

SULLIVAN COUNTY, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Sullivan County
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, 2009, 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, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison 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, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of

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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 11, 2009 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 11, 2009

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, 2009.

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 the 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, County Attorney's Office, Commissioners Office, Public Safety, Corrections, Health and Welfare, Cooperative Extension and Register of Deeds. 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 three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike 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 government'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 ARRA Fund, which are considered to be major funds.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund 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 the 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 \$ 7,131,753 (i.e., net assets), a change of \$ 2,838,605 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 3,516,564, a change of \$ 2,254,917 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was a deficit balance of \$ (715,613), a change of \$ 3,190,510 in comparison with 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. All amounts are presented in thousands.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 1,039	\$ 530	\$ 2,160	\$ 2,298	\$ 3,199	\$ 2,828
Non-current assets	<u>7,512</u>	<u>8,036</u>	<u>(474)</u>	<u>(799)</u>	<u>7,038</u>	<u>7,237</u>
Total assets	8,551	8,566	1,686	1,499	10,237	10,065
Long-term liabilities	221	145	234	193	455	338
Other liabilities	<u>1,896</u>	<u>4,361</u>	<u>754</u>	<u>1,073</u>	<u>2,650</u>	<u>5,434</u>
Total liabilities	2,117	4,506	988	1,266	3,105	5,772
Net assets:						
Invested in capital assets, net	2,940	2,943	3,865	4,293	6,805	7,236
Unrestricted	<u>3,494</u>	<u>1,117</u>	<u>(3,167)</u>	<u>(4,060)</u>	<u>327</u>	<u>(2,943)</u>
Total net assets	\$ <u>6,434</u>	\$ <u>4,060</u>	\$ <u>698</u>	\$ <u>233</u>	\$ <u>7,132</u>	\$ <u>4,293</u>

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Charges for services	\$ 761	\$ 791	\$ 11,639	\$ 11,233	\$ 12,400	\$ 12,024
Operating grants	1,492	613	-	-	1,492	613
County tax	12,956	10,370	-	-	12,956	10,370
Investment income	17	10	-	-	17	10
Other	<u>455</u>	<u>227</u>	<u>463</u>	<u>84</u>	<u>918</u>	<u>311</u>
Total revenues	15,681	12,011	12,102	11,317	27,783	23,328

(continued)

(continued)

Expenses:

General government	875	2,343	-	-	875	2,343
County Attorney	422	400	-	-	422	400
Commissioners office	427	199	-	-	427	199
Public safety	815	841	-	-	815	841
Corrections	3,121	2,830	-	-	3,121	2,830
County Nursing Home	-	-	13,267	12,040	13,267	12,040
Health and welfare	5,403	4,957	-	-	5,403	4,957
Cooperative extension	273	291	-	-	273	291
Register of Deeds	341	318	-	-	341	318
Total expenses	<u>11,677</u>	<u>12,179</u>	<u>13,267</u>	<u>12,040</u>	<u>24,944</u>	<u>24,219</u>
Change in net assets before transfers	4,004	(168)	(1,165)	(723)	2,839	(891)
Transfers in (out)	(1,630)	<u>807</u>	<u>1,630</u>	(807)	-	-
Increase (decrease) in net assets	2,374	639	465	(1,530)	2,839	(891)
Net assets - beginning of year	<u>4,060</u>	<u>3,421</u>	<u>233</u>	<u>1,763</u>	<u>4,293</u>	<u>5,184</u>
Net assets - end of year	<u>\$ 6,434</u>	<u>\$ 4,060</u>	<u>\$ 698</u>	<u>\$ 233</u>	<u>\$ 7,132</u>	<u>\$ 4,293</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 \$ 7,131,753, a change of \$ 2,838,605 from the prior year.

The largest portion of net assets \$ 6,805,402 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), 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.

