

**SULLIVAN COUNTY, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Sullivan County, New Hampshire  
Newport, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Sullivan County's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for all budgeted funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis appearing on the following pages and the supplementary information on page 38 are not a required part of the basic

*Additional Offices:*

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

financial statements but is supplementary 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 required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
September 20, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Sullivan County, we offer readers this narrative overview and analysis of the financial activities of Sullivan County for the fiscal year ended June 30, 2011.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, corrections, human services, and cooperative extension. The business-type activities include Nursing Home activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements provide separate information for the General Fund, Register of Deeds Fund, and Grants Fund, which are considered to be major funds.

An annual appropriated budget is adopted for all funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for Nursing Home operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Nursing Home operations, which is considered to be a major fund.

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

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

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 11,871,290 (i.e., net assets), a change of \$ 1,910,550 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,096,807, a change of \$ 219,613 in comparison to the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$ 8,947,300, a change of \$ 1,222,773 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 5,915,000, a change of \$ (659,000) in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 6,202,117	\$ 5,117,295	\$ 1,487,643	\$ 2,205,903	\$ 7,689,760	\$ 7,323,198
Non-current assets	13,697,327	13,373,632	4,086,151	3,602,435	17,783,478	16,976,067
Total assets	<u>19,899,444</u>	<u>18,490,927</u>	<u>5,573,794</u>	<u>5,808,338</u>	<u>25,473,238</u>	<u>24,299,265</u>
Long-term liabilities outstanding	5,825,720	6,527,119	4,726,650	2,621,241	10,552,370	9,148,360
Other liabilities	2,202,434	2,003,068	847,144	3,187,097	3,049,578	5,190,165
Total liabilities	<u>8,028,154</u>	<u>8,530,187</u>	<u>5,573,794</u>	<u>5,808,338</u>	<u>13,601,948</u>	<u>14,338,525</u>
Net assets:						
Invested in capital assets, net	3,116,075	2,858,981	3,987,185	3,602,435	7,103,260	6,461,416
Restricted	192,382	-	-	-	192,382	-
Unrestricted	8,562,833	7,101,759	(3,987,185)	(3,602,435)	4,575,648	3,499,324
Total net assets	<u>\$ 11,871,290</u>	<u>\$ 9,960,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,871,290</u>	<u>\$ 9,960,740</u>

## CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 687,272	\$ 722,667	\$ 12,351,897	\$ 12,125,576	\$ 13,039,169	\$ 12,848,243
Operating grants and contributions	2,132,750	1,750,275	-	-	2,132,750	1,750,275
General revenues:						
County taxes	13,310,658	12,956,180	-	-	13,310,658	12,956,180
Grants and contributions not restricted to specific programs	69,496	-	-	-	69,496	-
Investment income	27,101	45,173	-	-	27,101	45,173
Miscellaneous	<u>278,669</u>	<u>346,644</u>	<u>145,665</u>	<u>128,349</u>	<u>424,334</u>	<u>474,993</u>
Total revenues	<u>16,505,946</u>	<u>15,820,939</u>	<u>12,497,562</u>	<u>12,253,925</u>	<u>29,003,508</u>	<u>28,074,864</u>
Expenses:						
General government	2,012,116	1,999,303	-	-	2,012,116	1,999,303
Public safety	987,301	859,152	-	-	987,301	859,152
Corrections	4,148,512	3,453,662	-	-	4,148,512	3,453,662
Human services	5,553,781	5,534,226	-	-	5,553,781	5,534,226
Cooperative extension	316,144	320,202	-	-	316,144	320,202
Nursing home	-	-	13,821,479	13,079,332	13,821,479	13,079,332
Interest expense	<u>253,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,625</u>	<u>-</u>
Total expenses	<u>13,271,479</u>	<u>12,166,545</u>	<u>13,821,479</u>	<u>13,079,332</u>	<u>27,092,958</u>	<u>25,245,877</u>
Change in net assets before transfers	3,234,467	3,654,394	(1,323,917)	(825,407)	1,910,550	2,828,987
Transfers in (out)	<u>(1,323,917)</u>	<u>(825,407)</u>	<u>1,323,917</u>	<u>825,407</u>	<u>-</u>	<u>-</u>
Change in net assets	1,910,550	2,828,987	-	-	1,910,550	2,828,987
Net assets - beginning of year (as restated)	<u>9,960,740</u>	<u>7,131,753</u>	<u>-</u>	<u>-</u>	<u>9,960,740</u>	<u>7,131,753</u>
Net assets - end of year	<u>\$ 11,871,290</u>	<u>\$ 9,960,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,871,290</u>	<u>\$ 9,960,740</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 11,871,290, a change of \$ 1,910,550 from the prior year.

