

**SULLIVAN COUNTY, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 2006**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets	10
Statement of Activities	11
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
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 - General Fund	16
<b>Proprietary Funds:</b>	
Statement of Net Assets	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets	18
Statement of Cash Flows	19
<b>Notes to Financial Statements</b>	20



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

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

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Sullivan County  
Newport, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sullivan County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sullivan County, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
August 11, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Sullivan County, we offer readers this narrative overview and analysis of the financial activities of Sullivan County for the fiscal year ended June 30, 2006.

### A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include General Government, County Attorney's Office, Commissioners Office, Public Safety, Corrections, Health and Welfare, Cooperative Extension and Register of Deeds. The business-type activities include Nursing Home activities.

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

divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

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

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

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the 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 \$ 6,783,530 (i.e., net assets), a decrease of \$ (1,140,075) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 597,046, a decrease of \$ (1,109,066) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 364,264, a decrease of \$ (338,746) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 0, a decrease of \$ (560,910) in comparison to the prior year.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 2,286	\$ 2,126	\$ 443	\$ 1,675	\$ 2,729	\$ 3,801
Capital assets	<u>2,518</u>	<u>2,674</u>	<u>4,356</u>	<u>4,017</u>	<u>6,874</u>	<u>6,691</u>
Total assets	4,804	4,800	4,799	5,692	9,603	10,492
Long-term liabilities outstanding	174	186	232	224	406	410
Other liabilities	<u>1,727</u>	<u>527</u>	<u>687</u>	<u>1,631</u>	<u>2,414</u>	<u>2,158</u>
Total liabilities	1,901	713	919	1,855	2,820	2,568
Net assets:						
Invested in capital assets, net	2,440	2,489	4,356	3,526	6,796	6,015
Unrestricted	<u>463</u>	<u>1,598</u>	<u>( 476)</u>	<u>311</u>	<u>( 13)</u>	<u>1,909</u>
Total net assets	\$ <u>2,903</u>	\$ <u>4,087</u>	\$ <u>3,880</u>	\$ <u>3,837</u>	\$ <u>6,783</u>	\$ <u>7,924</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>						
Charges for services	\$ 943	\$ 944	\$ 10,186	\$ 9,086	\$ 11,129	\$ 10,030
Operating grants	562	736	60	60	622	796
County tax	9,433	9,433	-	-	9,433	9,433
Investment income	87	68	-	-	87	68
Other	<u>209</u>	<u>268</u>	<u>-</u>	<u>-</u>	<u>209</u>	<u>268</u>
Total revenues	11,234	11,449	10,246	9,146	21,480	20,595
<b>Expenses:</b>						
General government	1,907	664	-	-	1,907	664
County Attorney	361	322	-	-	361	322
Commissioners office	260	247	-	-	260	247
Public safety	773	809	-	-	773	809
Corrections	2,414	2,243	-	-	2,414	2,243
County Nursing Home	-	-	11,051	11,176	11,051	11,176
Health and welfare	5,227	3,852	-	-	5,227	3,852
Cooperative extension	274	260	-	-	274	260
Register of Deeds	<u>354</u>	<u>331</u>	<u>-</u>	<u>-</u>	<u>354</u>	<u>331</u>
Total expenses	<u>11,570</u>	<u>8,728</u>	<u>11,051</u>	<u>11,176</u>	<u>22,621</u>	<u>19,904</u>
Change in net assets before transfers	( 336)	2,721	( 805)	( 2,030)	( 1,141)	691
Transfers in (out)	<u>( 848)</u>	<u>( 1,702)</u>	<u>848</u>	<u>1,702</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	( 1,184)	1,019	43	( 328)	( 1,141)	691
Net assets - beginning of year	<u>4,087</u>	<u>3,068</u>	<u>3,837</u>	<u>4,165</u>	<u>7,924</u>	<u>7,233</u>
Net assets - end of year	<u>\$ 2,903</u>	<u>\$ 4,087</u>	<u>\$ 3,880</u>	<u>\$ 3,837</u>	<u>\$ 6,783</u>	<u>\$ 7,924</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 \$ 6,783,530, a decrease of \$ (1,140,075) from the prior year.

