-
Compensated Absences	174,950	-	(26,768)	148,182	-
Business-type Activity					
Long-term Liabilities	<u>\$ 174,950</u>	<u>\$ -</u>	<u>\$ (26,768)</u>	<u>\$ 148,182</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>\$15,000,000</u>	<u>\$(15,000,000)</u>	<u>\$ -</u>

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>

(Continued on next page)

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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 \$262,119 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) and through the New Hampshire Community Development Finance Authority (CDBG Grant).

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.

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.

(Continued on next page)

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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 9.16% for regular employees, 13.66% for police officers and 17.28% for firefighters of covered payroll. The contribution requirement for the year was \$1,229,084, which consisted of \$763,797 from the County and \$465,287 from employees. The County's contributions to the System for the years ended December 31, 2008 and 2007 were \$656,264 and \$567,467, respectively, which were equal to the amount required under State statute to be contributed for the year.

D. 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.

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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

The following is provided for the year end December 31, 2009 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 176 full-time employees covered by the insurance plan and 1 retired employee on the plan. Monthly premiums were as follows:
- | <u>Individual</u> | <u>Two Person</u> | <u>Family</u> | <u>Retiree</u> |
|-------------------|-------------------|---------------|----------------|
| \$683.24 | \$1,366.49 | \$1,864.16 | \$1,366.49 |

E. Commitment and Subsequent Event

At the November 30, 2009 Delegation Meeting, the Delegation had authorized the Commissioners to borrow up to \$23.5 million in bonds for the purpose of building the Carroll County Nursing Home. The bonds were subsequently issued in 2010. In conjunction with the construction of the Nursing Home, the County has outstanding construction commitments at year end totaling \$19,750,284.

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, 2009

	Adopted Budget	Prior Year's Encumbrances	Supplemental Budget	Approved Transfers	Revised Budget	Actual	Variance With Final Budget
Revenues							
Taxes	\$13,173,487	\$ -	\$ -	\$ -	\$13,173,487	\$13,173,407	\$ (80)
Charges for Services							
Register of Deeds' Fees	735,200	-	-	-	735,200	763,681	28,481
Sheriff's Writ Fees	60,000	-	-	-	60,000	88,802	28,802
Sheriff's Other	50,500	-	-	-	50,500	48,451	(2,049)
Sheriff - US Forestry	20,000	-	-	-	20,000	21,000	1,000
Court Bailiffs	116,385	-	-	-	116,385	122,525	6,140
Total Charges for Services	982,085	-	-	-	982,085	1,044,459	62,374
Intergovernmental							
Interest	50,000	-	-	-	50,000	20,718	(29,282)
Other							
Water Rents	67,464	-	-	-	67,464	57,642	(9,822)
Insurance Refunds	-	-	-	-	-	-	-
Social Services and Human Services	1	-	-	-	1	-	(1)
Other	44,101	-	-	-	44,101	68,828	24,727
Total Other	111,566	-	-	-	111,566	126,470	14,904
County Jail	67,000	-	-	-	67,000	90,167	23,167
County Farm							
Produce	2,500	-	-	-	2,500	2,769	269
Hay	35,000	-	-	-	35,000	45,017	10,017
Wood	25,000	-	-	-	25,000	16,457	(8,543)
Maintenance and Equipment	47,000	-	-	-	47,000	51,672	4,672
Miscellaneous	-	-	-	-	-	-	-
Total County Farm	109,500	-	-	-	109,500	115,915	6,415
Fund Balance Used for Prior Year's							
Encumbrances	-	161,904	-	-	161,904	-	(161,904)
Fund Balance Used to Reduce the							
Tax Rate	500,000	-	-	-	500,000	-	(500,000)
Total Revenues	\$14,993,638	\$ 161,904	\$ -	\$ -	\$15,155,542	\$15,368,278	\$ 212,736

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

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COUNTY OF CARROLL, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