The largest portion of net assets \$ 7,103,260 reflects our investment in capital assets (e.g., land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 192,382 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 4,575,648 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 1,910,550. Key elements of this change are as follows:

Operating Results:	
General fund	\$ 1,222,773
Register of deeds fund	20,098
Grants fund	162,635
Nonmajor governmental fund	<u>(1,185,893)</u>
Subtotal operating results	219,613
Purchase of capital assets	1,307,333
Principal debt service in excess of depreciation expense	461,654
Change in accrued interest liability and bond premium	28,158
Change in compensated absence liability	(3,799)
Change in net OPEB obligation	<u>(102,409)</u>
Total	<u>\$ 1,910,550</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,096,807, a change of \$ 219,613 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and transfers in excess of expenditures and transfers out	\$ 1,222,773
Register of Deeds fund revenues and transfers in excess of expenditures and transfers out	20,098
Grants fund revenues in excess of expenditures	162,635
Non-major governmental fund expenditures in excess revenues	<u>(1,185,893)</u>
Total	<u>\$ 219,613</u>

In fiscal year 2011, the County implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to financial statements.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 3,682,636, while total fund balance was \$ 8,947,300. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total Budgeted Expenditures</u>
Unassigned fund balance	\$ 3,682,636	\$ 5,061,235	\$ (1,378,599)	12.8%
Total fund balance	\$ 8,947,300	\$ 7,724,527	\$ 1,222,773	31.2%

The total fund balance of all funds changed by \$ 219,613 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,622,551
Expenditures less than appropriations	145,834
Use of fund balance as a funding source	(675,000)
Encumbrance timing differences	(1,250,893)
Other timing differences	<u>377,121</u>
Total all funds	<u>\$ 219,613</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to a deficit of \$ (3,987,185), a change of \$ (384,750) in comparison to the prior year.

## **E. BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 675,000. This change relates to a use of fund balance.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 13,427,431 (net of accumulated depreciation), an increase of \$ 1,379,205 from the prior year. This investment in capital assets includes land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress.

Major capital asset events during the current fiscal year included construction costs of approximately \$ 1,272,000.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 5,915,000, all of which relates to the corrections facility upgrade, was backed by the full faith and credit of the County.

Additional information on capital assets and long-term debt can be found in the notes to financial statements.

## **REQUESTS FOR INFORMATION**

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

Sullivan County, New Hampshire  
14 Main Street  
Newport, New Hampshire 03773

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 5,883,166	\$ 24,732	\$ 5,907,898
Accounts receivable, net of allowances	318,951	1,427,963	1,746,914
Inventory	-	34,948	34,948
Noncurrent:			
Resident trust cash	-	98,966	98,966
Internal balances	4,257,081	(4,257,081)	-
Capital assets, net of accumulated depreciation	<u>9,440,246</u>	<u>3,987,185</u>	<u>13,427,431</u>
<b>TOTAL ASSETS</b>	<b>19,899,444</b>	<b>1,316,713</b>	<b>21,216,157</b>
<b>LIABILITIES</b>			
Current:			
Accounts payable	556,932	565,857	1,122,789
Accrued liabilities	812,651	179,112	991,763
Other liabilities	88,843	3,209	92,052
Resident trust liability	-	98,966	98,966
Notes payable	84,008	-	84,008
Bonds payable	660,000	-	660,000
Noncurrent:			
Accrued compensated absences	143,148	244,648	387,796
Bond premium	293,400	-	293,400
Notes payable, net of current	31,763	-	31,763
Bonds payable, net of current	5,255,000	-	5,255,000
Net OPEB obligation	<u>102,409</u>	<u>224,921</u>	<u>327,330</u>
<b>TOTAL LIABILITIES</b>	<b>8,028,154</b>	<b>1,316,713</b>	<b>9,344,867</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,116,075	3,987,185	7,103,260
Restricted	192,382	-	192,382
Unrestricted	<u>8,562,833</u>	<u>(3,987,185)</u>	<u>4,575,648</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>11,871,290</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>11,871,290</u></b>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 2,012,116	\$ 524,185	\$ 42,721	\$ -	\$ (1,445,210)	\$ -	\$ (1,445,210)
Public safety	987,301	103,280	187,270	-	(696,751)	-	(696,751)
Corrections	4,148,512	59,807	632,545	-	(3,456,160)	-	(3,456,160)
Human services	5,553,781	-	1,222,651	-	(4,331,130)	-	(4,331,130)
Cooperative extension	316,144	-	47,563	-	(268,581)	-	(268,581)
Interest expense	253,625	-	-	-	(253,625)	-	(253,625)
Total Governmental Activities	13,271,479	687,272	2,132,750	-	(10,451,457)	-	(10,451,457)
<b>Business-Type Activities:</b>							
Nursing Home	13,821,479	12,351,897	-	-	-	(1,469,582)	(1,469,582)
Total Business-Type Activities	13,821,479	12,351,897	-	-	-	(1,469,582)	(1,469,582)
Total	\$ 27,092,958	\$ 13,039,169	\$ 2,132,750	\$ -	(10,451,457)	(1,469,582)	(11,921,039)
<b>General Revenues:</b>							
County tax					13,310,658	-	13,310,658
Grants and contributions not restricted					69,496	-	69,496
Investment income					27,101	-	27,101
Miscellaneous					278,669	145,665	424,334
Transfers, net					(1,323,917)	1,323,917	-
Total general revenues and transfers					12,362,007	1,469,582	13,831,589
Change in Net Assets					1,910,550	-	1,910,550
<b>Net Assets:</b>							
Beginning of year, as restated					9,960,740	-	9,960,740
End of year					\$ 11,871,290	\$ -	\$ 11,871,290

