

SULLIVAN COUNTY, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - All Budgeted Funds	16
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	34



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

102 Perimeter Road
Nashua, NH 03063-1301
Tel (603) 882-1111 • Fax (603) 882-9456
www.melansonheath.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Sullivan County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for all budgeted funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis appearing on the following pages and the supplementary information on page 34 are not a required part of the basic financial statements but is supplementary information required by accounting

Additional Offices:

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

principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson Heath + Company P.C.
Nashua, New Hampshire
September 25, 2012

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, 2012.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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 \$ 13,690,583 (i.e., net assets), a change of \$ 1,819,293 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 7,351,406, a change of \$ 1,772,216 in comparison to the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$ 7,152,043, a change of \$ 1,722,360 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 5,255,000, a change of \$ (660,000) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current assets	\$ 9,240,081	\$ 7,788,726
Noncurrent assets	13,018,388	13,427,431
Total assets	<u>22,258,469</u>	<u>21,216,157</u>
Current liabilities	2,825,195	3,049,578
Noncurrent liabilities	5,742,691	6,295,289
Total liabilities	<u>8,567,886</u>	<u>9,344,867</u>
Net assets:		
Invested in capital assets, net	7,459,427	7,103,260
Restricted	189,758	192,382
Unrestricted	6,041,398	4,575,648
Total net assets	<u>\$ 13,690,583</u>	<u>\$ 11,871,290</u>

CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,097,277	\$ 13,039,169
Operating grants and contributions	1,687,239	2,132,750
General revenues:		
County taxes	13,905,995	13,310,658
Grants and contributions not restricted to specific programs	-	69,496
Investment income	8,574	27,101
Miscellaneous	323,593	424,334
Total revenues	<u>29,022,678</u>	<u>29,003,508</u>

(continued)

(continued)

CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Expenses:		
General government	1,932,225	2,012,116
Public safety	956,906	987,301
Corrections	4,513,044	4,148,512
Human services	5,683,353	5,553,781
Cooperative extension	282,066	316,144
Nursing home	13,641,908	13,821,479
Interest expense	<u>193,883</u>	<u>253,625</u>
Total expenses	<u>27,203,385</u>	<u>27,092,958</u>
Change in net assets	1,819,293	1,910,550
Net assets - beginning of year	<u>11,871,290</u>	<u>9,960,740</u>
Net assets - end of year	<u>\$ 13,690,583</u>	<u>\$ 11,871,290</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 \$ 13,690,583, a change of \$ 1,819,293 from the prior year.

The largest portion of net assets \$ 7,459,427 reflects our investment in capital assets (e.g., land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 189,758 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 6,041,398 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 1,819,293. Key elements of this change are as follows:

Operating Results:

General fund	\$ 1,722,360
Register of deeds fund	14,424
Grants fund	46,830
Capital projects fund	<u>(11,398)</u>
Subtotal operating results	1,772,216
Purchase of capital assets	475,893
Principal debt service in excess of depreciation expense	(140,928)
Change in accrued interest liability and bond premium	44,059
Change in compensated absence liability	2,482
Change in net OPEB obligation	<u>(334,429)</u>
Total	<u>\$ 1,819,293</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 \$ 7,351,406, a change of \$ 1,772,216 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and transfers in excess of expenditures and transfers out	\$ 1,722,360
Register of Deeds fund revenues and transfers in excess of expenditures and transfers out	14,424
Grants fund revenues in excess of expenditures	46,830
Capital projects fund expenditures in excess of revenues	<u>(11,398)</u>
Total	<u>\$ 1,772,216</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 \$ 4,210,636, while total fund

balance was \$ 7,152,043. 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>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	<u>% of Total Budgeted Expenditures</u>
Unassigned fund balance	\$ 4,210,636	\$ 4,387,153	\$ (176,517)	14.5%
Total fund balance	\$ 7,152,043	\$ 5,429,683	\$ 1,722,360	24.5%

