

SULLIVAN COUNTY, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - All Budgeted Funds	17
Notes to Financial Statements	18
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	34



MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Sullivan County, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Sullivan County, New Hampshire's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for all budgeted funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
February 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Sullivan County, New Hampshire (the County), we offer readers this narrative overview and analysis of the financial activities of Sullivan County for the fiscal year ended June 30, 2013.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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).

The governmental activities include general government, public safety, corrections, human services, cooperative extension, and nursing home.

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. The accounts of the County are reported as governmental 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 all funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with this budget.

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$15,764,820 (i.e., net position), a change of \$2,074,237 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,070,122, a change of \$(281,284) in comparison to the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$8,101,806, a change of \$949,763 in comparison to the prior year.
- Total bonds payable, including bond premium, at the close of the current fiscal year was \$4,823,200, a change of \$(692,600) 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.

NET POSITION

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current assets	\$ 9,968,208	\$ 9,240,081
Noncurrent assets	<u>15,137,103</u>	<u>13,018,388</u>
Total assets	25,105,311	22,258,469
Current liabilities	3,892,828	2,825,195
Noncurrent liabilities	<u>5,447,663</u>	<u>5,742,691</u>
Total liabilities	9,340,491	8,567,886
Net position:		
Net investment in capital assets	7,913,488	7,459,427
Restricted	332,123	189,758
Unrestricted	<u>7,519,209</u>	<u>6,041,398</u>
Total net position	<u>\$ 15,764,820</u>	<u>\$ 13,690,583</u>

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,442,439	\$ 13,097,277
Operating grants and contributions	778,963	1,634,739
Capital grants and contributions	550,000	52,500
General revenues:		
County taxes	13,892,074	13,905,995
Investment income	6,826	8,574
Miscellaneous	<u>367,381</u>	<u>323,593</u>
Total revenues	29,037,683	29,022,678

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Expenses:		
General government	2,010,999	1,932,225
Public safety	940,813	956,906
Corrections	4,560,718	4,513,044
Human services	5,409,030	5,683,353
Cooperative extension	252,437	282,066
Nursing home	13,613,101	13,641,908
Interest expense	<u>176,348</u>	<u>193,883</u>
Total expenses	<u>26,963,446</u>	<u>27,203,385</u>
Change in net position	2,074,237	1,819,293
Net position - beginning of year	<u>13,690,583</u>	<u>11,871,290</u>
Net position - end of year	<u>\$ 15,764,820</u>	<u>\$ 13,690,583</u>

As noted earlier, net position 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 position were \$15,764,820, a change of \$2,074,237 from the prior year.

The largest portion of net position \$7,913,488 reflects our investment in capital assets (e.g., land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$332,123 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$7,519,209 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$2,074,237. Key elements of this change are as follows:

Operating Results:

General fund	\$ 949,763
Register of deeds fund	15,712
Grants fund	43,501
Capital projects fund	<u>(1,290,260)</u>
Subtotal operating results	(281,284)
Purchase of capital assets	3,006,259
Principal debt service in excess of depreciation expense	(361,938)
Change in accrued interest liability	7,501
Change in compensated absence liability	(9,789)
Change in net OPEB obligation	<u>(286,512)</u>
Total	<u>\$ 2,074,237</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7,070,122, a change of \$(281,284) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and transfers in excess of expenditures and transfers out	\$ 949,763
Register of Deeds fund revenues and transfers in excess of expenditures and transfers out	15,712
Grants fund revenues and transfers in in excess of expenditures and transfers out	43,501
Capital projects fund expenditures and transfers out in excess of revenues and transfers in	<u>(1,290,260)</u>
Total	<u>\$ (281,284)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,654,484, while total fund balance was \$8,101,806. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>Percentage of Total Budgeted Expenditures</u>
Unassigned fund balance	\$ 5,654,484	\$ 4,210,636	\$ 1,443,848	17.0%
Total fund balance	\$ 8,101,806	\$ 7,152,043	\$ 949,763	24.4%

The total fund balance of all funds changed by \$(281,284) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,982,992
Expenditures less than appropriations	2,334,626
Use of fund balance as a funding source	(1,875,911)
Capital reserve transfer	477,009
Proceeds of bonds	<u>(3,200,000)</u>
Total all funds	\$ <u>(281,284)</u>

E. BUDGETARY HIGHLIGHTS

Differences between the original and the final amended budget resulted in an overall change in appropriations of \$187,038. This change relates to a use of voted reserves (fund balance).