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	<u>General Fund</u>	<u>Register of Deeds Fund</u>	<u>Grants Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 5,765,630	\$ 117,536	\$ -	\$ 5,883,166
Accounts receivable	99,507	-	219,444	318,951
Due from other funds	106,783	761	-	107,544
Advance to Nursing Home	<u>4,257,081</u>	<u>-</u>	<u>-</u>	<u>4,257,081</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,229,001</u></b>	<b><u>\$ 118,297</u></b>	<b><u>\$ 219,444</u></b>	<b><u>\$ 10,566,742</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 516,319	\$ -	\$ 40,613	\$ 556,932
Accrued liabilities	713,566	861	2,189	716,616
Due to other funds	761	-	106,783	107,544
Other liabilities	<u>51,055</u>	<u>35,259</u>	<u>2,529</u>	<u>88,843</u>
<b>TOTAL LIABILITIES</b>	<b>1,281,701</b>	<b>36,120</b>	<b>152,114</b>	<b>1,469,935</b>
Fund Balances:				
Nonspendable	4,257,081	-	-	4,257,081
Restricted	-	-	110,205	110,205
Committed	-	82,177	-	82,177
Assigned	1,007,583	-	-	1,007,583
Unassigned	<u>3,682,636</u>	<u>-</u>	<u>(42,875)</u>	<u>3,639,761</u>
<b>TOTAL FUND BALANCES</b>	<b><u>8,947,300</u></b>	<b><u>82,177</u></b>	<b><u>67,330</u></b>	<b><u>9,096,807</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 10,229,001</u></b>	<b><u>\$ 118,297</u></b>	<b><u>\$ 219,444</u></b>	<b><u>\$ 10,566,742</u></b>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2011