The largest portion of net assets \$ 6,796,107 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Governmental activities.** Governmental activities for the year resulted in a decrease in net assets of \$ (1,183,800). Key elements of this increase are as follows:

<u>General Fund Operating Results:</u>	
Excess revenues over budget	\$ 21,271
Unspent budgetary appropriations	855,602
Use of fund balance as a funding source	(1,223,500)
Other	7,828
 <u>Timing Differences:</u>	
Excess of prior year encumbrances spent in current period over current year encumbrances	( 668,451)
Excess current year depreciation expense over over current year principal debt service	( 138,687)
Other timing differences	( 33,165)
 <u>Other:</u>	
Special revenue fund expenditures and transfers out over revenues and transfers in	( 93,988)
Capital asset purchases	<u>89,290</u>
 Total	 \$ <u>(1,183,800)</u>

**Business-type activities.** Business-type activities (Nursing Home) for the year resulted in an increase in net assets of \$ 43,725. This increase is attributed to transfers from the general fund.

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 597,046, a decrease of \$ (1,109,066) from the prior year. Key elements of this decrease are as follows:

	Governmental <u>Funds</u>
Excess of general fund revenues over budget	\$ 21,271
Budgetary appropriations unspent by departments	855,602
Use of fund balance as a funding source	(1,223,500)
Prior year encumbrances in excess of current encumbrances (timing difference)	( 668,451)
Special revenue fund expenditures and transfers out in excess of revenues and transfers in	( 93,988)
Total	\$ <u>(1,109,066)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 364,264. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance at June 30, 2006 represents 3.4 percent of total general fund expenditures.

The fund balance of the general fund decreased by \$ (1,015,078) during the current fiscal year. Key factors in this change are as follows:

	General <u>Fund</u>
Excess of general fund revenues over budget	\$ 21,271
Budgetary appropriations unspent by departments	855,602
Use of fund balance as a funding source	(1,223,500)
Prior year encumbrances in excess of current encumbrances (timing difference)	( 668,451)
Total	\$ <u>(1,015,078)</u>

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to a deficit of \$ (476,149), a decrease of \$ (786,617) in comparison with the prior year.

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

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 6,874,249 (net of accumulated depreciation), an increase of \$ 184,085 from the prior year. This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 0.