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$15,137,103 (net of accumulated depreciation), an increase of \$2,118,715 from the prior year. This investment in capital assets includes land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress.

Major capital asset events during the current fiscal year included biomass construction costs of approximately \$2,400,000.

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$4,823,200, all of which relates to the corrections facility upgrade, was backed by the full faith and credit of the County.

Additional information on long-term debt can be found in the Notes to Financial statements.

REQUESTS FOR INFORMATION

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

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

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 7,725,811
Restricted cash	294,424
Accounts receivable, net of allowances	1,600,076
Prepaid expenses	296,192
Inventory	51,705
Noncurrent:	
Capital Assets:	
Land	105,430
Construction in progress	2,542,700
Capital assets, net of accumulated depreciation	<u>12,488,973</u>
TOTAL ASSETS	25,105,311
LIABILITIES	
Current:	
Accounts payable	1,328,710
Accrued liabilities	564,440
Restricted cash liability	182,011
Bond anticipation notes payable	900,000
Current portion of long-term liabilities:	
Notes payable	76,841
Bonds payable	692,600
Compensated absences	148,226
Noncurrent:	
Notes payable	121,916
Bonds payable	4,130,600
Compensated absences	246,876
Net OPEB obligation	<u>948,271</u>
TOTAL LIABILITIES	9,340,491
NET POSITION	
Net investment in capital assets	7,913,488
Restricted	332,123
Unrestricted	<u>7,519,209</u>
TOTAL NET POSITION	\$ <u>15,764,820</u>

The accompanying notes are an integral part of these financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	General Fund	Register of Deeds Fund	Grants Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 7,693,763	\$ -	\$ 32,048	\$ -	\$ 7,725,811
Restricted cash	143,832	150,592	-	-	294,424
Accounts receivable, net of allowances	1,530,712	-	69,364	-	1,600,076
Prepaid expenses	296,192	-	-	-	296,192
Due from other funds	-	4,881	78,309	22,630	105,820
Inventory	51,705	-	-	-	51,705
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 9,716,204</u>	<u>\$ 155,473</u>	<u>\$ 179,721</u>	<u>\$ 22,630</u>	<u>\$ 10,074,028</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 890,609	\$ 233	\$ 13,580	\$ 424,288	\$ 1,328,710
Accrued liabilities	474,137	4,748	8,480	-	487,365
Due to other funds	105,820	-	-	-	105,820
Restricted cash liability	143,832	38,179	-	-	182,011
Bond anticipation notes payable	-	-	-	900,000	900,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	1,614,398	43,160	22,060	1,324,288	3,003,906
Fund Balances:					
Nonspendable	347,897	-	-	-	347,897
Restricted	10,658	112,313	209,152	-	332,123
Committed	478,792	-	-	-	478,792
Assigned	1,609,975	-	-	-	1,609,975
Unassigned	5,654,484	-	(51,491)	(1,301,658)	4,301,335
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>8,101,806</u>	<u>112,313</u>	<u>157,661</u>	<u>(1,301,658)</u>	<u>7,070,122</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,716,204</u>	<u>\$ 155,473</u>	<u>\$ 179,721</u>	<u>\$ 22,630</u>	<u>\$ 10,074,028</u>

The accompanying notes are an integral part of these financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

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

JUNE 30, 2013

Total governmental fund balances	\$ 7,070,122
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,137,103
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(77,075)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Notes payable	(198,757)
Bonds payable	(4,823,200)
Compensated absences	(395,102)
Net OPEB obligation	<u>(948,271)</u>
Net position of governmental activities	\$ <u><u>15,764,820</u></u>