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 9,096,807
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	9,440,246
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds and notes payable, bond premium, compensated absences, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(6,665,763)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 11,871,290</u></u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Register of Deeds Fund	Grants Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>Revenues:</b>					
County taxes	\$ 13,310,658	\$ -	\$ -	\$ -	\$ 13,310,658
Charges for services	239,054	344,938	103,280	-	687,272
Intergovernmental	947,035	-	1,255,210	-	2,202,245
Investment income	27,101	-	-	-	27,101
Miscellaneous	245,583	-	487	-	246,070
Total Revenues	<u>14,769,431</u>	<u>344,938</u>	<u>1,358,977</u>	<u>-</u>	<u>16,473,346</u>
<b>Expenditures:</b>					
Current:					
General government	1,469,836	333,323	1,985	-	1,805,144
Public safety	731,177	-	281,100	-	1,012,277
Corrections	3,452,910	-	533,964	-	3,986,874
Human services	5,212,821	-	335,059	-	5,547,880
Cooperative extension	267,441	-	44,149	-	311,590
Capital expenditures	139,290	-	85	1,185,893	1,325,268
Debt service	940,783	-	-	-	940,783
Total Expenditures	<u>12,214,258</u>	<u>333,323</u>	<u>1,196,342</u>	<u>1,185,893</u>	<u>14,929,816</u>
Excess (deficiency) of revenues over expenditures	2,555,173	11,615	162,635	(1,185,893)	1,543,530
<b>Other Financing Sources (Uses):</b>					
Transfers:					
Register of Deeds	(8,483)	8,483	-	-	-
Nursing Home - for general services	574,015	-	-	-	574,015
Nursing Home - for operations	(1,897,932)	-	-	-	(1,897,932)
Total Other Financing Sources (Uses)	<u>(1,332,400)</u>	<u>8,483</u>	<u>-</u>	<u>-</u>	<u>(1,323,917)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,222,773	20,098	162,635	(1,185,893)	219,613
Fund Equity, at Beginning of Year, as restated	<u>7,724,527</u>	<u>62,079</u>	<u>(95,305)</u>	<u>1,185,893</u>	<u>8,877,194</u>
Fund Equity, at End of Year	<u>\$ 8,947,300</u>	<u>\$ 82,177</u>	<u>\$ 67,330</u>	<u>\$ -</u>	<u>\$ 9,096,807</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 219,613</b>						
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td style="padding-left: 40px;">Capital purchases</td> <td style="text-align: right;">1,307,333</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(312,879)</td> </tr> </table> </li> </ul>		Capital purchases	1,307,333	Depreciation	(312,879)		
Capital purchases	1,307,333						
Depreciation	(312,879)						
<ul style="list-style-type: none"> <li>The issuance of long-term debt (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table> <tr> <td style="padding-left: 40px;">Repayments of bonds payable</td> <td style="text-align: right;">659,000</td> </tr> <tr> <td style="padding-left: 40px;">Repayments of notes payable</td> <td style="text-align: right;">82,933</td> </tr> <tr> <td style="padding-left: 40px;">Amortization of bond premium</td> <td style="text-align: right;">32,600</td> </tr> </table> </li> </ul>		Repayments of bonds payable	659,000	Repayments of notes payable	82,933	Amortization of bond premium	32,600
Repayments of bonds payable	659,000						
Repayments of notes payable	82,933						
Amortization of bond premium	32,600						
<ul style="list-style-type: none"> <li>Some expenses reported in the Statement of Activities, such as compensated absences and net OPEB obligation, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</li> </ul>	<u>(78,050)</u>						
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u><u>1,910,550</u></u></b>						

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

ALL BUDGETED FUNDS

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>		<u>Positive (Negative)</u>
<b>Revenues and Other Sources:</b>				
<b>General Fund:</b>				
County taxes	\$ 13,310,658	\$ 13,310,658	\$ 13,310,658	\$ -
Charges for services	248,456	248,456	239,054	(9,402)
Intergovernmental	564,300	564,300	877,540	313,240
Investment income	17,500	17,500	27,101	9,601
Miscellaneous	200,187	200,187	245,583	45,396
Use of fund balance - supplemental appropriation	-	675,000	675,000	-
<b>Other Funds:</b>				
Nursing Home	12,001,630	12,001,630	12,687,665	686,035
Register of Deeds	350,000	350,000	344,938	(5,062)
Grants and other	767,751	767,751	1,358,977	591,226
<b>Transfers in</b>	<u>574,015</u>	<u>574,015</u>	<u>565,532</u>	<u>(8,483)</u>
Total Revenues and Other Sources	28,034,497	28,709,497	30,332,048	1,622,551
<b>Expenditures and Other Uses:</b>				
<b>General Fund:</b>				
General government	1,543,939	1,543,939	1,469,837	74,102
Public safety	670,323	670,323	661,681	8,642
Corrections	3,569,101	3,569,101	3,452,910	116,191
Human services	5,104,610	5,104,610	5,167,821	(63,211)
Cooperative extension	278,125	278,125	267,441	10,684
Capital expenditures	336,500	336,500	245,366	91,134
Debt service	957,743	957,743	940,783	16,960
<b>Other Funds:</b>				
Nursing Home	13,901,178	14,576,178	14,262,628	313,550
Register of Deeds	335,362	335,362	333,323	2,039
Grants and other	763,601	763,601	1,196,341	(432,740)
<b>Transfers out</b>	<u>574,015</u>	<u>574,015</u>	<u>565,532</u>	<u>8,483</u>
Total Expenditures and Other Uses	<u>28,034,497</u>	<u>28,709,497</u>	<u>28,563,663</u>	<u>145,834</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,768,385</u>	\$ <u>1,768,385</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2011

Business-Type Activities  
Enterprise Fund  
Nursing  
Home

**ASSETS**

Current:

Cash and short-term investments	\$ 24,732
Accounts receivable, net of allowances	1,427,963
Inventory	<u>34,948</u>

Total current assets	1,487,643
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Noncurrent:

Resident trust cash	98,966
Capital assets, net of accumulated depreciation	<u>3,987,185</u>

Total noncurrent assets	<u>4,086,151</u>
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<b>TOTAL ASSETS</b>	<b>5,573,794</b>
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**LIABILITIES**

Current:

Accounts payable	565,857
Accrued liabilities	179,112
Other liabilities	3,209
Resident trust liability	<u>98,966</u>