The total fund balance of all funds changed by \$ 1,772,216 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,439,657
Expenditures less than appropriations	901,304
Use of fund balance as a funding source	(655,500)
Encumbrance timing differences	<u>86,755</u>
Total all funds	<u>\$ 1,772,216</u>

E. BUDGETARY HIGHLIGHTS

There were no changes to the total budget during fiscal year 2012.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$ 13,018,388 (net of accumulated depreciation), a decrease of \$ 409,043 from the prior year. This investment in capital assets includes land, buildings and improvements, equipment and furnishings, vehicles, and construction in progress.

Addition 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 \$ 5,255,000, 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.

G. CHANGE IN PRESENTATION

In fiscal year 2012, the Nursing Home fund was reclassified from an enterprise fund to a governmental function within the general fund.

REQUESTS FOR INFORMATION

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

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

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 5,733,459
Restricted cash	219,012
Accounts receivable, net of allowances	2,996,529
Prepaid expenses	260,378
Inventory	30,703
Noncurrent:	
Capital Assets:	
Land	105,430
Construction in progress	160,727
Capital assets, net of accumulated depreciation	<u>12,752,231</u>
TOTAL ASSETS	22,258,469
LIABILITIES	
Current:	
Accounts payable	955,282
Accrued liabilities	616,081
Deferred revenue	182,876
Restricted cash liability	219,012
Current portion of long-term liabilities:	
Notes payable	15,882
Bond premium	32,600
Bonds payable	660,000
Compensated absences	143,462
Noncurrent:	
Notes payable, net of current	15,881
Bond premium, net of current	228,200
Bonds payable, net of current	4,595,000
Compensated absences, net of current	241,851
Net OPEB obligation	<u>661,759</u>
TOTAL LIABILITIES	8,567,886
NET ASSETS	
Invested in capital assets, net of related debt	7,459,427
Restricted	189,758
Unrestricted	<u>6,041,398</u>
TOTAL NET ASSETS	\$ <u>13,690,583</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

ASSETS

	General Fund	Register of Deeds Fund	Grants Fund	Capital Projects Fund	Total Governmental Funds
Cash and short-term investments	\$ 5,612,766	\$ 96,701	\$ 23,992	\$ -	\$ 5,733,459
Restricted cash	182,411	36,601	-	-	219,012
Accounts receivable, net of allowances	2,867,605	-	128,924	-	2,996,529
Prepaid expenses	260,378	-	-	-	260,378
Due from other funds	-	5,256	6,430	-	11,686
Inventory	30,703	-	-	-	30,703
TOTAL ASSETS	\$ 8,953,863	\$ 138,558	\$ 159,346	\$ -	\$ 9,251,767

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 914,467	\$ 248	\$ 40,567	\$ -	\$ 955,282
Accrued liabilities	521,778	5,108	4,619	-	531,505
Due to other funds	288	-	-	11,398	11,686
Deferred revenue	182,876	-	-	-	182,876
Restricted cash liability	182,411	36,601	-	-	219,012
TOTAL LIABILITIES	1,801,820	41,957	45,186	11,398	1,900,361
Fund Balances:					
Nonspendable	291,081	-	-	-	291,081
Restricted	10,498	-	179,260	-	189,758
Committed	477,009	96,601	-	-	573,610
Assigned	2,162,819	-	-	-	2,162,819
Unassigned	4,210,636	-	(65,100)	(11,398)	4,134,138
TOTAL FUND BALANCES	7,152,043	96,601	114,160	(11,398)	7,351,406
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,953,863	\$ 138,558	\$ 159,346	\$ -	\$ 9,251,767

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, 2012

TOTAL GOVERNMENTAL FUND BALANCES	\$ 7,351,406
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,018,388
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(84,576)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Notes payable	(31,763)
Bond premium	(260,800)
Bonds payable	(5,255,000)
Compensated absences	(385,313)
Net OPEB obligation	<u>(661,759)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>13,690,583</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, 2012

