

SULLIVAN COUNTY, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2005

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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, 2005, 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. 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund 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 the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME

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.

Melanson, Heath & Company, P.C.

Nashua, New Hampshire
July 29, 2005

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, 2005.

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.

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.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that are 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 *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 8,031,645 (i.e., net assets), an increase of \$ 798,651 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,706,112, an increase of \$ 1,046,958 in comparison with the prior year, as restated.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 703,010, an increase of \$ 341,851 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 560,910, a decrease of \$ (556,559) 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. All amounts are presented in thousands.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 2,126	\$ 2,433	\$ 1,783	\$ 1,869	\$ 3,909	\$ 4,302
Capital assets	<u>2,674</u>	<u>2,803</u>	<u>4,017</u>	<u>4,176</u>	<u>6,691</u>	<u>6,979</u>
Total assets	4,800	5,236	5,800	6,045	10,600	11,281
Long-term liabilities outstanding	186	277	224	720	410	997
Other liabilities	<u>527</u>	<u>1,891</u>	<u>1,631</u>	<u>1,160</u>	<u>2,158</u>	<u>3,051</u>
Total liabilities	713	2,168	1,855	1,880	2,568	4,048
Net assets:						
Invested in capital assets, net	2,489	2,515	3,526	3,199	6,015	5,714
Unrestricted	<u>1,598</u>	<u>553</u>	<u>419</u>	<u>966</u>	<u>2,017</u>	<u>1,519</u>
Total net assets	\$ <u>4,087</u>	\$ <u>3,068</u>	\$ <u>3,945</u>	\$ <u>4,165</u>	\$ <u>8,032</u>	\$ <u>7,233</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Charges for services	\$ 944	\$ 952	\$ 9,194	\$ 9,730	\$ 10,138	\$ 10,682
Operating grants	736	696	60	60	796	756
County tax	9,433	9,337	-	-	9,433	9,337
Investment income	68	21	-	-	68	21
Other	<u>268</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>268</u>	<u>39</u>
Total revenues	<u>11,449</u>	<u>11,045</u>	<u>9,254</u>	<u>9,790</u>	<u>20,703</u>	<u>20,835</u>
Expenses:						
General government	664	718	-	-	664	718
County Attorney	322	234	-	-	322	234
Commissioners office	247	221	-	-	247	221
Public safety	809	781	-	-	809	781
Corrections	2,243	2,310	-	-	2,243	2,310
County Nursing Home	-	65	11,176	10,341	11,176	10,406
Health and welfare	3,852	4,457	-	-	3,852	4,457
Cooperative extension	260	290	-	-	260	290
Register of Deeds	<u>331</u>	<u>345</u>	<u>-</u>	<u>-</u>	<u>331</u>	<u>345</u>
Total expenses	<u>8,728</u>	<u>9,421</u>	<u>11,176</u>	<u>10,341</u>	<u>19,904</u>	<u>19,762</u>
Change in net assets before transfers	2,721	1,624	(1,922)	(551)	799	1,073
Transfers in (out)	<u>(1,702)</u>	<u>(1,491)</u>	<u>1,702</u>	<u>1,491</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,019	133	(220)	940	799	1,073
Net assets - beginning of year	<u>3,068</u>	<u>2,935</u>	<u>4,165</u>	<u>3,225</u>	<u>7,233</u>	<u>6,160</u>
Net assets - end of year	<u>\$ 4,087</u>	<u>\$ 3,068</u>	<u>\$ 3,945</u>	<u>\$ 4,165</u>	<u>\$ 8,032</u>	<u>\$ 7,233</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 \$ 8,031,645, an increase of \$ 798,651 from the prior year, as restated.

The largest portion of net assets \$ 6,015,163 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.

The remaining balance of unrestricted net assets \$ 2,016,482 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 1,018,788. Key elements of this increase are as follows:

	<u>Governmental Activities</u>
Excess of general fund revenues over budget	\$ 280,161
Budgetary appropriations unspent by departments	461,690
Use of fund balance as a funding source	(400,000)
Current encumbrances in excess of prior year encumbrances (timing difference)	728,865
Other	(51,928)
Total	\$ <u>1,018,788</u>

Business-type activities. Business-type activities (Nursing Home) for the year resulted in a decrease in net assets of \$ (220,137). Most of this decrease is attributed to the repayment of Proshare funds.