Total current liabilities	847,144
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Noncurrent:

Advance from General Fund	4,257,081
Compensated absences	244,648
Net OPEB obligation	<u>224,921</u>

Total noncurrent liabilities	<u>4,726,650</u>
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<b>TOTAL LIABILITIES</b>	<b>5,573,794</b>
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**NET ASSETS**

Invested in capital assets, net of related debt	3,987,185
Unrestricted	<u>(3,987,185)</u>

<b>TOTAL NET ASSETS</b>	<b>\$ <u><u>-</u></u></b>
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See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Fund
	<u>Nursing Home</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 12,351,897
Miscellaneous	<u>145,665</u>
Total Operating Revenues	12,497,562
<b>Operating Expenses:</b>	
Personnel services	7,389,144
Employee benefits	2,565,548
Contractual services	345,958
Payroll and other taxes	539,826
Therapy services	571,399
Food	601,198
Medicine	295,176
Medical expenses	204,675
Miscellaneous expenses	9,190
Supplies and office expense	195,746
Repairs and maintenance	204,959
Insurance	39,950
Telephone	33,784
Utilities	<u>473,564</u>
Total Operating Expenses	<u>13,470,117</u>
Operating Income (Loss)	(972,555)
<b>Nonoperating Revenues (Expenses):</b>	
Depreciation	<u>(351,362)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(351,362)</u>
Income (Loss) Before Transfers	(1,323,917)
<b>Transfers:</b>	
General Fund - for operations	1,897,932
General Fund:	
For capital expenditures	(276,500)
For accounting	(112,286)
For human resources	<u>(185,229)</u>
Total Transfers	<u>1,323,917</u>
Change in Net Assets	-
Net Assets at Beginning of Year, as restated	<u>-</u>
Net Assets at End of Year	<u>\$ -</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds
	Nursing Home
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts for services provided	\$ 12,820,694
Miscellaneous receipts	163,447
Payments for personnel and related costs	(10,121,549)
Payments for goods and services	<u>(2,781,412)</u>
Net Cash Provided By Operating Activities	81,180
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Transfers, net	1,323,917
Net change in advance from General Fund	<u>(670,758)</u>
Net Cash Provided By Noncapital Financing Activities	653,159
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Acquisition and construction of capital assets	<u>(736,112)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(736,112)</u>
Net Change in Cash and Short-Term Investments	(1,773)
Cash and Short Term Investments, Beginning of Year	<u>26,505</u>
Cash and Short Term Investments, End of Year	<u>\$ 24,732</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income (loss)	\$ (972,555)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in assets and liabilities:	
Accounts receivable	486,579
Prepays	145,724
Inventory	5,065
Account payable	214,085
Accrued liabilities	(12,455)
Other liabilities	(10,184)
Net OPEB obligation	<u>224,921</u>
Net Cash Provided By Operating Activities	<u>\$ 81,180</u>

See notes to financial statements.

# SULLIVAN COUNTY, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of Sullivan County, New Hampshire (the County) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The County is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the County and applicable component units for which the County is considered to be financially accountable. In fiscal year 2011, it was determined that no entities met the required GASB 39 criteria of component units.

#### B. Government-wide and Fund Financial Statements

##### Government-wide 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 nonfiduciary 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. 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

Government-wide Financial Statements

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

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

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

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.
- The *Register of Deeds Fund* is used to account for the proceeds of specific revenue sources and related expenditures that are associated with registry activities.
- The *Grants Fund* account for grant activity of the County.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with

a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

The County reports the Nursing Home as a major proprietary fund.

#### *D. Cash and Short-Term Investments*

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue and proprietary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### *E. Interfund Receivables and Payables*

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

Advances between funds are offset by a nonspendable fund balance account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

*F. Inventory*

Inventory is valued at cost using the first-in/first-out (FIFO) method.

*G. Capital Assets*

Capital assets, which include land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress, 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 five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Equipment and furnishings	5
Vehicles	5

*H. Compensated Absences*

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

*I. 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.

## J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

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

The County’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory, prepaid items, or advances to other funds) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the County (i.e., County Delegation).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions

imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

*K. Use of Estimates*

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

**2. Stewardship, Compliance and Accountability**

*A. Budgetary Information*

The County follows the following procedures establishing the budgetary data reflected in the basic financial statements:

- Prior to May 1<sup>st</sup>, the County departments submit to the County Commissioners a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Hearings are conducted by the County Commissioners prior to the County's budget meeting to discuss the proposed budget.
- The budget is legally enacted by the County Delegation prior to September 1<sup>st</sup>.
- Appropriations for certain projects and specific items not fully expended at the fiscal year-end are carried forward as continued appropriations to the new fiscal year in which they supplement the appropriations of that year.
- The budgets for all departments and operations of the County are prepared under the direction of the County Commissioners. Original appropriations are acted upon by the County Delegation vote.
- A copy of the budget is published in the Annual Report of Sullivan County, New Hampshire.