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

## **REQUESTS FOR INFORMATION**

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

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

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 660,350	\$ 9,938	\$ 670,288
Accounts receivable, net of allowances	-	1,761,035	1,761,035
Internal balances	1,455,354	(1,455,354)	-
Other assets	171,108	-	171,108
Inventory	-	50,164	50,164
Noncurrent:			
Restricted cash	-	77,150	77,150
Capital assets, net of accumulated depreciation	<u>2,517,835</u>	<u>4,356,414</u>	<u>6,874,249</u>
<b>TOTAL ASSETS</b>	4,804,647	4,799,347	9,603,994
<b>LIABILITIES</b>			
Current:			
Accounts payable	611,599	211,377	822,976
Accrued liabilities	533,906	388,209	922,115
Other liabilities	44,261	9,738	53,999
Revenue anticipation notes payable	500,000	-	500,000
Due to residents	-	77,150	77,150
Current portion of long-term liabilities:			
Capital leases payable	37,991	-	37,991
Noncurrent:			
Capital leases payable, net of current portion	40,151	-	40,151
Accrued compensated absences	<u>133,474</u>	<u>232,608</u>	<u>366,082</u>
<b>TOTAL LIABILITIES</b>	1,901,382	919,082	2,820,464
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,439,693	4,356,414	6,796,107
Unrestricted	<u>463,572</u>	<u>(476,149)</u>	<u>(12,577)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,903,265</u>	<u>\$ 3,880,265</u>	<u>\$ 6,783,530</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 1,906,595	\$ 149,700	\$ -	\$ (1,582,398)	\$ -	\$ (1,582,398)
County Attorney's office	361,253	2,068	-	(359,185)	-	(359,185)
Commissioners' office	259,875	-	-	(259,875)	-	(259,875)
Public safety	773,388	107,419	-	(592,507)	-	(592,507)
Corrections	2,413,866	14,115	-	(2,307,356)	-	(2,307,356)
Health and welfare	5,227,169	285,188	-	(4,941,981)	-	(4,941,981)
Cooperative extension	274,198	3,336	-	(270,862)	-	(270,862)
Register of Deeds	353,681	-	-	249,075	-	249,075
Total Governmental Activities	11,570,025	561,826	-	(10,065,089)	-	(10,065,089)
<b>Business-Type Activities:</b>						
Nursing Home	11,051,405	60,174	-	-	(804,052)	(804,052)
Total Business-Type Activities	11,051,405	60,174	-	-	(804,052)	(804,052)
Total	\$ 22,621,430	\$ 622,000	\$ -	(10,065,089)	(804,052)	(10,869,141)
<b>General Revenues:</b>						
County Tax				9,433,119	-	9,433,119
Investment income				87,241	-	87,241
Miscellaneous				208,706	-	208,706
Transfers, net				(847,777)	847,777	-
Total general revenues and transfers				8,881,289	847,777	9,729,066
Change in Net Assets				(1,183,800)	43,725	(1,140,075)
<b>Net Assets:</b>						
Beginning of year				4,087,065	3,836,540	7,923,605
End of year				\$ 2,903,265	\$ 3,880,265	\$ 6,783,530

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE  
GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2006

	General	Register of Deeds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 508,257	\$ 150,308	\$ 1,785	\$ 660,350
Due from other funds	1,387,159	647	67,548	1,455,354
Other assets	<u>171,108</u>	<u>-</u>	<u>-</u>	<u>171,108</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,066,524</u></b>	<b>\$ <u>150,955</u></b>	<b>\$ <u>69,333</u></b>	<b>\$ <u>2,286,812</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 611,599	\$ -	\$ -	\$ 611,599
Accrued liabilities	519,324	8,932	5,650	533,906
Other liabilities	18,804	23,672	1,785	44,261
Revenue anticipation notes payable	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
<b>TOTAL LIABILITIES</b>	<b>1,649,727</b>	<b>32,604</b>	<b>7,435</b>	<b>1,689,766</b>
Fund Balances:				
Reserved for encumbrances	52,533	-	-	52,533
Unreserved:				
Undesignated, reported in:				
General fund	364,264	-	-	364,264
Special revenue funds	<u>-</u>	<u>118,351</u>	<u>61,898</u>	<u>180,249</u>
<b>TOTAL FUND BALANCES</b>	<b>416,797</b>	<b>118,351</b>	<b>61,898</b>	<b>597,046</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>2,066,524</u></b>	<b>\$ <u>150,955</u></b>	<b>\$ <u>69,333</u></b>	<b>\$ <u>2,286,812</u></b>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2006

<b>Total governmental fund balances</b>	\$ 597,046
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	2,517,835
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, capital leases payable, and accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	( <u>211,616</u> )
<b>Net assets of governmental activities</b>	\$ <u>2,903,265</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, 2006