	General Fund	Register of Deeds Fund	Grants Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
County taxes	\$ 13,905,995	\$ -	\$ -	\$ -	\$ 13,905,995
Nursing home	12,420,858	-	-	-	12,420,858
Charges for services	244,124	342,442	89,853	-	676,419
Intergovernmental	321,990	-	1,365,249	-	1,687,239
Investment income	8,574	-	-	-	8,574
Miscellaneous	290,993	-	-	-	290,993
Total Revenues	<u>27,192,534</u>	<u>342,442</u>	<u>1,455,102</u>	<u>-</u>	<u>28,990,078</u>
Expenditures:					
Current:					
General government	1,547,243	329,712	146	-	1,877,101
Public safety	670,968	-	236,829	-	907,797
Corrections	3,663,161	-	544,549	-	4,207,710
Human services	5,135,603	-	545,237	11,398	5,692,238
Cooperative extension	246,955	-	81,511	-	328,466
Nursing home	13,033,474	-	-	-	13,033,474
Capital outlay	269,476	-	-	-	269,476
Debt service	901,600	-	-	-	901,600
Total Expenditures	<u>25,468,480</u>	<u>329,712</u>	<u>1,408,272</u>	<u>11,398</u>	<u>27,217,862</u>
Excess (deficiency) of revenues over expenditures	1,724,054	12,730	46,830	(11,398)	1,772,216
Other Financing Sources (Uses):					
Transfers:					
Register of Deeds	(1,694)	1,694	-	-	-
Total Other Financing Sources (Uses)	<u>(1,694)</u>	<u>1,694</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,722,360	14,424	46,830	(11,398)	1,772,216
Fund Equity, at Beginning of Year, as restated	5,429,683	82,177	67,330	-	5,579,190
Fund Equity, at End of Year	<u>\$ 7,152,043</u>	<u>\$ 96,601</u>	<u>\$ 114,160</u>	<u>\$ (11,398)</u>	<u>\$ 7,351,406</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, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,772,216																
<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: <table> <tr> <td style="padding-left: 40px;">Capital asset purchases</td> <td style="text-align: right;">475,893</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(884,936)</td> </tr> </table> The issuance of long-term debt (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table> <tr> <td style="padding-left: 40px;">Repayments of bonds payable</td> <td style="text-align: right;">660,000</td> </tr> <tr> <td style="padding-left: 40px;">Repayments of notes payable</td> <td style="text-align: right;">84,008</td> </tr> <tr> <td style="padding-left: 40px;">Amortization of bond premium</td> <td style="text-align: right;">32,600</td> </tr> </table> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table> <tr> <td></td> <td style="text-align: right;">11,459</td> </tr> </table> 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. <table> <tr> <td style="padding-left: 40px;">Compensated absences</td> <td style="text-align: right;">2,482</td> </tr> <tr> <td style="padding-left: 40px;">Net OPEB obligation</td> <td style="text-align: right;"><u>(334,429)</u></td> </tr> </table> 		Capital asset purchases	475,893	Depreciation	(884,936)	Repayments of bonds payable	660,000	Repayments of notes payable	84,008	Amortization of bond premium	32,600		11,459	Compensated absences	2,482	Net OPEB obligation	<u>(334,429)</u>
Capital asset purchases	475,893																
Depreciation	(884,936)																
Repayments of bonds payable	660,000																
Repayments of notes payable	84,008																
Amortization of bond premium	32,600																
	11,459																
Compensated absences	2,482																
Net OPEB obligation	<u>(334,429)</u>																
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>1,819,293</u>																