*B. Budgetary Basis*

The final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

*C. Budget/GAAP Reconciliation*

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

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

	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures - (GAAP Basis) - Governmental Funds	\$ 16,473,346	\$ 14,929,816
Revenues/Expenditures - (GAAP Basis) - Nursing Home	<u>12,497,562</u>	<u>13,821,479</u>
Subtotal (GAAP Basis)	28,970,908	28,751,295
To record use of fund balance	675,000	-
Reclassifications	686,140	686,140
Encumbrance timing differences	-	(1,250,893)
GAAP to budget basis adjustments	<u>-</u>	<u>377,121</u>
Budgetary Basis	<u>\$ 30,332,048</u>	<u>\$ 28,563,663</u>

**D. Deficit Fund Equity**

The following funds had deficits as of June 30, 2011:

<u>Fund Number</u>	<u>Fund Name</u>	<u>Deficit</u>
602	ARRA: ARLECCD CCC	\$ (9,425)
641	SCHHJRY - FIP 3rd Year	(1,700)
643	Sullivan County Juvenile Justice Planning Grant	(2,122)
646	Highway Safety	(299)
863	2nd Chance JMI	(3,007)
907	Fed Forfeiture	(1)
939	GSCAHR Phase III Part I (\$10,000)	(20)
944	SC Intervention Program 2 (No FY08 funding)	(3,329)
948	Parents As Teachers	(3,283)
955	Public Health Network Coordinator (\$75,000)	(6,205)
959	ASPR	(8)
961	PHN PHER Phase III	(15)
964	SAMSHA	(5,582)
966	SCAPRI: LD	<u>(7,879)</u>
		\$ <u>(42,875)</u>

The deficits in these funds will be eliminated through future revenues and transfers from other funds.

**3. Cash and Short-Term Investments**

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

As of June 30, 2011, \$ 2,593,092 of the County's bank balance of \$ 6,257,782 was exposed to custodial credit risk as uninsured or uncollateralized.

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

The allowance for doubtful accounts for Nursing Home receivables has been estimated at \$ 214,000 at June 30, 2011. Nursing Home receivables are also reported net of contractual allowances.

## 5. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2011 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General Fund	\$ 106,783	\$ 761	\$ 4,257,081	\$ -
Special Revenue Funds:				
Register of Deeds Fund	761	-	-	-
Grants Fund	-	106,783	-	-
Enterprise Funds:				
Nursing Home	-	-	-	4,257,081
<b>Total</b>	<b>\$ 107,544</b>	<b>\$ 107,544</b>	<b>\$ 4,257,081</b>	<b>\$ 4,257,081</b>

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 5,496	\$ 35	\$ -	\$ 5,531
Equipment and furnishings	1,271	-	-	1,271
Vehicles	307	-	-	307
Total capital assets, being depreciated	7,074	35	-	7,109
Less accumulated depreciation for:				
Buildings and improvements	(3,080)	(230)	-	(3,310)
Equipment and furnishings	(1,079)	(54)	-	(1,133)
Vehicles	(206)	(29)	-	(235)
Total accumulated depreciation	(4,365)	(313)	-	(4,678)
Total capital assets, being depreciated, net	2,709	(278)	-	2,431
Capital assets, not being depreciated:				
Construction in progress	5,737	1,272	-	7,009
Total capital assets, not being depreciated	5,737	1,272	-	7,009
Governmental activities capital assets, net	\$ 8,446	\$ 994	\$ -	\$ 9,440

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,733	\$ 10	\$ -	\$ 8,743
Equipment and furnishings	2,217	78	-	2,295
Vehicles	292	-	-	292
	<u>11,242</u>	<u>88</u>	<u>-</u>	<u>11,330</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(5,418)	(271)	-	(5,689)
Equipment and furnishings	(2,029)	(60)	-	(2,089)
Vehicles	(193)	(20)	-	(213)
	<u>(7,640)</u>	<u>(351)</u>	<u>-</u>	<u>(7,991)</u>
Total accumulated depreciation	(7,640)	(351)	-	(7,991)
Total capital assets, being depreciated, net	3,602	(263)	-	3,339
Capital assets, not being depreciated:				
Construction in progress	-	648	-	648
	<u>-</u>	<u>648</u>	<u>-</u>	<u>648</u>
Total capital assets, not being depreciated	-	648	-	648
Business-type activities capital assets, net	<u>\$ 3,602</u>	<u>\$ 385</u>	<u>\$ -</u>	<u>\$ 3,987</u>

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

<b>Governmental Activities:</b>	
General government	\$ 143
Public safety	35
Human services	1
Corrections	132
Cooperative extension	<u>2</u>
Total depreciation expense - governmental activities	<u>\$ 313</u>
<b>Business-Type Activities:</b>	
Nursing Home	<u>\$ 351</u>
Total depreciation expense - business-type activities	<u>\$ 351</u>

## 7. Accounts Payable

Accounts payable represents additional 2011 expenditures paid after June 30, 2011.