The accompanying notes are an integral part of these financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Register of Deeds Fund	Grants Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
County taxes	\$ 13,892,074	\$ -	\$ -	\$ -	\$ 13,892,074
Nursing home	12,732,589	-	-	-	12,732,589
Charges for services	250,367	377,377	82,106	-	709,850
Intergovernmental	108,977	-	669,986	550,000	1,328,963
Investment income	6,826	-	-	-	6,826
Miscellaneous	334,781	-	-	-	334,781
Total Revenues	<u>27,325,614</u>	<u>377,377</u>	<u>752,092</u>	<u>550,000</u>	<u>29,005,083</u>
Expenditures:					
Current:					
General government	1,503,399	343,288	144	-	1,846,831
Public safety	826,262	-	193,723	-	1,019,985
Corrections	4,048,557	-	183,571	-	4,232,128
Human services	5,127,047	-	278,653	-	5,405,700
Cooperative extension	252,661	-	-	-	252,661
Nursing home	13,104,869	-	-	-	13,104,869
Capital outlay	370,459	-	-	2,392,760	2,763,219
Debt service	843,850	-	-	-	843,850
Total Expenditures	<u>26,077,104</u>	<u>343,288</u>	<u>656,091</u>	<u>2,392,760</u>	<u>29,469,243</u>
Excess (deficiency) of revenues over expenditures	1,248,510	34,089	96,001	(1,842,760)	(464,160)
Other Financing Sources (Uses):					
Proceeds of notes	182,876	-	-	-	182,876
Transfers:					
Register of Deeds	18,377	(18,377)	-	-	-
Capital Projects - Biomass project	(500,000)	-	(52,500)	552,500	-
Total Other Financing Sources (Uses)	<u>(298,747)</u>	<u>(18,377)</u>	<u>(52,500)</u>	<u>552,500</u>	<u>182,876</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	949,763	15,712	43,501	(1,290,260)	(281,284)
Fund Equity, at Beginning of Year	<u>7,152,043</u>	<u>96,601</u>	<u>114,160</u>	<u>(11,398)</u>	<u>7,351,406</u>
Fund Equity, at End of Year	<u>\$ 8,101,806</u>	<u>\$ 112,313</u>	<u>\$ 157,661</u>	<u>\$ (1,301,658)</u>	<u>\$ 7,070,122</u>

The accompanying notes are an integral part of these 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, 2013

Net changes in fund balances - Total governmental funds	\$ (281,284)
<ul style="list-style-type: none"> 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 asset purchases, net	3,006,259
Depreciation	(887,544)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: 	
Repayments of bonds payable	660,000
Proceeds of notes payable	(182,876)
Repayments of notes payable	15,882
Amortization of bond premium	32,600
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	7,501
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as compensated absences and net OPEB obligation, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
Compensated absences	(9,789)
Net OPEB obligation	<u>(286,512)</u>
Change in net position of governmental activities	\$ <u>2,074,237</u>

The accompanying notes are an integral part of these 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, 2013

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	From Prior Years' Budgets	Final Budget		
Revenues and Other Sources:					
General Fund:					
County taxes	\$ 13,892,074	\$ -	\$ 13,892,074	\$ 13,892,074	\$ -
Nursing home	12,486,421	-	12,486,421	13,620,607	1,134,186
Charges for services	227,285	-	227,285	250,367	23,082
Intergovernmental	60,500	-	60,500	108,977	48,477
Investment income	15,000	-	15,000	6,826	(8,174)
Miscellaneous	234,083	-	234,083	334,781	100,698
Other Funds:					
Register of Deeds	315,000	-	315,000	377,377	62,377
Grants	679,746	-	679,746	752,092	72,346
Capital projects - Biomass project	-	-	-	550,000	550,000
Other Financing Sources:					
Use of fund balance - reduce taxes	1,211,864	187,038	1,398,902	1,398,902	-
Use of fund balance - transfer to capital reserve fund	477,009	-	477,009	477,009	-
Proceeds of bonds - Biomass project	3,200,000	-	3,200,000	3,200,000	-
Proceeds of notes	182,876	-	182,876	182,876	-
Total Revenues and Other Sources	32,981,858	187,038	33,168,896	35,151,888	1,982,992
Expenditures and Other Uses:					
General Fund:					
General government	1,620,408	29,401	1,649,809	1,503,399	146,410
Public safety	836,260	-	836,260	826,262	9,998
Corrections	4,214,136	110,466	4,324,602	4,048,557	276,045
Human services	5,213,805	-	5,213,805	5,127,047	86,758
Cooperative extension	246,638	-	246,638	252,661	(6,023)
Nursing home	14,880,404	-	14,880,404	13,992,887	887,517
Capital outlay	336,064	47,171	383,235	370,459	12,776
Debt service	926,850	-	926,850	843,850	83,000
Other Funds:					
Register of Deeds	350,538	-	350,538	343,288	7,250
Grants	679,746	-	679,746	656,091	23,655
Capital projects - Biomass project	3,200,000	-	3,200,000	2,392,760	807,240
Other Financing Uses:					
Transfer to capital reserve	477,009	-	477,009	477,009	-
Total Expenditures and Other Uses	32,981,858	187,038	33,168,896	30,834,270	2,334,626
Excess of revenues and other financing sources (uses) over expenditures	\$ -	\$ -	\$ -	\$ 4,317,618	\$ 4,317,618