Governmental and business-type activities. Governmental and business-type activities for the year resulted in a change in net assets of \$ 2,838,605. Key elements of this change are as follows:

	<u>All Funds</u>
<u>Operating Results:</u>	
Excess of revenues over budget	\$ 2,981,911
Expenditures less than budgetary appropriations	207,260

(continued)

(continued)

Timing Differences:

Current year depreciation expense in excess of current year principal debt service	(892,321)
Change in compensated absences liability	(44,398)

Other:

Capital asset purchases	<u>586,153</u>
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Total	\$ <u>2,838,605</u>
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D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As of the end of the current fiscal year, the combined ending fund balance for all funds was \$ 4,214,461, a change of \$ 2,719,904 from the prior year. Key elements of this change are as follows:

	<u>All Funds</u>
Budgeted surplus to fund Nursing Home deficit	\$ 1,000,000
ARRA funds received	673,886
Other revenues in excess of budget	863,911
Prior year IBNR closure	444,114
Expenditures less than budget	207,260
Non-budgeted depreciation of Nursing Home	(436,210)
Other Nursing Home adjustments	<u>(33,057)</u>
Total	\$ <u>2,719,904</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was a deficit of \$ (715,613).

The fund balance of the general fund changed by \$ 2,437,835 during the current fiscal year.

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 \$ (3,167,197), a change of \$ 892,993 in comparison with the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 7,038,202 (net of accumulated depreciation), a decrease of \$ (198,368) from the prior year. This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Long-term debt. Outstanding debt totaling \$ 107,800 relate to notes payable entered into during the current fiscal year for the purchase of vehicles.

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

REQUESTS FOR INFORMATION

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

Board of Commissioners
Sullivan County
14 Main Street
Newport, New Hampshire 03773

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 666,507	\$ 21,608	\$ 688,115
Accounts receivable, net of allowances	372,268	2,032,357	2,404,625
Inventory	-	26,904	26,904
Resident trust cash	-	79,755	79,755
Noncurrent:			
Internal balances	4,339,464	(4,339,464)	-
Capital assets, net of accumulated depreciation	<u>3,173,108</u>	<u>3,865,094</u>	<u>7,038,202</u>
TOTAL ASSETS	8,551,347	1,686,254	10,237,601
LIABILITIES			
Current:			
Accounts payable	708,680	350,644	1,059,324
Accrued liabilities	170,321	310,775	481,096
Other liabilities	82,674	13,154	95,828
Anticipation notes payable	900,000	-	900,000
Resident trust liability	-	79,755	79,755
Notes payable	34,623	-	34,623
Noncurrent:			
Accrued compensated absences	148,016	234,029	382,045
Notes payable, net of current	<u>73,177</u>	<u>-</u>	<u>73,177</u>
TOTAL LIABILITIES	2,117,491	988,357	3,105,848
NET ASSETS			
Invested in capital assets, net of related debt	2,940,308	3,865,094	6,805,402
Unrestricted	<u>3,493,548</u>	<u>(3,167,197)</u>	<u>326,351</u>
TOTAL NET ASSETS	\$ <u>6,433,856</u>	\$ <u>697,897</u>	\$ <u>7,131,753</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<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>
Governmental Activities:							
General government	\$ 874,510	\$ 181,263	\$ 169,541	\$ -	\$ (523,706)	\$ -	\$ (523,706)
County Attorney's office	421,732	-	3,851	-	(417,881)	-	(417,881)
Commissioners' office	427,957	-	-	-	(427,957)	-	(427,957)
Public safety	815,304	126,355	106,491	-	(582,458)	-	(582,458)
Corrections	3,121,476	75,697	172,603	-	(2,873,176)	-	(2,873,176)
Health and welfare	5,402,727	-	1,038,037	-	(4,364,690)	-	(4,364,690)
Cooperative extension	272,746	-	1,153	-	(271,593)	-	(271,593)
Register of Deeds	340,887	377,509	-	-	36,622	-	36,622
Total Governmental Activities	11,677,339	760,824	1,491,676	-	(9,424,839)	-	(9,424,839)
Business-Type Activities:							
Nursing Home	13,267,635	11,639,143	-	-	-	(1,628,492)	(1,628,492)
Total Business-Type Activities	13,267,635	11,639,143	-	-	-	(1,628,492)	(1,628,492)
Total	\$ 24,944,974	\$ 12,399,967	\$ 1,491,676	\$ -	(9,424,839)	(1,628,492)	(11,053,331)
General Revenues:							
County tax					12,956,211	-	12,956,211
Investment income					17,010	-	17,010
IBNR reversal					142,409	301,705	444,114
Miscellaneous					312,969	161,632	474,601
Transfers, net					(1,630,142)	1,630,142	-
Total general revenues and transfers					11,798,457	2,093,479	13,891,936
Change in Net Assets					2,373,618	464,987	2,838,605
Net Assets:							
Beginning of year					4,060,238	232,910	4,293,148
End of year					\$ 6,433,856	\$ 697,897	\$ 7,131,753