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, unreserved 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 \$ 1,706,112, an increase of \$ 1,046,958 in comparison with the prior year. Key elements of this increase are as follows:

	<u>Governmental Funds</u>
Excess of general fund revenues over budget	\$ 280,161
Budgetary appropriations unspent by departments	461,690
Use of fund balance as a funding source	(400,000)
Current encumbrances in excess of prior year encumbrances (timing difference)	728,865
Other	(23,758)
Total	\$ <u>1,046,958</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 \$ 703,010. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance at June 30, 2005 represents 9 percent of total general fund expenditures.

The fund balance of the general fund increased by \$ 1,070,716 during the current fiscal year. Key factors in this change are as follows:

	<u>General Fund</u>
Excess of general fund revenues over budget	\$ 280,161
Budgetary appropriations unspent by departments	461,690
Use of fund balance as a funding source	(400,000)
Current encumbrances in excess of prior year	
Encumbrances (timing difference)	<u>728,865</u>
Total	<u>\$ 1,070,716</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 \$ 418,508, a decrease of \$ (547,515) 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 \$ 6,690,164 (net of accumulated depreciation), a decrease of \$ (289,021) from the prior year. This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 560,910, all of which was backed by the full faith and credit of the government.

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, 2005

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 2,122,296	\$ 200	\$ 2,122,496
Receivables:			
Departmental and other	2,000	1,518,254	1,520,254
Intergovernmental	175	-	175
Internal balances	(139,854)	139,854	-
Prepaid expenses	142,058	-	142,058
Inventory	-	22,371	22,371
Noncurrent:			
Restricted cash	-	102,715	102,715
Capital assets, net of accumulated depreciation	<u>2,673,655</u>	<u>4,016,509</u>	<u>6,690,164</u>
TOTAL ASSETS	4,800,330	5,799,903	10,600,233
LIABILITIES			
Current:			
Accounts payable	163,854	707,040	870,894
Accrued liabilities	256,709	341,668	598,377
Due to residents	-	91,968	91,968
Current portion of long-term liabilities:			
Bonds payable	70,473	490,437	560,910
Capital leases payable	35,949	-	35,949
Noncurrent:			
Capital leases payable, net of current portion	78,142	-	78,142
Accrued compensated absences	<u>108,138</u>	<u>224,210</u>	<u>332,348</u>
TOTAL LIABILITIES	713,265	1,855,323	2,568,588
NET ASSETS			
Invested in capital assets, net of related debt	2,489,091	3,526,072	6,015,163
Unrestricted	<u>1,597,974</u>	<u>418,508</u>	<u>2,016,482</u>
TOTAL NET ASSETS	\$ <u>4,087,065</u>	\$ <u>3,944,580</u>	\$ <u>8,031,645</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Expenses						
Governmental Activities:						
General government	\$ 663,461	\$ 141,884	\$ -	\$ (486,405)	\$ -	\$ (486,405)
County Attorney's office	321,715	4,328	-	(317,387)	-	(317,387)
Commissioners' office	246,847	-	-	(246,847)	-	(246,847)
Public safety	809,023	237,901	-	(353,269)	-	(353,269)
Corrections	2,242,718	14,114	-	(2,143,844)	-	(2,143,844)
Health and welfare	3,852,196	333,962	-	(3,515,675)	-	(3,515,675)
Cooperative extension	260,050	3,842	-	(256,208)	-	(256,208)
Register of Deeds	331,593	-	-	272,376	-	272,376
Total Governmental Activities	8,727,603	736,031	-	(7,047,259)	-	(7,047,259)
Business-Type Activities:						
Nursing Home	11,175,782	60,174	-	-	(1,921,736)	(1,921,736)
Total Business-Type Activities	11,175,782	60,174	-	-	(1,921,736)	(1,921,736)
Total	\$ 19,903,385	\$ 796,205	\$ -	(7,047,259)	(1,921,736)	(8,968,995)
General Revenues:						
County Tax				9,433,119	-	9,433,119
Investment income				67,561	-	67,561
Miscellaneous				266,966	-	266,966
Transfers, net				(1,701,599)	1,701,599	-
Total general revenues and transfers				8,066,047	1,701,599	9,767,646
Change in Net Assets				1,018,788	(220,137)	798,651
Net Assets:						
Beginning of year				3,068,277	4,164,717	7,232,994
End of year				\$ 4,087,065	\$ 3,944,580	\$ 8,031,645