The accompanying notes are an integral part of these financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the County and applicable component units for which the County is considered to be financially accountable. In fiscal year 2013, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) 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.

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. Major individual governmental 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

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 funds segregate cash, and investment earnings become a part of those funds.

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

E. Interfund Receivables and Payables

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

F. Inventory

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

G. Capital Assets

Capital assets, which include land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

H. Compensated Absences

It is the County’s policy to permit employees to accumulate earned but unused vacation pay benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

J. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.

- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the County (i.e., County Delegation).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

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

K. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

C. Budget/GAAP Reconciliation

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

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

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 29,005,083	\$ 29,469,243
Proceeds of notes	<u>182,876</u>	<u>-</u>
Subtotal (GAAP Basis)	29,187,959	29,469,243
To record use of fund balance	1,875,911	-
Reclassification of nursing home bed tax and write-offs	888,018	888,018
To record budgeted bond proceeds	3,200,000	-
To record budgeted transfer to capital reserve	<u>-</u>	<u>477,009</u>
Budgetary Basis	<u>\$ 35,151,888</u>	<u>\$ 30,834,270</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

<u>Fund Number</u>	<u>Fund Name</u>	<u>Deficit</u>
527	Justice Assistance Grant	\$ (5,742)
602	ARRA: ARLECCD CCC	(9,425)
605	NH State RSAT for DOC	(1,191)
643	Sullivan County Juvenile Justice Planning Grant	(2,122)
646	Highway Safety	(435)
863	2nd Chance JMI	(3,007)
907	Fed Forfeiture	(1)
939	GSCAHR Phase III Part I (\$10,000)	(20)
944	SC Intervention Program 2 (No FY08 funding)	(3,329)
948	Parents As Teachers	(3,283)
955	Public Health Network Coordinator (\$75,000)	(3,362)
959	ASPR	(8)
961	PHN PHER Phase III	(15)
965	SCARDP + CSA + MHD	(16,092)
966	SCAPRI: LD	(3,394)
977	CHI/JSI MRC	(65)
42	Capital projects fund	<u>(1,301,658)</u>
	Total	\$ <u><u>(1,353,149)</u></u>

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

3. Cash and Short-Term Investments

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

As of June 30, 2013, \$6,010,169 of the County's bank balance of \$9,654,755 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Allowance for Doubtful Accounts and Contractual Allowances

The allowance for doubtful accounts for Nursing Home receivables has been estimated at \$209,000 at June 30, 2013. 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, 2013 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 105,820
Special Revenue Funds:		
Register of Deeds Fund	4,881	-
Grants Fund	78,309	-
Capital Projects Fund	<u>22,630</u>	<u>-</u>
Total	<u>\$ 105,820</u>	<u>\$ 105,820</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2013 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	\$ 22,109	\$ 245	\$ -	\$ 22,354
Equipment and furnishings	3,599	178	-	3,777
Vehicles	<u>599</u>	<u>231</u>	<u>(304)</u>	<u>526</u>
Total capital assets, being depreciated	26,307	654	(304)	26,657
Less accumulated depreciation for:				
Buildings and improvements	(9,710)	(689)	-	(10,399)
Equipment and furnishings	(3,347)	(128)	-	(3,475)
Vehicles	<u>(498)</u>	<u>(71)</u>	<u>275</u>	<u>(294)</u>
Total accumulated depreciation	<u>(13,555)</u>	<u>(888)</u>	<u>275</u>	<u>(14,168)</u>
Total capital assets, being depreciated, net	12,752	(234)	(29)	12,489
Capital assets, not being depreciated:				
Land	105	-	-	105
Construction in progress	<u>161</u>	<u>2,407</u>	<u>(25)</u>	<u>2,543</u>
Total capital assets, not being depreciated	<u>266</u>	<u>2,407</u>	<u>(25)</u>	<u>2,648</u>
Governmental activities capital assets, net	<u>\$ 13,018</u>	<u>\$ 2,173</u>	<u>\$ (54)</u>	<u>\$ 15,137</u>