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

	<u>General</u>	<u>Register of Deeds</u>	<u>ARRA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 581,925	\$ 84,582	\$ -	\$ -	\$ 666,507
Departmental and other receivables	35,521	-	244,312	92,435	372,268
Due from (to) other funds	278,485	(3,395)	(244,312)	(30,778)	-
Advance to nursing home	<u>4,339,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,339,464</u>
TOTAL ASSETS	\$ <u>5,235,395</u>	\$ <u>81,187</u>	\$ <u>-</u>	\$ <u>61,657</u>	\$ <u>5,378,239</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 630,905	\$ 238	\$ -	\$ 77,537	\$ 708,680
Accrued liabilities	155,503	4,949	-	9,869	170,321
Other liabilities	50,136	32,538	-	-	82,674
Anticipation notes payable	<u>775,000</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>900,000</u>
TOTAL LIABILITIES	1,611,544	37,725	-	212,406	1,861,675
Fund Balances:					
Reserved for advances	4,339,464	-	-	-	4,339,464
Unreserved:					
Undesignated, reported in:					
General fund	(715,613)	-	-	-	(715,613)
Special revenue funds	<u>-</u>	<u>43,462</u>	<u>-</u>	<u>(150,749)</u>	<u>(107,287)</u>
TOTAL FUND BALANCES	<u>3,623,851</u>	<u>43,462</u>	<u>-</u>	<u>(150,749)</u>	<u>3,516,564</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>5,235,395</u>	\$ <u>81,187</u>	\$ <u>-</u>	\$ <u>61,657</u>	\$ <u>5,378,239</u>

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, 2009

Total governmental fund balances	\$ 3,516,564
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,173,108
<ul style="list-style-type: none">• Long-term liabilities, including accrued compensated absences and notes payable, are not due and payable in the current period and, therefore, are not reported in governmental funds.	(<u>255,816</u>)
Net assets of governmental activities	\$ <u>6,433,856</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, 2009