	General	Register of Deeds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
County taxes	\$ 9,433,119	-	-	\$ 9,433,119
Charges for services	266,892	602,756	73,462	943,110
Intergovernmental	165,883	-	395,943	561,826
Investment income	87,241	-	-	87,241
Miscellaneous	208,706	-	-	208,706
Total Revenues	<u>10,161,841</u>	<u>602,756</u>	<u>469,405</u>	<u>11,234,002</u>
<b>Expenditures:</b>				
Current:				
General government	1,815,496	-	4,174	1,819,670
County Attorney's office	353,494	-	-	353,494
Commissioners' office	259,664	-	-	259,664
Public safety	531,948	-	243,648	775,596
Corrections	2,399,145	-	-	2,399,145
Health and welfare	4,963,653	-	270,227	5,233,880
Cooperative extension	270,229	-	3,902	274,131
Register of Deeds	-	355,661	-	355,661
Debt service	24,050	-	-	24,050
Total Expenditures	<u>10,617,679</u>	<u>355,661</u>	<u>521,951</u>	<u>11,495,291</u>
Excess (deficiency) of revenues over expenditures	(455,838)	247,095	(52,546)	(261,289)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	254,168	-	4	254,172
Operating transfers out	(813,408)	(225,495)	(63,046)	(1,101,949)
Total Other Financing Sources (Uses)	<u>(559,240)</u>	<u>(225,495)</u>	<u>(63,042)</u>	<u>(847,777)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,015,078)	21,600	(115,588)	(1,109,066)
Fund Equity, at Beginning of Year	1,431,875	96,751	177,486	1,706,112
Fund Equity, at End of Year	<u>\$ 416,797</u>	<u>\$ 118,351</u>	<u>\$ 61,898</u>	<u>\$ 597,046</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, 2006

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**    \$ (1,109,066)

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital purchases	89,290
Depreciation	( 245,110)

- The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayments of debt	106,422
--------------------	---------

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

( 25,336 )

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**    \$ (1,183,800)

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE  
GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Actual Amounts		Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues and Other Sources:</b>						
County taxes	\$ 9,205,114	\$ 9,433,119		\$ 9,433,119		\$ -
Charges for services	210,459	263,459		266,892		3,433
Intergovernmental	155,050	155,050		165,883		10,833
Investment income	16,000	16,000		87,241		71,241
Miscellaneous	201,733	201,733		208,706		6,973
Transfers in	325,377	325,377		254,168		(71,209)
Other sources (use of fund balance)	1,223,500	1,223,500		1,223,500		-
Total Revenues and Other Sources	11,337,233	11,618,238		11,639,509		21,271
<b>Expenditures and Other Uses:</b>						
General government	1,972,246	1,972,246		1,800,631		171,615
County Attorney's office	412,909	412,909		353,571		59,338
Commissioners' office	259,176	259,176		259,381		(205)
Public safety	571,024	571,024		535,098		35,926
Corrections	2,687,051	2,687,051		2,411,215		275,836
Health and welfare	4,600,813	4,600,813		4,297,003		303,810
Cooperative extension	273,111	273,111		268,279		4,832
Debt service	28,500	28,500		24,050		4,450
Transfers out	532,403	813,408		813,408		-
Total Expenditures and Other Uses	11,337,233	11,618,238		10,762,636		855,602
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -		\$ 876,873		\$ 876,873

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Business-Type Activities Enterprise Fund
	<u>Nursing Home</u>
<b><u>ASSETS</u></b>	
Current:	
Cash and short-term investments	\$ 9,938
Accounts receivable, net of allowances	1,761,035
Inventory	<u>50,164</u>
Total current assets	1,821,137
Noncurrent:	
Restricted cash	77,150
Capital assets, net of accumulated depreciation	<u>4,356,414</u>
Total noncurrent assets	<u>4,433,564</u>
<b>TOTAL ASSETS</b>	<b>6,254,701</b>
<b><u>LIABILITIES</u></b>	
Current:	
Accounts payable	211,377
Accrued liabilities	388,209
Other liabilities	9,738
Due to residents	77,150
Due to other funds	<u>1,455,354</u>
Total current liabilities	2,141,828
Noncurrent:	
Compensated absences	<u>232,608</u>
Total noncurrent liabilities	<u>232,608</u>
<b>TOTAL LIABILITIES</b>	<b>2,374,436</b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	4,356,414
Unrestricted	<u>(476,149)</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>3,880,265</u></b>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2006