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE
ALL BUDGETED FUNDS

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

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
General Fund:				
County taxes	\$ 13,905,995	\$ 13,905,995	\$ 13,905,995	\$ -
Nursing home	12,844,889	12,844,889	13,350,388	505,499
Charges for services	226,376	226,376	244,124	17,748
Intergovernmental	60,500	60,500	321,990	261,490
Investment income	17,500	17,500	8,574	(8,926)
Miscellaneous	219,007	219,007	290,993	71,986
Use of fund balance	655,500	655,500	655,500	-
Other Funds:				
Register of Deeds	350,000	350,000	342,442	(7,558)
Grants	857,378	857,378	1,455,102	597,724
Transfers in	-	-	1,694	1,694
Total Revenues and Other Sources	29,137,145	29,137,145	30,576,802	1,439,657
Expenditures and Other Uses:				
General Fund:				
General government	1,560,920	1,560,920	1,570,643	(9,723)
Public safety	675,456	675,456	670,968	4,488
Corrections	3,781,000	3,781,000	3,720,516	60,484
Human services	5,277,195	5,277,195	5,135,603	141,592
Cooperative extension	267,483	267,483	246,955	20,528
Nursing home	15,156,276	15,156,276	13,969,004	1,187,272
Capital outlay	301,000	301,000	269,476	31,524
Debt service	913,792	913,792	901,600	12,192
Other Funds:				
Register of Deeds	346,645	346,645	329,712	16,933
Grants	857,378	857,378	1,408,272	(550,894)
Capital projects	-	-	11,398	(11,398)
Transfers out	-	-	1,694	(1,694)
Total Expenditures and Other Uses	29,137,145	29,137,145	28,235,841	901,304
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,340,961	\$ 2,340,961

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the County and applicable component units for which the County is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of 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* account 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 assets.

J. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory 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 Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

K. Use of Estimates

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

L. Reclassifications

The accompanying financial statements reflect various changes in classifications from the prior year.

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.

	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures - (GAAP Basis)	\$ 28,990,078	\$ 27,217,862
Other financing sources/uses (GAAP Basis)	<u>1,694</u>	<u>1,694</u>
Subtotal (GAAP Basis)	28,991,772	27,219,556
To record use of fund balance	655,500	-
Reclassification of nursing home bed tax and write-offs	929,530	929,530
Encumbrance timing differences	<u>-</u>	<u>86,755</u>
Budgetary Basis	<u>\$ 30,576,802</u>	<u>\$ 28,235,841</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2012:

<u>Fund Number</u>	<u>Fund Name</u>	<u>Deficit</u>
527	Justice Assistance Grant	\$ (912)
602	ARRA: ARLECCD CCC	(9,425)
603	DOC RSAT	(18,075)
643	Sullivan County Juvenile Justice Planning Grant	(2,122)
646	Highway Safety	(451)
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)	(3,464)
959	ASPR	(8)
961	PHN PHER Phase III	(15)
965	SCARDP + CSA + MHD	(17,594)
966	SCAPRI: LD	(3,394)
42	Capital projects fund	<u>(11,398)</u>
	Total	<u>\$ (76,498)</u>

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

3. Cash and Short-Term Investments

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

As of June 30, 2012, \$ 3,413,348 of the County’s bank balance of \$ 7,230,808 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 \$ 172,000 at June 30, 2012. 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, 2012 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 288
Special Revenue Funds:		
Register of Deeds Fund	5,256	-
Grants Fund	6,430	-
Capital Projects Fund	<u>-</u>	<u>11,398</u>
Total	<u>\$ 11,686</u>	<u>\$ 11,686</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 14,274	\$ 7,835	\$ -	\$ 22,109
Equipment and furnishings	3,567	32	-	3,599
Vehicles	<u>599</u>	<u>-</u>	<u>-</u>	<u>599</u>
Total capital assets, being depreciated	18,440	7,867	-	26,307
Less accumulated depreciation for:				
Buildings and improvements	(8,999)	(711)	-	(9,710)
Equipment and furnishings	(3,222)	(125)	-	(3,347)
Vehicles	<u>(449)</u>	<u>(49)</u>	<u>-</u>	<u>(498)</u>
Total accumulated depreciation	<u>(12,670)</u>	<u>(885)</u>	<u>-</u>	<u>(13,555)</u>
Total capital assets, being depreciated, net	5,770	6,982	-	12,752
Capital assets, not being depreciated:				
Land	-	105	-	105
Construction in progress	<u>7,657</u>	<u>161</u>	<u>(7,657)</u>	<u>161</u>
Total capital assets, not being depreciated	<u>7,657</u>	<u>266</u>	<u>(7,657)</u>	<u>266</u>
Governmental activities capital assets, net	<u>\$ 13,427</u>	<u>\$ 7,248</u>	<u>\$ (7,657)</u>	<u>\$ 13,018</u>