	<u>General</u>	<u>Register of Deeds</u>	<u>ARRA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
County taxes	\$ 12,956,211	\$ -	\$ -	\$ -	\$ 12,956,211
Charges for services	256,960	377,509	-	126,355	760,824
Intergovernmental	166,935	-	673,886	650,855	1,491,676
Investment income	17,010	-	-	-	17,010
IBNR reversal	133,927	8,482	-	-	142,409
Miscellaneous	312,299	-	-	670	312,969
Total Revenues	<u>13,843,342</u>	<u>385,991</u>	<u>673,886</u>	<u>777,880</u>	<u>15,681,099</u>
Expenditures:					
Current:					
General government	536,954	-	-	45,250	582,204
County Attorney's office	419,953	-	-	-	419,953
Commissioners' office	430,189	-	-	-	430,189
Public safety	600,100	-	-	223,791	823,891
Corrections	2,809,823	-	-	172,603	2,982,426
Health and welfare	5,078,806	-	-	325,896	5,404,702
Cooperative extension	270,541	-	-	-	270,541
Register of Deeds	-	340,278	-	-	340,278
Capital expenditures	295,873	-	-	186,733	482,606
Debt service	59,250	-	-	-	59,250
Total Expenditures	<u>10,501,489</u>	<u>340,278</u>	<u>-</u>	<u>954,273</u>	<u>11,796,040</u>
Excess (deficiency) of revenues over expenditures	3,341,853	45,713	673,886	(176,393)	3,885,059
Other Financing Sources (Uses):					
Transfers:					
Register of Deeds	52,238	(52,238)	-	-	-
ARRA Funds to General Fund	492,449	-	(492,449)	-	-
ARRA Funds to Nursing Home	-	-	(181,437)	-	(181,437)
Nursing Home - for general services	303,275	-	-	-	303,275
Nursing Home - to balance budget	(1,751,980)	-	-	-	(1,751,980)
Total Other Financing Sources (Uses)	<u>(904,018)</u>	<u>(52,238)</u>	<u>(673,886)</u>	<u>-</u>	<u>(1,630,142)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,437,835	(6,525)	-	(176,393)	2,254,917
Fund Equity, at Beginning of Year	<u>1,186,016</u>	<u>49,987</u>	<u>-</u>	<u>25,644</u>	<u>1,261,647</u>
Fund Equity, at End of Year	<u>\$ 3,623,851</u>	<u>\$ 43,462</u>	<u>\$ -</u>	<u>\$ (150,749)</u>	<u>\$ 3,516,564</u>

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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
Revenues and Other Sources:				
General Fund:				
County taxes	\$ 12,956,211	\$ 12,956,211	\$ 12,956,211	\$ -
Charges for services	273,362	273,362	256,960	(16,402)
Intergovernmental	173,345	173,345	659,384	486,039
Investment income	6,500	6,500	17,010	10,510
IBNR reversal	-	-	444,114	444,114
Miscellaneous	199,652	199,652	312,299	112,647
Other Funds:				
Nursing Home	11,275,124	11,275,124	13,007,450	1,732,326
Register of Deeds	425,000	425,000	377,509	(47,491)
Grants and other	517,711	517,711	777,879	260,168
Transfers in	<u>303,275</u>	<u>303,275</u>	<u>303,275</u>	<u>-</u>
Total Revenues and Other Sources	26,130,180	26,130,180	29,112,091	2,981,911
Expenditures and Other Uses:				
General Fund:				
General government	588,211	588,461	536,954	51,507
County Attorney's office	432,044	432,044	419,953	12,091
Commissioners' office	488,779	488,529	430,189	58,340
Public safety	624,446	624,446	600,100	24,346
Corrections	3,124,066	3,124,066	2,809,823	314,243
Health and welfare	5,263,914	5,263,914	5,078,806	185,108
Cooperative extension	302,200	301,754	270,541	31,213
Capital expenditures	323,734	321,680	295,873	25,807
Debt service	85,000	85,000	59,250	25,750
Other Funds:				
Nursing Home	13,723,829	13,726,329	13,823,607	(97,278)
Register of Deeds	359,424	359,424	340,277	19,147
Grants and other	511,258	511,258	767,541	(256,283)
Capital expenditures fund	-	-	186,731	(186,731)
Transfers out	<u>303,275</u>	<u>303,275</u>	<u>303,275</u>	<u>-</u>
Total Expenditures and Other Uses	<u>26,130,180</u>	<u>26,130,180</u>	<u>25,922,920</u>	<u>207,260</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,189,171</u>	\$ <u>3,189,171</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2009

Business-Type Activities
Enterprise Fund
Nursing
Home

ASSETS

Current:

Cash and short-term investments	\$ 21,608
Accounts receivable, net of allowances	2,032,357
Inventory	<u>26,904</u>
Total current assets	2,080,869

Noncurrent:

Resident trust cash	79,755
Capital assets, net of accumulated depreciation	<u>3,865,094</u>
Total noncurrent assets	<u>3,944,849</u>

TOTAL ASSETS

6,025,718

LIABILITIES

Current:

Accounts payable	350,644
Accrued liabilities	310,775
Other liabilities	13,154
Resident trust liability	<u>79,755</u>
Total current liabilities	754,328

Noncurrent:

Advance from General Fund	4,339,464
Compensated absences	<u>234,029</u>
Total noncurrent liabilities	<u>4,573,493</u>

TOTAL LIABILITIES

5,327,821

NET ASSETS

Invested in capital assets, net of related debt	3,865,094
Unrestricted	<u>(3,167,197)</u>
TOTAL NET ASSETS	<u>\$ 697,897</u>

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, 2009

	Business-Type Activities Enterprise Fund
	<u>Nursing</u> <u>Home</u>
Operating Revenues:	
Charges for services	\$ 11,639,143
IBNR reversal	301,705
Miscellaneous	<u>161,632</u>
Total Operating Revenues	12,102,480
Operating Expenses:	
Personnel services	5,952,137
Employee benefits	1,881,123
Contractual services	1,947,221
Payroll and other taxes	443,540
Therapy services	611,186
Food	555,012
Depreciation	436,210
Medicine	277,423
Medical expenses	285,306
Miscellaneous expenses	1,936
Supplies and office expense	179,033
Repairs and maintenance	195,864
Insurance	52,552
Telephone	21,332
Utilities	<u>427,760</u>
Total Operating Expenses	<u>13,267,635</u>
Operating Income (Loss)	(1,165,155)
Transfers:	
Transfers in:	
From General Fund to balance budget	1,751,980
From ARRA Fund	181,437
Transfers out:	
For capital expenditures	(50,700)
For accounting	(67,151)
For human resources	<u>(185,424)</u>
Total Transfers	<u>1,630,142</u>
Change in Net Assets	464,987
Net Assets at Beginning of Year	<u>232,910</u>
Net Assets at End of Year	<u>\$ 697,897</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds
	<u>Nursing Home</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts for services provided	\$ 11,764,784
Miscellaneous receipts	463,337
Payments for personnel and related costs	(8,235,539)
Payments for goods and services	<u>(4,858,952)</u>
Net Cash (Used For) Operating Activities	(866,370)
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers, net	1,630,142
Net change in advance from General Fund	<u>(752,675)</u>
Net Cash Provided by Noncapital Financing Activities	877,467
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	<u>(8,205)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(8,205)</u>
Net Change in Cash and Short-Term Investments	2,892
Cash and Short Term Investments, Beginning of Year	<u>18,716</u>
Cash and Short Term Investments, End of Year	<u>\$ 21,608</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ (1,165,155)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	436,210
Changes in assets and liabilities:	
Accounts receivable	125,641
Inventory	8,865
Account payable	(106,703)
Accrued liabilities	(165,543)
Other liabilities	<u>315</u>
Net Cash (Used For) Operating Activities	<u>\$ (866,370)</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 government is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

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, 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

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 and fiduciary 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, including special assessments. 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 government. 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 government reports the following major governmental funds:

- The *General Fund* is the government'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 *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 *ARRA Fund* accounts for funds received under the American Recovery and Reinvestment Act.

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 sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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 government has elected not to follow subsequent private-sector guidance.

The government reports the County 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, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool 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 is 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. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

F. 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 fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

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

I. Compensated Absences

It is the government'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.

J. 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.

K. 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.

L. 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 1st, 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 1st.
- 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 General Fund 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

The budgetary data for all funds 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>All Funds</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 27,783,579	\$ 25,063,675
Nursing Home reclassifications	1,025,237	1,025,237
Budgeted transfers	303,275	303,275
Convert accrual basis Nursing Home to budget basis	<u> -</u>	<u>(469,267)</u>
Budgetary basis	\$ <u>29,112,091</u>	\$ <u>25,922,920</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2009:

<u>Fund Number</u>	<u>Fund Name</u>	<u>Deficit</u>
42	Capital Expenditures Fund	\$ (186,733)
301	Miscellaneous	(197)
445	Domestic Violence Grant	(90)
475	Cooperative Extension Service	(3,902)
643	Sullivan County Juvenile Justice Planning Grant	(2,122)
644	Juvenile Justice High Risk Youth & Family Intervention	(11,364)
646	Highway Safety	(277)
700	Facilities: Habitat Improvement	(9,560)
725	Emergency Planning	(1,000)
745	Drug Task Force Grant	(156)
945	Intervention Program	(3,775)
947	Claremont Teen Resource Center	(121,779)
948	Parents As Teachers	(3,284)
949	CAC of Grafton & Sullivan County	(639)
955	Public Health Network Coordinator	(304)
	Total	<u>\$ (345,182)</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 48:16 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, 2009, \$ 470,043 of the County's bank balance of \$ 1,591,492 was exposed to custodial credit risk as uninsured and uncollateralized.

4. Allowance for Doubtful Accounts and Contractual Allowances

The allowance for doubtful accounts for Nursing Home receivables has been estimated at \$ 291,668 at June 30, 2009. 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, 2009 balances in interfund receivable and payable accounts:

Fund	<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	\$ 278,485	\$ -	\$ 4,339,464	\$ -
Special Revenue Funds:				
Register of Deeds	-	3,395	-	-
ARRA Fund	-	244,312	-	-
Fund 24 and Fund 42	-	30,778	-	-
Enterprise Funds:				
Nursing Home	-	-	-	4,339,464
Total	<u>\$ 278,485</u>	<u>\$ 278,485</u>	<u>\$ 4,339,464</u>	<u>\$ 4,339,464</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 5,250	\$ 245	\$ -	\$ 5,495
Equipment and furnishings	1,213	-	-	1,213
Vehicles	<u>313</u>	<u>146</u>	<u>(152)</u>	<u>307</u>
Total capital assets, being depreciated	6,776	391	(152)	7,015
Less accumulated depreciation for:				
Buildings and improvements	(2,578)	(256)	-	(2,834)
Equipment and furnishings	(945)	(73)	-	(1,018)
Vehicles	<u>(310)</u>	<u>(19)</u>	<u>152</u>	<u>(177)</u>
Total accumulated depreciation	<u>(3,833)</u>	<u>(348)</u>	<u>152</u>	<u>(4,029)</u>
Construction in progress	-	<u>187</u>	-	<u>187</u>
Governmental activities capital assets, net	<u>\$ 2,943</u>	<u>\$ 230</u>	<u>\$ -</u>	<u>\$ 3,173</u>

(continued)

(continued)

Business-Type Activities:

Capital assets, being depreciated:

Buildings and improvements	\$ 8,715	\$ -	\$ -	\$ 8,715
Equipment and furnishings	2,198	8	-	2,206
Vehicles	<u>190</u>	<u>17</u>	<u>-</u>	<u>207</u>
Total capital assets, being depreciated	11,103	25	-	11,128

Less accumulated depreciation for:

Buildings and improvements	(4,761)	(353)	-	(5,114)
Equipment and furnishings	(1,897)	(72)	-	(1,969)
Vehicles	<u>(152)</u>	<u>(28)</u>	<u>-</u>	<u>(180)</u>
Total accumulated depreciation	<u>(6,810)</u>	<u>(453)</u>	<u>-</u>	<u>(7,263)</u>

Business-type activities capital assets, net \$ 4,293 \$ (428) \$ (-) \$ 3,865

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

Governmental Activities:

General government	\$ 180
Public safety	28
Public welfare	1
Department of Corrections	137
Cooperative extension	<u>2</u>

Total depreciation expense - governmental activities \$ 348

Business-Type Activities:

Nursing Home	\$ <u>453</u>
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Total depreciation expense - business-type activities \$ 453

7. Accounts Payable

Accounts payable represents 2009 expenditures paid after June 30, 2009.