	Business-Type Activities Enterprise Fund <u>Nursing Home</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 10,057,081
Miscellaneous	<u>130,098</u>
Total Operating Revenues	10,187,179
<b>Operating Expenses:</b>	
Personnel services	6,111,365
Employee benefits	1,699,454
Contractual services	718,364
Payroll and other taxes	458,109
Therapy services	453,547
Food	370,624
Depreciation	351,029
Medicine	291,850
Medical expenses	266,900
Supplies and office expense	154,613
Repairs and maintenance	85,588
Insurance	62,337
Telephone	<u>19,068</u>
Total Operating Expenses	<u>11,042,848</u>
Operating Income (Loss)	(855,669)
<b>Nonoperating Revenues (Expenses):</b>	
Intergovernmental revenue	60,174
Interest expense	<u>(8,557)</u>
Total Nonoperating Revenues (Expenses), Net	<u>51,617</u>
Income (Loss) Before Transfers	(804,052)
<b>Transfers:</b>	
Operating transfers in	<u>847,777</u>
Change in Net Assets	43,725
Net Assets at Beginning of Year	<u>3,836,540</u>
Net Assets at End of Year	<u>\$ 3,880,265</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2006

	Business-Type Activities Enterprise Funds
	<u>Nursing Home</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts for services provided	\$ 9,706,260
Miscellaneous receipts	130,098
Payments for personnel and related costs	(8,260,530)
Payments for goods and services	<u>(2,879,321)</u>
Net Cash (Used For) Operating Activities	(1,303,493)
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Operating transfers in	847,777
Receipts from internal balances	1,595,208
Intergovernmental grant	<u>60,174</u>
Net Cash Provided by Noncapital Financing Activities	2,503,159
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Acquisition and construction of capital assets	(690,934)
Principal payments on bonds	(490,437)
Interest expense	<u>(8,557)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(1,189,928)</u>
Net Change in Cash and Short-Term Investments	9,738
Cash and Short Term Investments, Beginning of Year	<u>200</u>
Cash and Short Term Investments, End of Year	\$ <u><u>9,938</u></u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income (loss)	\$ (855,669)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	351,029
Changes in assets and liabilities:	
Accounts receivable	(350,821)
Inventory	(27,793)
Other assets	25,565
Accounts payable	(495,663)
Accrued and other liabilities	<u>49,859</u>
Net Cash Provided By (Used For) Operating Activities	\$ <u><u>(1,303,493)</u></u>

See notes to financial statements.

# SULLIVAN COUNTY, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

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

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental funds:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and

services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

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

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

#### *E. Investments*

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

*F. Interfund Receivables and Payables*

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

*G. Inventories*

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

*H. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 200 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

*I. Compensated Absences*

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

statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*J. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

*K. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*L. Use of Estimates*

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

**2. Stewardship, Compliance and Accountability**

*A. Budgetary Information*

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

- Prior to May 1<sup>st</sup>, the County departments submit to the County Commissioners a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Hearings are conducted by the County Commissioners prior to the County's budget meeting to discuss the proposed budget.
- The budget is legally enacted by the County Delegation prior to September 1<sup>st</sup>.
- Appropriations for certain projects and specific items not fully expended at the fiscal year-end are carried forward as continued

appropriations to the new fiscal year in which they supplement the appropriations of that year.

- The budgets for all departments and operations of the County are prepared under the direction of the County Commissioners. Original appropriations are acted upon by the County Delegation vote.
- A copy of the budget is published in the Annual Report of Sullivan County, New Hampshire.