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

Governmental Activities:	
General government	\$ 143
Public safety	35
Human services	1
Corrections	311
Cooperative extension	1
Nursing home	<u>394</u>
Total depreciation expense - governmental activities	<u>\$ 885</u>

7. Accounts Payable

Accounts payable represents 2012 expenditures paid after June 30, 2012.

8. Deferred Revenue

Deferred revenue represents loan proceeds received prior to June 30, 2012 to be used to purchase vehicles in 2013.

9. Anticipation Notes Payable

At June 30, 2012, the County had no anticipation lines of credit available. The following summarizes notes payable activity during fiscal year 2012:

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
Revenue anticipation	\$ 2,000,000	11/01/11	0.45%	\$ -	\$ 500,000	\$ (500,000)	\$ -
Total				\$ -	\$ 500,000	\$ (500,000)	\$ -

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
Corrections facility upgrades	01/15/20	2.62%	\$ 5,255,000
Total Governmental Activities			\$ 5,255,000

B. Notes Payable

The County has entered into agreements to provide funds for the acquisition of vehicles and payroll system. At June 30, 2012 notes payable outstanding were as follows:

<u>Governmental Activities:</u>	<u>Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
Vehicles	2014	1.970%	\$ 10,513
Vehicles	2014	1.970%	21,250
Total Governmental Activities			\$ 31,763

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding and notes payable as of June 30, 2012 are as follows:

<u>Bonds Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 660,000	\$ 183,805	\$ 843,805
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 - 2021	<u>1,965,000</u>	<u>157,200</u>	<u>2,122,200</u>
Total	\$ <u>5,255,000</u>	\$ <u>878,555</u>	\$ <u>6,133,555</u>

<u>Notes Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 15,882	\$ 626	\$ 16,508
2014	<u>15,881</u>	<u>313</u>	<u>16,194</u>
Total	\$ <u>31,763</u>	\$ <u>939</u>	\$ <u>32,702</u>

The general fund has been designated as the source that will repay the long-term debt outstanding as of June 30, 2012.

D. Bond Anticipation Note

On June 21, 2012, the County issued a bond anticipation note in the amount of \$ 3,200,000 with an interest rate of .98% maturing on December 31, 2013. These funds are available for use on July 1, 2012 and will serve as temporary financing for the County's biomass project.

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/11	Additions	Reductions	Total Balance 6/30/12	Less Current Portion	Equals Long-Term Portion 6/30/12
<u>Governmental Activities</u>						
Bonds payable	\$ 5,915	\$ -	\$ (660)	\$ 5,255	\$ (660)	\$ 4,595
Notes payable	116	-	(84)	32	(16)	16
Other:						
Compensated absences	388	-	(3)	385	(143)	242
Bond premium	293	-	(32)	261	(33)	228
Net OPEB obligation	<u>327</u>	<u>437</u>	<u>(102)</u>	<u>662</u>	-	<u>662</u>
Totals	\$ <u>7,039</u>	\$ <u>437</u>	\$ <u>(881)</u>	\$ <u>6,595</u>	\$ <u>(852)</u>	\$ <u>5,743</u>

11. 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.