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE
GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2005

	<u>General</u>	<u>Register of Deeds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 1,993,500	\$ 128,796	\$ -	\$ 2,122,296
Accounts receivable	2,000	-	-	2,000
Intergovernmental receivable	-	-	175	175
Due from other funds	-	-	198,904	198,904
Other assets	<u>142,058</u>	<u>-</u>	<u>-</u>	<u>142,058</u>
TOTAL ASSETS	\$ 2,137,558	\$ 128,796	\$ 199,079	\$ 2,465,433
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 139,192	\$ 6,363	\$ 18,299	\$ 163,854
Accrued liabilities	231,056	22,359	3,294	256,709
Due to other funds	<u>335,435</u>	<u>3,323</u>	<u>-</u>	<u>338,758</u>
TOTAL LIABILITIES	705,683	32,045	21,593	759,321
Fund Balances:				
Reserved for encumbrances	728,865	-	-	728,865
Unreserved:				
Undesignated, reported in:				
General fund	703,010	-	-	703,010
Special revenue funds	<u>-</u>	<u>96,751</u>	<u>177,486</u>	<u>274,237</u>
TOTAL FUND BALANCES	1,431,875	96,751	177,486	1,706,112
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,137,558	\$ 128,796	\$ 199,079	\$ 2,465,433

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, 2005

Total governmental fund balances	\$ 1,706,112
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,673,655
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, capital leases payable, and accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(292,702)</u>
Net assets of governmental activities	\$ <u>4,087,065</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, 2005

	<u>General</u>	<u>Register of Deeds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
County taxes	\$ 9,433,119	-	-	\$ 9,433,119
Charges for services	277,625	603,969	62,719	944,313
Intergovernmental	159,992	-	576,039	736,031
Investment income	67,561	-	-	67,561
Miscellaneous	266,966	-	-	266,966
Total Revenues	<u>10,205,263</u>	<u>603,969</u>	<u>638,758</u>	<u>11,447,990</u>
Expenditures:				
Current:				
General government	578,946	-	-	578,946
County Attorney's office	265,671	-	-	265,671
Commissioners' office	246,847	-	-	246,847
Public safety	520,413	-	324,987	845,400
Corrections	2,284,437	-	-	2,284,437
Health and welfare	3,578,444	-	294,996	3,873,440
Cooperative extension	255,195	-	3,842	259,037
Register of Deeds	-	330,543	-	330,543
Debt service	15,112	-	-	15,112
Total Expenditures	<u>7,745,065</u>	<u>330,543</u>	<u>623,825</u>	<u>8,699,433</u>
Excess (deficiency) of revenues over expenditures	2,460,198	273,426	14,933	2,748,557
Other Financing Sources (Uses):				
Operating transfers in	275,387	-	-	275,387
Operating transfers out	(1,664,869)	(260,251)	(51,866)	(1,976,986)
Total Other Financing Sources (Uses)	<u>(1,389,482)</u>	<u>(260,251)</u>	<u>(51,866)</u>	<u>(1,701,599)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,070,716	13,175	(36,933)	1,046,958
Fund Equity, at Beginning of Year	361,159	83,576	214,419	659,154
Fund Equity, at End of Year	<u>\$ 1,431,875</u>	<u>\$ 96,751</u>	<u>\$ 177,486</u>	<u>\$ 1,706,112</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, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,046,958

- 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:

Capital purchases	145,181
Depreciation	(274,667)

- The issuance of long-term debt (e.g., bonds and leases) 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:

Repayments of debt	103,665
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- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

8,062

- Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(10,411)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,018,788