*B. Budgetary Basis*

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

*C. Budget/GAAP Reconciliation*

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 10,161,841	\$ 10,617,679
Other financing sources/uses (GAAP basis)	<u>254,168</u>	<u>813,408</u>
Subtotal (GAAP Basis)	10,416,009	11,431,087
Record use of fund balance	1,223,500	-
Reverse prior year appropriation carryforwards	-	( 720,984)
Record current year appropriation carryforwards	<u>-</u>	<u>52,533</u>
Budgetary basis	\$ <u>11,639,509</u>	\$ <u>10,762,636</u>

**D. Deficit Fund Equity**

The following funds had deficits as of June 30, 2006:

Domestic Violence Grant - Fund 445	\$ ( 90)
Cooperative Extension Service - Fund 475	( 3,902)
Emergency Planning - Fund 725	( 1,000)
Strengthening Families Program - Fund 943	( 104)
Intervention Program - Fund 945	( 6,741)
Claremont Teen Resource Center - Fund 947	(161,447)
Parents as Teachers - Fund 948	( 8,318)
CAC of Grafton/Sullivan County - Fund 949	( <u>2,647</u> )
Total	\$ <u>(184,249)</u>

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

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus. The County does not have a deposit policy for custodial credit risk.

As of June 30, 2006, \$ 1,166,788 of the County's bank balance of \$ 2,126,025 was exposed to custodial credit risk as uninsured and uncollateralized.

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

The allowance for doubtful accounts for Nursing Home receivables has been estimated at \$ 184,185 at June 30, 2006. 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, 2006 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,387,159	\$ -
Special Revenue Funds:		
Register of Deeds	647	-
Grants	67,548	-
Enterprise Funds:		
Nursing Home	<u>-</u>	<u>1,455,354</u>
Total	<u>\$ 1,455,354</u>	<u>\$ 1,455,354</u>

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,386	\$ 20	\$ -	\$ 4,406
Equipment and vehicles	929	69	-	998
Land improvements	<u>313</u>	<u>-</u>	<u>-</u>	<u>313</u>
Total capital assets, being depreciated	5,628	89	-	5,717
Less accumulated depreciation for:				
Buildings and improvements	(2,006)	(154)	-	( 2,160)
Equipment and vehicles	( 753)	( 53)	-	( 806)
Land improvements	<u>( 195)</u>	<u>( 38)</u>	<u>-</u>	<u>( 233)</u>
Total accumulated depreciation	<u>(2,954)</u>	<u>(245)</u>	<u>-</u>	<u>( 3,199)</u>
Governmental activities capital assets, net	<u>\$ 2,674</u>	<u>\$ (156)</u>	<u>\$ -</u>	<u>\$ 2,518</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,634	\$ 477	\$ -	\$ 8,111
Equipment	1,865	172	-	2,037
Vehicles	<u>149</u>	<u>41</u>	<u>-</u>	<u>190</u>
Total capital assets, being depreciated	9,648	690	-	10,338
Less accumulated depreciation for:				
Buildings and improvements	(3,877)	(260)	-	( 4,137)
Equipment	(1,641)	( 78)	-	( 1,719)
Vehicles	<u>( 113)</u>	<u>( 13)</u>	<u>-</u>	<u>( 126)</u>
Total accumulated depreciation	<u>(5,631)</u>	<u>(351)</u>	<u>-</u>	<u>( 5,982)</u>
Business-type activities capital assets, net	<u>\$ 4,017</u>	<u>\$ 339</u>	<u>\$ -</u>	<u>\$ 4,356</u>

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

Governmental Activities:	
General government	\$ 69
Public safety	52
Public welfare	2
Department of Corrections	118
Cooperative extension	<u>4</u>
Total depreciation expense - governmental activities	\$ <u>245</u>
Business-Type Activities:	
Nursing Home	\$ <u>351</u>
Total depreciation expense - business-type activities	\$ <u>351</u>

**7. Accounts Payable**

Accounts payable represent additional 2006 expenditures paid after June 30, 2006.

**8. Anticipation Notes Payable**

The County has a \$ 5,000,000 revenue anticipation line of credit dated June 14, 2006 that expires December 26, 2006. This line of credit carries interest at a fixed annual rate of 3.75%.