EXPENDITURES	Adopted Budget	Prior Year's Encumbrances	Supplemental Budget	Approved Transfers	Revised Budget	Actual	Variance With Final Budget
General Government							
Commissioners' Office	\$ 213,082	\$ 20,861	\$ -	\$ -	\$ 233,943	\$ 210,338	\$ 23,605
Treasurer	6,267	-	-	-	6,267	5,996	271
Special Fees and Services	18,962	-	-	-	18,962	13,595	5,367
Human Resources	90,583	-	-	-	90,583	84,161	6,422
Water Works	52,605	-	-	-	52,605	50,693	1,912
County Attorney	394,825	-	-	-	394,825	389,886	4,939
Register of Deeds	465,772	-	-	-	465,772	462,598	3,174
Medical Referee	13,402	-	-	-	13,402	14,603	(1,201)
Maintenance of Administration Building	196,757	29,391	-	-	226,148	218,195	7,953
General Maintenance	69,533	15,000	-	-	84,533	83,862	671
Sewer System	46,550	-	-	-	46,550	48,132	(1,582)
Regional Appropriation	190,425	-	-	-	190,425	189,426	999
County Convention	12,150	-	-	-	12,150	12,753	(603)
Total General Government	1,770,913	65,252	-	-	1,836,165	1,784,238	51,927
Public Safety							
Sheriff's Department	1,641,405	-	-	-	1,641,405	1,609,275	32,130
Dispatch Center	730,386	-	-	-	730,386	685,939	44,447
Total Public Safety	2,371,791	-	-	-	2,371,791	2,295,214	76,577
Corrections							
County Jail	3,052,172	6,000	-	-	3,058,172	3,110,907	(52,735)
Farm							
	190,027	-	-	-	190,027	186,464	3,563
Human Services							
Human Services Department	3,421,998	90,652	-	-	3,512,650	3,927,813	(415,163)
Capital Outlay							
	-	-	-	-	-	-	-
Debt Service - Principal							
Principal - Long-Term Debt	697,737	-	-	-	697,737	694,542	3,195
Debt Service - Interest							
Interest on Tax Anticipation Notes	230,000	-	-	-	230,000	235,417	(5,417)
Interest - Long-Term Debt	225,381	-	-	-	225,381	224,753	628
Total Interest	455,381	-	-	-	455,381	460,170	(4,789)
Total Debt Service	1,153,118	-	-	-	1,153,118	1,154,712	(1,594)
Total Expenditures	11,960,019	161,904	-	-	12,121,923	12,459,348	(337,425)
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,033,619	\$ -	\$ -	\$ -	\$ 3,033,619	\$ 2,908,930	\$ (124,689)

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

COUNTY OF CARROLL, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Adopted Budget	Prior Year's Encumbrances	Supplemental Budget	Approved Transfers	Revised Budget	Actual	Variance With Final Budget
Other Financing Sources (Uses)							
Operating Transfers In:							
From Special Revenue Funds:							
Extension Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From Capital Projects:							
Capital Reserves	-	-	-	-	-	-	-
From Enterprise Funds:							
County Nursing Home	-	-	-	-	-	-	-
Total Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Transfers (Out):							
To Special Revenue Funds:							
Extension Service	(230,978)	-	-	-	(230,978)	(230,978)	-
Victim/Witness Grant	(66,145)	-	-	-	(66,145)	(66,318)	(173)
To Capital Projects:							
To Capital Reserves	-	-	-	-	-	-	-
To Jail Construction Capital Project	-	-	-	-	-	-	-
To Enterprise Funds:							
County Nursing Home	(2,736,496)	-	-	-	(2,736,496)	(1,987,073)	749,423
Total Operating Transfers (Out)	<u>(3,033,619)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,033,619)</u>	<u>(2,284,369)</u>	<u>749,250</u>
Total Other Financing Sources (Uses)	<u>(3,033,619)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,033,619)</u>	<u>(2,284,369)</u>	<u>749,250</u>
Excess (Deficiency) of Revenues Over Expenditures and other Financing Sources (Uses)						624,561	624,561
Fund Balances, Beginning of Year	2,219,553	-	-	-	2,219,553	2,219,553	-
Fund Balances, End of Year	<u>\$ 2,219,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,219,553</u>	<u>\$ 2,844,114</u>	<u>\$ 624,561</u>