## 8. Anticipation Notes Payable

At June 30, 2011, the County had no anticipation lines of credit available. The following summarizes notes payable activity during fiscal year 2011:

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
Revenue anticipation	\$ 5,000,000	09/30/10	1.240%	\$ -	\$ 2,281,772	\$ (2,281,772)	\$ -
Total				\$ -	\$ 2,281,772	\$ (2,281,772)	\$ -

## 9. Long-Term Debt

### A. 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 governmental activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/11</u>
Corrections facility upgrades	01/15/20	2.62%	\$ 5,915,000
Total Governmental Activities			\$ 5,915,000

### B. Notes Payable

The County has entered into agreements to provide funds for the acquisition of vehicles and payroll system. At June 30, 2011 notes payable outstanding were as follows:

<u>Governmental Activities:</u>	<u>Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/11</u>
Vehicles	2012	4.125%	\$ 37,126
Vehicles	2014	1.970%	15,770
Vehicles	2014	1.970%	31,875
Payroll system	2012	1.720%	31,000
Total Governmental Activities			\$ 115,771

### C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding and notes payable as of June 30, 2011 are as follows:

<u>Bonds Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 660,000	\$ 203,650	\$ 863,650
2013	660,000	183,850	843,850
2014	660,000	164,050	824,050
2015	660,000	144,250	804,250
2016	655,000	124,450	779,450
2017 - 2021	<u>2,620,000</u>	<u>262,000</u>	<u>2,882,000</u>
Total	\$ <u>5,915,000</u>	\$ <u>1,082,250</u>	\$ <u>6,997,250</u>

<u>Notes Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 84,007	\$ 3,558	\$ 87,565
2013	15,882	626	16,508
2014	<u>15,882</u>	<u>313</u>	<u>16,195</u>
Total	\$ <u>115,771</u>	\$ <u>4,497</u>	\$ <u>120,268</u>

The general fund has been designated as the source that will repay the governmental-type general obligation long-term debt outstanding as of June 30, 2011.

*D. Changes in General Long-Term Liabilities*

During the year ended June 30, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/10</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/11</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/11</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 6,574	\$ -	\$ (659)	\$ 5,915	(660)	5,255
Notes payable	199	-	(83)	116	(84)	32
Other:						
Compensated absences	139	4	-	143	-	143
Bond premium	326	-	(33)	293	-	293
Accrued other post-employment benefits	-	102	-	102	-	102
Totals	\$ <u>7,238</u>	\$ <u>106</u>	\$ <u>(775)</u>	\$ <u>6,569</u>	\$ <u>(744)</u>	\$ <u>5,825</u>
<u>Business-Type Activities</u>						
Other:						
Compensated absences	\$ 237	\$ 8	\$ -	\$ 245	\$ -	\$ 245
Accrued other post-employment benefits	225	-	-	225	-	225
Totals	\$ <u>462</u>	\$ <u>8</u>	\$ <u>-</u>	\$ <u>470</u>	\$ <u>-</u>	\$ <u>470</u>

## 10. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

## 11. Fund Balances

The following is a summary of fund balances at June 30, 2011:

	<u>Unassigned</u>	<u>Assigned</u>	<u>Committed</u>	<u>Restricted</u>	<u>Nonspendable</u>	<u>Total</u>
<u>General Fund</u>						
Advance to Nursing Home	\$ -	\$ -	\$ -	\$ -	\$ 4,257,081	\$ 4,257,081
Use of fund balance in subsequent year budget	-	655,500	-	-	-	655,500
Encumbrances	-	352,083	-	-	-	352,083
Remaining fund balance	<u>3,682,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,682,636</u>
<b>Total General Fund</b>	<b><u>3,682,636</u></b>	<b><u>1,007,583</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,257,081</u></b>	<b><u>8,947,300</u></b>
<u>Register of Deeds Fund</u>						
Deeds surcharge account	<u>-</u>	<u>-</u>	<u>82,177</u>	<u>-</u>	<u>-</u>	<u>82,177</u>
<b>Total Register of Deeds Fund</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>82,177</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>82,177</u></b>
<u>Grants Fund</u>						
Unexpended grant funds	-	-	-	110,205	-	110,205
Grant funds in deficit	<u>(42,875)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,875)</u>
<b>Total Grants Fund</b>	<b><u>(42,875)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>110,205</u></b>	<b><u>-</u></b>	<b><u>67,330</u></b>
Total All Funds	\$ <u><u>3,639,761</u></u>	\$ <u><u>1,007,583</u></u>	\$ <u><u>82,177</u></u>	\$ <u><u>110,205</u></u>	\$ <u><u>4,257,081</u></u>	\$ <u><u>9,096,807</u></u>