12. Fund Balances

The following is a summary of fund balances at June 30, 2012:

	General Fund	Register of Deeds Fund	Grants Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable:					
Prepaid expenses	\$ 260,378	\$ -	\$ -	\$ -	\$ 260,378
Inventory	<u>30,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,703</u>
Total Nonspendable	291,081	-	-	-	291,081
Restricted:					
Nursing home trust fund	10,498	-	-	-	10,498
Unexpended grant funds	<u>-</u>	<u>-</u>	<u>179,260</u>	<u>-</u>	<u>179,260</u>
Total Restricted	10,498	-	179,260	-	189,758
Committed:					
Capital reserve fund	477,009	-	-	-	477,009
Deeds surcharge account	<u>-</u>	<u>96,601</u>	<u>-</u>	<u>-</u>	<u>96,601</u>
Total Committed	477,009	96,601	-	-	573,610
Assigned:					
Use of fund balance in subsequent year budget	1,211,864	-	-	-	1,211,864
Encumbrances	86,755	-	-	-	86,755
Designated for future projects	<u>864,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>864,200</u>
Total Assigned	2,162,819	-	-	-	2,162,819
Unassigned:					
Grant funds in deficit	-	-	(65,100)	-	(65,100)
Capital projects fund in deficit	-	-	-	(11,398)	(11,398)
Remaining fund balance	<u>4,210,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,210,636</u>
Total Unassigned	<u>4,210,636</u>	<u>-</u>	<u>(65,100)</u>	<u>(11,398)</u>	<u>4,134,138</u>
Total Fund Balances	<u>\$ 7,152,043</u>	<u>\$ 96,601</u>	<u>\$ 114,160</u>	<u>\$ (11,398)</u>	<u>\$ 7,351,406</u>

13. 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.

14. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of 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 Assets over time.

A. Plan Description

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

B. Benefits Provided

The County provides medical benefits to its eligible retirees.

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The County's fiscal 2012 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, 2012, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of July 1, 2010.

Annual Required Contribution (ARC)	\$ 442,404
Interest on net OPEB obligation	13,093
Adjustment to ARC	<u>(18,932)</u>
Annual OPEB cost	436,565
Contributions made	<u>102,136</u>
Increase in net OPEB obligation	334,429
Net OPEB obligation - beginning of year	<u>327,330</u>
Net OPEB obligation - end of year	<u>\$ 661,759</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>
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, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,501,694
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,501,694</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 8,273,545</u>
UAAL as a percentage of covered payroll	<u>30%</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, 2010 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 10%, which decreases to a 5% long-term rate for all health-care benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

15. 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, 2012, 2011, and 2010 were \$ 904,004, \$ 749,462, and \$ 738,471, respectively, equal to the required contributions for each year.

The payroll for employees covered by the System for the year ended June 30, 2012 was \$ 8,182,032. In accordance with State House Bill 2, the provision in RSA 100-A:16 requiring State contributions has been eliminated as of July 1, 2011. Contribution requirements for the year ended June 30, 2012, were as follows:

County contributions	\$ 904,004
Employees' contributions	<u>639,923</u>
Total	<u>\$ 1,543,927</u>

16. 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.

17. Beginning Fund Balance Restatement

The beginning (July 1, 2011) balances of the County have been restated as follows:

	Governmental Funds				Business- Type Activities
	Register of				Nursing Home
	General Fund	Deeds Fund	Grants Fund	Total	
As previously reported	\$ 8,947,300	\$ 82,177	\$ 67,330	\$ 9,096,807	\$ -
Reclassification of Nursing Home from an enterprise fund to a governmental function	<u>(3,517,617)</u>	<u>-</u>	<u>-</u>	<u>(3,517,617)</u>	<u>-</u>
As restated	<u>\$ 5,429,683</u>	<u>\$ 82,177</u>	<u>\$ 67,330</u>	<u>\$ 5,579,190</u>	<u>\$ -</u>

18. 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, 2012

(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%

See Independent Auditors' Report.