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
	Budget	Budget		Positive
				(Negative)
Revenues and Other Sources:				
County taxes	\$ 9,433,119	\$ 9,433,119	\$ 9,433,119	\$ -
Charges for services	285,005	285,005	277,625	(7,380)
Intergovernmental	155,665	155,665	159,992	4,327
Investment income	8,500	8,500	67,561	59,061
Miscellaneous	196,283	196,283	266,966	70,683
Transfers in	121,917	121,917	275,387	153,470
Other sources	400,000	400,000	400,000	-
Total Revenues and Other Sources	10,600,489	10,600,489	10,880,650	280,161
Expenditures and Other Uses:				
General government	692,831	692,831	639,924	52,907
County Attorney's office	293,065	293,065	265,671	27,394
Commissioners' office	235,579	235,579	247,647	(12,068)
Public safety	498,551	498,551	520,413	(21,862)
Corrections	2,262,202	2,300,802	2,297,987	2,815
Health and welfare	4,681,251	4,681,251	4,245,093	436,158
Cooperative extension	255,562	255,562	257,195	(1,633)
Transfers out	1,656,448	1,642,848	1,664,869	(22,021)
Reserve	25,000	-	-	-
Total Expenditures and Other Uses	10,600,489	10,600,489	10,138,799	461,690
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 741,851	\$ 741,851

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Business-Type Activities Enterprise Fund
	<u>Nursing Home</u>
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 200
Accounts receivable, net of contractual allowances	1,518,254
Internal balances	139,854
Inventory	<u>22,371</u>
Total current assets	1,680,679
Noncurrent:	
Restricted cash	102,715
Capital assets, net of accumulated depreciation	<u>4,016,509</u>
Total noncurrent assets	<u>4,119,224</u>
TOTAL ASSETS	5,799,903
<u>LIABILITIES</u>	
Current:	
Accounts payable	707,040
Accrued and other liabilities	341,668
Due to residents	91,968
Current portion of long-term liabilities:	
Bonds payable	<u>490,437</u>
Total current liabilities	1,631,113
Noncurrent:	
Compensated absences	<u>224,210</u>
Total noncurrent liabilities	<u>224,210</u>
TOTAL LIABILITIES	1,855,323
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	3,526,072
Unrestricted	<u>418,508</u>
TOTAL NET ASSETS	\$ <u>3,944,580</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, 2005

	Business-Type Activities Enterprise Fund
	<u>Nursing Home</u>
Operating Revenues:	
Charges for services	\$ 9,154,165
Miscellaneous	<u>39,707</u>
Total Operating Revenues	9,193,872
Operating Expenses:	
Personnel services	5,843,892
Contractual services	1,029,903
Therapy services	232,183
Supplies and office expense	203,922
Medical expenses	75,814
Utilities	321,177
Depreciation	332,615
Payroll and other taxes	433,617
Food	439,512
Repairs and maintenance	41,533
Employee benefits	1,951,480
Telephone	17,947
Miscellaneous	648
Insurance	49,437
Medicine	<u>180,046</u>
Total Operating Expenses	<u>11,153,726</u>
Operating Income (Loss)	(1,959,854)
Nonoperating Revenues (Expenses):	
Intergovernmental revenue	60,174
Interest expense	<u>(22,056)</u>
Total Nonoperating Revenues (Expenses), Net	<u>38,118</u>
Income (Loss) Before Transfers	(1,921,736)
Transfers:	
Operating transfers in	<u>1,701,599</u>
Change in Net Assets	(220,137)
Net Assets at Beginning of Year	<u>4,164,717</u>
Net Assets at End of Year	<u>\$ 3,944,580</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities Enterprise Funds</u>
	<u>Nursing Home</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts for services provided	\$ 8,681,494
Miscellaneous receipts	39,707
Payments for personnel and related costs	(7,606,049)
Payments for goods and services	<u>(2,665,018)</u>
Net Cash Provided By (Used For) Operating Activities	(1,549,866)
<u>Cash Flows From Noncapital Financing Activities:</u>	
Operating transfers in	1,701,599
Receipts from internal balances	470,142
Intergovernmental grant	<u>60,174</u>
Net Cash (Used For) Noncapital Financing Activities	2,231,915
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(173,080)
Principal payments on bonds	(486,913)
Interest expense	<u>(22,056)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(682,049)</u>
Net Change in Cash and Short-Term Investments	-
Cash and Short Term Investments, Beginning of Year	<u>200</u>
Cash and Short Term Investments, End of Year	<u>\$ 200</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ (1,959,854)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	332,615
Changes in assets and liabilities:	
Accounts receivable	(472,671)
Inventory	10,298
Other assets	12,098
Accounts payable	348,243
Accrued and other liabilities	<u>179,405</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (1,549,866)</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>13,933</u>
Total Assets	13,933
<u>LIABILITIES AND NET ASSETS</u>	
Other liabilities	<u>13,933</u>
Total Liabilities	<u>13,933</u>
<u>NET ASSETS</u>	<u>\$ -</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.
- *Register of Deeds* consists of the Special Revenue Fund which is used to account for the proceeds of specific revenue sources and related expenditures that are associated with registry activities.