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

Governmental Activities:	
General government	\$ 138
Public safety	38
Human services	1
Corrections	324
Cooperative extension	1
Nursing home	<u>386</u>
Total depreciation expense - governmental activities	<u>\$ 888</u>

7. Accounts Payable

Accounts payable represents 2013 expenditures paid after June 30, 2013.

8. Anticipation Notes Payable

The County had the following notes outstanding at June 30, 2013:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/13</u>
Bond anticipation	0.98%	06/21/12	12/31/13	\$ <u>900,000</u>
Total				\$ <u>900,000</u>

The following summarizes activity in notes payable during fiscal year 2013:

	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>-</u>	\$ <u>900,000</u>	\$ <u>-</u>	\$ <u>900,000</u>
Total	\$ <u>-</u>	\$ <u>900,000</u>	\$ <u>-</u>	\$ <u>900,000</u>

This anticipation note was issued on June 21, 2012, with available funds totaling \$3,200,000. These funds serve as temporary financing for the County's biomass project which was bonded subsequent to year end.

9. Long-Term Debt

A. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	Amount Outstanding as of <u>6/30/13</u>
Corrections facility upgrades	01/15/20	2.62%	\$ <u>4,595,000</u>
Total Governmental Activities			\$ <u><u>4,595,000</u></u>

On August 22, 2013, the County issued bonds totaling \$2,800,000 with an interest rate of 2.500% to be used for the biomass project and to repay the balance on the anticipation note.

B. Notes Payable

The County has entered into agreements to provide funds for the acquisition of vehicles. At June 30, 2013 notes payable outstanding were as follows:

<u>Governmental Activities:</u>	<u>Maturities Through</u>	<u>Interest Rate(s) %</u>	Amount Outstanding as of <u>6/30/13</u>
Vehicles	2014	1.970%	\$ 5,257
Vehicles	2014	1.970%	10,624
Vehicles	2016	0.950%	<u>182,876</u>
Total Governmental Activities			\$ <u><u>198,757</u></u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding and notes payable as of June 30, 2013 are as follows:

<u>Bonds Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 660,000	\$ 164,050	\$ 824,050
2015	660,000	144,250	804,250
2016	655,000	124,450	779,450
2017	655,000	104,800	759,800
2018	655,000	78,600	733,600
2019 - 2022	<u>1,310,000</u>	<u>78,600</u>	<u>1,388,600</u>
Total	\$ <u>4,595,000</u>	\$ <u>694,750</u>	\$ <u>5,289,750</u>

<u>Notes Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 76,841	\$ 2,117	\$ 78,958
2015	60,958	1,158	62,116
2016	<u>60,958</u>	<u>579</u>	<u>61,537</u>
Total	\$ <u>198,757</u>	\$ <u>3,854</u>	\$ <u>202,611</u>

The general fund has been designated as the source that will repay the long-term debt outstanding as of June 30, 2013.

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total			Total	Less	Equals
	Balance			Balance	Current	Long-Term
	<u>7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/13</u>	<u>Portion</u>	<u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 5,255	\$ -	\$ (660)	\$ 4,595	\$ (660)	\$ 3,935
Bond premium	<u>261</u>	<u>-</u>	<u>(33)</u>	<u>228</u>	<u>(33)</u>	<u>195</u>
Subtotal	5,516	-	(693)	4,823	(693)	4,130
Other:						
Notes payable	32	183	(16)	199	(77)	122
Compensated absences	385	10	-	395	(148)	247
Net OPEB obligation	<u>662</u>	<u>435</u>	<u>(149)</u>	<u>948</u>	<u>-</u>	<u>948</u>
Totals	\$ <u>6,595</u>	\$ <u>628</u>	\$ <u>(858)</u>	\$ <u>6,365</u>	\$ <u>(918)</u>	\$ <u>5,447</u>

10. Restricted Net Position

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

11. Fund Balances

The following is a summary of fund balances at June 30, 2013:

	General <u>Fund</u>	Register of Deeds <u>Fund</u>	Grants <u>Fund</u>	Capital Projects <u>Fund</u>	Total Governmental <u>Funds</u>
Nonspendable:					
Prepaid expenses	\$ 296,192	\$ -	\$ -	\$ -	\$ 296,192
Inventory	<u>51,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,705</u>
Total Nonspendable	347,897	-	-	-	347,897
Restricted:					
Nursing home trust fund	10,658	-	-	-	10,658
Deeds surcharge account	-	112,313	-	-	112,313
Unexpended grant funds	<u>-</u>	<u>-</u>	<u>209,152</u>	<u>-</u>	<u>209,152</u>
Total Restricted	10,658	112,313	209,152	-	332,123
Committed:					
Capital reserve fund	<u>478,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,792</u>
Total Committed	478,792	-	-	-	478,792
Assigned:					
Use of fund balance in subsequent year budget	890,500	-	-	-	890,500
Designated for future projects	<u>719,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>719,475</u>
Total Assigned	1,609,975	-	-	-	1,609,975
Unassigned:					
Grant funds in deficit	-	-	(51,491)	-	(51,491)
Capital projects fund in deficit	-	-	-	(1,301,658)	(1,301,658)
Remaining fund balance	<u>5,654,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,654,484</u>
Total Unassigned	<u>5,654,484</u>	<u>-</u>	<u>(51,491)</u>	<u>(1,301,658)</u>	<u>4,301,335</u>
Total Fund Balances	<u>\$ 8,101,806</u>	<u>\$ 112,313</u>	<u>\$ 157,661</u>	<u>\$ (1,301,658)</u>	<u>\$ 7,070,122</u>

12. Commitments and Contingencies

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

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

13. Post-Employment Healthcare Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

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

B. Benefits Provided

The County provides medical benefits to its eligible retirees.

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The County's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the County's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of July 1, 2012.

Annual Required Contribution (ARC)	\$ 408,592
Interest on net OPEB obligation	26,470
Adjustment to ARC	<u>(38,274)</u>
Annual OPEB cost	396,788
Contributions made	<u>110,276</u>
Increase in net OPEB obligation	286,512
Net OPEB obligation - beginning of year	<u>661,759</u>
Net OPEB obligation - end of year	<u><u>\$ 948,271</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 396,788	28%	\$ 948,271
2012	\$ 436,565	23%	\$ 661,759
2011	\$ 415,329	21%	\$ 327,330

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 3,153,546
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 3,153,546</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>\$ 9,133,477</u></u>
UAAL as a percentage of covered payroll	<u><u>35%</u></u>

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

multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation the projected unit credit method was used. The actuarial value of assets was not determined as the County has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 9%, which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level dollar amount over 30 years on an open amortization period for pay-as-you-go. This has been calculated at a rate of 4.0% pay-as-you-go.

14. Pension Plan

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

A. Plan Description

The County contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer contributory defined benefit pension plan. NHRS provides service, disability and death, and vested retirement benefits to plan members and beneficiaries. NHRS is administered by a 13-member Board of Trustees. The Board of Trustees formulates administrative policies and procedures and authorizes benefit payments to members and their beneficiaries. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301-8507.

B. Funding Policy

Sheriff's deputies and correctional officers plan members and all other employee plan members are required to contribute 11.55% and 7%, 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 19.95% of annual covered payroll. The current rate for all other employees is 8.80% 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, 2013, 2012, and 2011 were \$906,614, \$904,004, and \$749,462, respectively, equal to the required contributions for each year.

The payroll for employees covered by the System for the year ended June 30, 2013 was \$8,256,090. Contribution requirements for the year ended June 30, 2013, were as follows:

County contributions	\$ 906,614
Employees' contributions	<u>657,023</u>
Total	<u>\$ 1,563,637</u>

15. Risk Management

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

16. Implementation of New GASB Standards

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the County's financial statements by recognizing as a liability and expense, the County's applicable portion of the New Hampshire Retirement System's actuarially accrued liability.

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

June 30, 2013

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
7/1/2010	\$ -	\$ 2,501,694	\$ 2,501,694	0%	\$ 8,273,545	30%
7/1/2012	\$ -	\$ 3,153,546	\$ 3,153,546	0%	\$ 9,133,477	35%

See Independent Auditors' Report.