The following summarizes activity in notes payable during fiscal year 2006:

	Balance Beginning <u>of Year</u>	New <u>Issues</u>	<u>Maturities</u>	Balance End of <u>Year</u>
Revenue anticipation	\$ <u>-</u>	\$ <u>4,825,000</u>	\$ <u>4,325,000</u>	\$ <u>500,000</u>

**9. Long-Term Debt**

*General Obligation Bonds*

During the year ended June 30, 2006, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/05</u>	Additions	Reductions	Total Balance <u>6/30/06</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/06</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 70	\$ -	\$ ( 70)	\$ -	\$ -	\$ -
Other:						
Capital leases	114	-	( 36)	78	( 38)	40
Accrued vacation	<u>108</u>	<u>25</u>	<u>-</u>	<u>133</u>	<u>-</u>	<u>133</u>
Totals	\$ <u>292</u>	\$ <u>25</u>	\$ ( <u>106</u> )	\$ <u>211</u>	\$ ( <u>38</u> )	\$ <u>173</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 490	\$ -	\$ (490)	\$ -	\$ -	\$ -
Other:						
Accrued vacation	<u>224</u>	<u>8</u>	<u>-</u>	<u>232</u>	<u>-</u>	<u>232</u>
Totals	\$ <u>714</u>	\$ <u>8</u>	\$ ( <u>490</u> )	\$ <u>232</u>	\$ <u>-</u>	\$ <u>232</u>

## 10. Capital Lease Obligations

The County is the lessee of certain equipment under capital leases expiring in various years through 2008. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2006:

2007	\$ 42,431
2008	<u>42,431</u>
Total minimum lease payments	84,862
Less amount representing interest	( <u>6,720</u> )
Present Value of Minimum Lease Payments	\$ <u>78,142</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. Reserves of Fund Equity

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

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

### **13. Commitments and Contingencies**

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

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

### **14. Pension Plan**

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

#### **A. Plan Description**

The County contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer contributory defined benefit pension plan. NHRS provides service, disability and death, and vested retirement benefits to plan members and beneficiaries. NHRS is administered by a 13-member Board of Trustees. The Board of Trustees formulates administrative policies and procedures and authorizes benefit payments to members and their beneficiaries. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New Hampshire Retirement System, 4 Chenell Drive, Concord, NH 03301-8509 or by calling (603) 271-3351.

#### **B. Funding Policy**

Sheriff's deputies and correctional office plan members and all other employee plan members are required to contribute 9.3% and 5%, respectively, of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate for sheriff's deputies and correctional officers is 7.87% of annual covered payroll. The current rate for all other employees is 5.90% of annual covered payroll. The contribution requirements of plan members are fixed by statute. The County's contributions to NHRS for the years ended June 30, 2006, 2005, and 2004 were \$ 499,688, \$ 387,562, and \$ 225,751, respectively, equal to the required contributions for each year.

## 15. Self Insurance

The County participates in the New Hampshire Municipal Association Health Insurance Trust Self-Funding Plus Program (Program) which provides medical health benefits to its eligible employees and their eligible dependents. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs, and claims paid subsequent to year-end. The County is insured above a stop-loss amount of approximately \$ 75,000 on individual and aggregate claims as of June 30, 2006.

Changes in the aggregate liability for claims for the year ended June 30, 2006 are as follows:

Claims liability, July 1, 2005	\$ 366,907
Claims incurred/recognized in fiscal year 2006	2,192,773
Claims paid in fiscal year 2006	<u>(2,194,218)</u>
Claims liability, June 30, 2006	\$ <u>365,462</u>

### Workers Compensation

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

## 16. Risk Management

The County is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County and other municipalities and other qualified political subdivisions of New Hampshire are members of the Public Risk Management Exchange (Primex<sup>3</sup>), a Trust organized to provide property and liability insurance coverage to its members. The County pays an annual premium to Primex<sup>3</sup> for its property and liability insurance coverage. The premium paid in 2006 was \$ 94,141.

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