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).

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 \$ 200 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
Vehicles	5
Office equipment	5
Computer equipment	5

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and

fiduciary 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 the general fund 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 of the general fund 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>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 10,205,263	\$ 7,745,065
Other financing sources/uses (GAAP basis)	<u>275,387</u>	<u>1,664,869</u>
Subtotal (GAAP Basis)	10,480,650	9,409,934
Record use of fund balance	400,000	-
Record current year appropriation carryforwards	<u>-</u>	<u>728,865</u>
Budgetary basis	\$ <u>10,880,650</u>	\$ <u>10,138,799</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2005:

Domestic Violence Grant	\$ (90)
Drug Task Force	(2,814)
Total	\$ (2,904)

The deficits in these funds will be eliminated through future departmental 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, 2005, \$ 1,374,239 of the County's bank balance of \$ 3,548,638 was exposed to custodial credit risk as uninsured and uncollateralized.

4. Allowance for Doubtful Accounts

The Nursing Home has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. Management has reviewed receivables at June 30, 2005 and has determined that no allowance is necessary.

5. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2005.

6. 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, 2005 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 335,435
Special Revenue Funds:		
Registry of Deeds	-	3,323
Grants	198,904	-
Enterprise Funds:		
Nursing Home	<u>139,854</u>	<u>-</u>
Total	<u>\$ 338,758</u>	<u>\$ 338,758</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2005 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	\$ 4,285	\$ 101	\$ -	\$ 4,386
Equipment and vehicles	885	44	-	929
Land improvements	<u>312</u>	<u>-</u>	<u>-</u>	<u>312</u>
Total capital assets, being depreciated	5,482	145	-	5,627
Less accumulated depreciation for:				
Buildings and improvements	(1,855)	(151)	-	(2,006)
Equipment and vehicles	(691)	(62)	-	(753)
Land improvements	<u>(133)</u>	<u>(62)</u>	<u>-</u>	<u>(195)</u>
Total accumulated depreciation	<u>(2,679)</u>	<u>(275)</u>	<u>-</u>	<u>(2,954)</u>
Governmental activities capital assets, net	<u>\$ 2,803</u>	<u>\$ (130)</u>	<u>\$ -</u>	<u>\$ 2,673</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,616	\$ 18	\$ -	\$ 7,634
Equipment	1,752	113	-	1,865
Vehicles	<u>107</u>	<u>42</u>	<u>-</u>	<u>149</u>
Total capital assets, being depreciated	9,475	173	-	9,648
Less accumulated depreciation for:				
Buildings and improvements	(3,616)	(261)	-	(3,877)
Equipment	(1,575)	(66)	-	(1,641)
Vehicles	<u>(108)</u>	<u>(5)</u>	<u>-</u>	<u>(113)</u>
Total accumulated depreciation	<u>(5,299)</u>	<u>(332)</u>	<u>-</u>	<u>(5,631)</u>
Business-type activities capital assets, net	<u>\$ 4,176</u>	<u>\$ (159)</u>	<u>\$ -</u>	<u>\$ 4,017</u>

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

Governmental Activities:	
General government	\$ 73
Public safety	79
Public welfare	2
Department of Corrections	118
Cooperative extension	<u>3</u>
Total depreciation expense - governmental activities	\$ <u>275</u>
Business-Type Activities:	
Nursing Home	\$ <u>332</u>
Total depreciation expense - business-type activities	\$ <u>332</u>

8. Accounts Payable

Accounts payable represent additional 2005 expenditures paid after June 30, 2005.