## 12. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the County is involved. The County's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

### 13. Post-Employment Healthcare and Life Insurance Benefits

#### Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

#### A. Plan Description

The County provides post-employment healthcare benefits for certain retirees.

#### B. Benefits Provided

The County provides medical benefits to its eligible retirees.

#### C. Funding Policy

Eligible retirees and their spouses contribute 100% of premium rates for the medical plan selected.

#### D. Annual OPEB Costs and Net OPEB Obligation

The County's fiscal 2011 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the County's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of July 1, 2010.

Annual Required Contribution (ARC)	\$ 415,329
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	415,329
Contributions made	87,999
Increase in net OPEB obligation	327,330
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 327,330

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 415,329	21%	\$ 327,330

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,501,694
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 2,501,694
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 8,273,545
UAAL as a percentage of covered payroll	30%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan

assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the County and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation the projected unit credit method was used. The actuarial value of assets was not determined as the County has not advanced funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 10%, which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

**14. Pension Plan**

The County follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

*A. Plan Description*

The County contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer contributory defined benefit pension plan. NHRS provides service, disability and death, and vested retirement benefits to plan members and beneficiaries. NHRS is administered by a 13-member Board of Trustees. The Board of Trustees formulates administrative policies and procedures and authorizes benefit payments to members and their beneficiaries. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New Hampshire Retirement System, 4 Chenell Drive, Concord, NH 03301-8509.

*B. Funding Policy*

Sheriff's deputies and correctional officers plan members and all other employee plan members are required to contribute 9.3% and 5%,

respectively, of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate for sheriff's deputies and correctional officers is 14.63% of annual covered payroll. The current rate for all other employees is 9.16% of annual covered payroll. The contribution requirements of plan members are fixed by statute. The County's contributions to NHRS for the years ended June 30, 2011, 2010, and 2009 were \$ 749,462, \$ 738,471, and \$ 632,244, respectively, equal to the required contributions for each year.

The payroll for employees covered by the System for the year ended June 30, 2011 was \$ 1,191,791. Contribution requirements for the year ended June 30, 2011, were as follows:

State of New Hampshire	\$	69,496
County contributions		749,462
Employees' contributions		<u>432,253</u>
Total	\$	<u><u>1,251,211</u></u>

**15. Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**16. Beginning Fund Balance and Net Assets Restatement**

The beginning (July 1, 2010) balances of the County have been restated as follows:

			Business- Type Activities Enterprise Funds	
Government-Wide Financial Statements:				
	Governmental <u>Activities</u>	Nursing <u>Home</u>	<u>Total</u>	
As previously reported	\$ 7,576,519	\$ 2,384,221	\$ 9,960,740	
Reclassify Nursing Home equity	<u>2,384,221</u>	<u>(2,384,221)</u>	<u>-</u>	
As restated	\$ <u>9,960,740</u>	\$ <u>-</u>	\$ <u>9,960,740</u>	

Fund Basis Financial Statements:

	General Fund	Register of Deeds Fund	Grants Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
As previously reported	\$ 5,340,306	\$ 62,079	\$ -	\$ 1,185,893	\$ (95,305)	\$ 6,492,973
Reclassify Nursing Home equity	2,384,221	-	-	-	-	2,384,221
Fund balance reclassifications	<u>-</u>	<u>-</u>	<u>(95,305)</u>	<u>(1,185,893)</u>	<u>1,281,198</u>	<u>-</u>
As restated	<u>\$ 7,724,527</u>	<u>\$ 62,079</u>	<u>\$ (95,305)</u>	<u>\$ -</u>	<u>\$ 1,185,893</u>	<u>\$ 8,877,194</u>

**SULLIVAN COUNTY, NEW HAMPSHIRE  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**(Unaudited)**

**Other Post-Employment Benefits**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
7/1/2010	\$ -	\$ 2,501,694	\$ 2,501,694	0%	\$ 8,273,545	30%

See Independent Auditors' Report.