8. Anticipation Notes Payable

At June 30, 2009, the County had two anticipation lines of credit totaling \$ 5,000,000 available. The following summarizes notes payable activity during fiscal year 2009:

	<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	\$ 4,000,000	2/12/2008	3.625%	\$ 3,125,000	\$ -	\$ (3,125,000)	\$ -
Revenue anticipation	\$ 3,000,000	7/7/2008	2.170%	-	3,000,000	(3,000,000)	-
Revenue anticipation	\$ 3,125,000	7/15/2008	2.380%	-	3,125,000	(3,125,000)	-
Revenue anticipation	\$ 2,000,000	9/26/2008	2.660%	-	1,525,000	(1,525,000)	-
Revenue anticipation	\$ 2,000,000	5/21/2009	1.970%	-	775,000	-	775,000
Bond anticipation	\$ 3,000,000	3/19/2009	2.000%	-	125,000	-	125,000
Totals				<u>\$ 3,125,000</u>	<u>\$ 8,550,000</u>	<u>\$ (10,775,000)</u>	<u>\$ 900,000</u>

Subsequent to year end, a \$ 5,000,000 credit line dated July 2, 2009 was entered into. This line carries an annual interest rate of 1.050% and is due on December 31, 2009.

9. Long-Term Debt

A. Notes Payable

The County has entered into agreements to provide funds for the acquisition of vehicles. At June 30, 2009 notes payable outstanding were as follows:

<u>Governmental Activities:</u>	<u>Maturities Through</u>	<u>Interest Rate %</u>	<u>Amount Outstanding as of June 30, 2009</u>
Vehicles	2012	4.125%	\$ <u>107,800</u>
Total Governmental Activities			\$ <u>107,800</u>

B. Future Debt Service

The annual principal payments to repay the bonds payable outstanding as of June 30, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 34,624	\$ 4,463	\$ 39,087
2011	36,051	3,036	39,087
2012	<u>37,125</u>	<u>1,962</u>	<u>39,087</u>
Total	<u>\$ 107,800</u>	<u>\$ 9,461</u>	<u>\$ 117,261</u>

The general fund has been designated as the source that will repay the governmental-type general obligation bond outstanding as of June 30, 2009.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 6/30/08	Additions	Reductions	Total Balance 6/30/09	Less Current Portion	Equals Long-Term Portion 6/30/09
<u>Governmental Activities</u>						
Notes payable	\$ -	\$ 146	\$ (38)	\$ 108	\$ (35)	\$ 73
Compensated absences	145	3	-	148	-	148
Totals	\$ 145	\$ 149	\$ (38)	\$ 256	\$ (35)	\$ 221
<u>Business-Type Activities</u>						
Compensated absences	\$ 193	\$ 41	\$ -	\$ 234	\$ -	\$ 234
Totals	\$ 193	\$ 41	\$ -	\$ 234	\$ -	\$ 234

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. Reserves of Fund Equity

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

Reserved for Advances - An account used to segregate a portion of fund balance to indicate that advances to other funds, although a component of assets, do not represent available spendable resources.

12. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits 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. Pension Plan

The County follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, 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 or by calling (603) 271-3351.

B. Funding Policy

Sheriff's deputies and correctional office 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 11.84% of annual covered payroll. The current rate for all other employees is 8.74% 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, 2009, 2008, and 2007 were \$632,244, \$ 625,170, and \$ 523,220, respectively, equal to the required contributions for each year.

14. Risk Management

The County is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County and other municipalities and other qualified political subdivisions of New Hampshire are members of the Public Risk Management Exchange (Primex³), a Trust organized to provide property and liability insurance coverage to its members. The County pays an annual premium to Primex³ for its property and liability insurance coverage.

The coverage includes a retrospective contribution endorsement under which the County may receive a portion of its premiums back based on a loss ratio as defined in the agreement.

15. Subsequent Events - Fiscal Stabilization Plan

Although the fiscal condition of Sullivan County improved dramatically in Fiscal Year 2009, there remains a deficit in the unreserved fund balance of the General Fund which must be addressed. Included in the approved Fiscal Year 2010 budget is an additional \$ 1,000,000 earmarked for deficit reduction. In addition, we anticipate receiving additional unbudgeted revenue as a result of the American Recovery and Reinvestment Act (ARRA). We are confident that Sullivan County will end Fiscal Year 2010 with a surplus in the unreserved fund balance of the General Fund.