9. Anticipation Notes Payable

The following summarizes activity in notes payable during fiscal year 2005:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Revenue anticipation	\$ <u>-</u>	\$ <u>2,750,000</u>	\$ <u>2,750,000</u>	\$ <u>-</u>

10. 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 both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2005
<u>Governmental Activities:</u>			
Sewer Project (19%)	04/01/06	1.1875%	\$ <u>70,473</u>
Total Governmental Activities:			\$ <u>70,473</u>

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2005
<u>Business-Type Activities:</u>			
Sewer Project (81%)	04/01/06	1.1875%	\$ 300,437
Capital Improvements	08/15/05	5.483%	<u>190,000</u>
Total Business-Type Activities:			\$ <u>490,437</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2005 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ <u>70,473</u>	\$ <u>837</u>	\$ <u>71,310</u>
Total	\$ <u>70,473</u>	\$ <u>837</u>	\$ <u>70,473</u>
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ <u>490,437</u>	\$ <u>8,556</u>	\$ <u>498,993</u>
Total	\$ <u>490,437</u>	\$ <u>8,556</u>	\$ <u>498,993</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2005, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/04	Additions	Reductions	Total Balance 6/30/05	Less Current Portion	Equals Long-Term Portion 6/30/05
<u>Governmental Activities</u>						
Bonds payable	\$ 140	\$ -	\$ (70)	\$ 70	\$ (70)	\$ -
Other:						
Capital leases	148	-	(34)	114	(36)	78
Accrued employee benefits	<u>98</u>	<u>10</u>	<u>-</u>	<u>108</u>	<u>-</u>	<u>108</u>
Totals	\$ <u>386</u>	\$ <u>10</u>	\$ <u>(104)</u>	\$ <u>292</u>	\$ <u>(106)</u>	\$ <u>186</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 978	\$ -	\$ (488)	\$ 490	\$ (490)	\$ -
Other:						
Accrued employee benefits	<u>229</u>	<u>-</u>	<u>(5)</u>	<u>224</u>	<u>-</u>	<u>224</u>
Totals	\$ <u>1,207</u>	\$ <u>-</u>	\$ <u>(493)</u>	\$ <u>714</u>	\$ <u>(490)</u>	\$ <u>224</u>

11. Capital Lease Obligations

The County is the lessee of certain equipment under capital leases expiring in various years through 2008. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2005:

2006	\$ 42,431
2007	42,431
2008	<u>42,431</u>
Total minimum lease payments	127,293
Less amount representing interest	(<u>13,202</u>)
Present Value of Minimum Lease Payments	\$ <u>114,091</u>

12. 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.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

13. 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 Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

14. 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.

15. 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 7.87% of annual covered payroll. The current rate for all other employees is 5.90% 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, 2005, 2004, 2003 were \$ 387,562, \$ 225,751, and \$ 220,186, respectively, equal to the required contributions for each year.

16. Self Insurance

The County participates in the New Hampshire Municipal Association Health Insurance Trust Self-Funding Plus Program (Program) which provides medical health benefits to its eligible employees and their eligible dependents. The Program is self-funded and amounts collected from premiums, net of claims paid on behalf of participants, are maintained in a separate cash account and are reflected on the balance sheet as general fund "restricted cash". Claims relating to the year ended June 30, 2005, which have not been paid, have been recorded as a liability as of June 30, 2005. The County is insured above a stop-loss amount of approximately \$ 75,000 on individual and aggregate claims as of June 30, 2005.

Workers Compensation

The County contracts with an insurance consultant for claims processing of the County's workers compensation policy, which has no excess liability coverage for any employees. The Workers Compensation claims liability represents an estimate of future costs based on a historical analysis of similar claims for all employees excluding public safety. The County is unable to make any reasonable estimate of its liability for public safety employees.

17. 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 premium paid in 2005 was \$ 94,051.

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.