

SULLIVAN COUNTY, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Sullivan County
Newport, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sullivan County, New Hampshire, as of and for the year ended June 30, 2010, 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.

Management of Sullivan County, New Hampshire has not adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), and accordingly has not reported the related liability and expense on the government-wide financial statements nor has the required supplementary information, *Schedule of Funding Progress*, been included in these financial statements. Accounting principles generally accepted in the United States of America require that the OPEB liability be reported which would increase liabilities and expenses and decrease net assets and change the expenses in the government-wide financial statements. The amount by which this departure would affect the liabilities and expenses, and net assets and revenues of the government-wide financial statements is not reasonably determinable.

Additional Offices:

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

In our opinion, except for the effects of not adopting GASB No. 45, 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, 2010, and the respective changes in financial position 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2010 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 28, 2010

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, 2010.

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 two categories: governmental funds and proprietary funds.

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 9,960,740 (i.e., net assets), a change of \$ 2,828,987 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 6,492,973, a change of \$ 2,976,409 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 2,677,016, a change of \$ 3,392,629 in comparison with the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 5,045	\$ 1,039	\$ 2,279	\$ 2,160	\$ 7,324	\$ 3,199
Non-current assets	<u>11,062</u>	<u>7,512</u>	<u>986</u>	<u>(474)</u>	<u>12,048</u>	<u>7,038</u>
Total assets	16,107	8,551	3,265	1,686	19,372	10,237
Long-term liabilities	2,003	221	643	234	2,646	455
Other liabilities	<u>6,527</u>	<u>1,896</u>	<u>237</u>	<u>754</u>	<u>6,764</u>	<u>2,650</u>
Total liabilities	8,530	2,117	880	988	9,410	3,105
Net assets:						
Invested in capital assets, net	2,859	2,940	3,602	3,865	6,461	6,805
Unrestricted	<u>4,718</u>	<u>3,494</u>	<u>(1,218)</u>	<u>(3,167)</u>	<u>3,500</u>	<u>327</u>
Total net assets	<u>\$ 7,577</u>	<u>\$ 6,434</u>	<u>\$ 2,384</u>	<u>\$ 698</u>	<u>\$ 9,961</u>	<u>\$ 7,132</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Charges for services	\$ 723	\$ 761	\$ 12,125	\$ 11,639	\$ 12,848	\$ 12,400
Operating grants	1,750	1,492	-	-	1,750	1,492
County tax	12,956	12,956	-	-	12,956	12,956
Investment income	45	17	-	-	45	17
Other	<u>347</u>	<u>455</u>	<u>128</u>	<u>463</u>	<u>475</u>	<u>918</u>
Total revenues	15,821	15,681	12,253	12,102	28,074	27,783
Expenses:						
General government	975	875	-	-	975	875
County Attorney	429	422	-	-	429	422
Commissioners office	254	427	-	-	254	427
Public safety	859	815	-	-	859	815
Corrections	3,454	3,121	-	-	3,454	3,121
County Nursing Home	-	-	13,079	13,267	13,079	13,267
Health and welfare	5,534	5,403	-	-	5,534	5,403
Cooperative extension	320	273	-	-	320	273
Register of Deeds	<u>341</u>	<u>341</u>	<u>-</u>	<u>-</u>	<u>341</u>	<u>341</u>
Total expenses	<u>12,166</u>	<u>11,677</u>	<u>13,079</u>	<u>13,267</u>	<u>25,245</u>	<u>24,944</u>
Change in net assets before transfers	3,655	4,004	(826)	(1,165)	2,829	2,839
Transfers in (out)	<u>(2,512)</u>	<u>(1,630)</u>	<u>2,512</u>	<u>1,630</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,143	2,374	1,686	465	2,829	2,839
Net assets - beginning of year	<u>6,434</u>	<u>4,060</u>	<u>698</u>	<u>233</u>	<u>7,132</u>	<u>4,293</u>
Net assets - end of year	<u><u>\$ 7,577</u></u>	<u><u>\$ 6,434</u></u>	<u><u>\$ 2,384</u></u>	<u><u>\$ 698</u></u>	<u><u>\$ 9,961</u></u>	<u><u>\$ 7,132</u></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 \$ 9,960,740, a change of \$ 2,828,987 from the prior year.

The largest portion of net assets \$ 6,461,416 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, 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.

Governmental and business-type activities. Governmental and business-type activities for the year resulted in a change in net assets of \$ 2,828,987. Key elements of this change are as follows:

	<u>All Funds</u>
<u>Operating Results:</u>	
Excess of revenues over budget	\$ 2,896,697
Expenditures less than budgetary appropriations	<u>617,559</u>
Subtotal Operating Results	3,514,256
<u>Timing Differences:</u>	
Depreciation in excess of principal debt service	(678,698)
Change in encumbrances	1,414,126
Change in accrued interest	(124,194)
Capital asset purchases	5,723,342
Proceeds of bonds and notes	(7,025,526)
Change in compensated absences	<u>5,681</u>
Total	<u>\$ 2,828,987</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As of the end of the current fiscal year, the combined ending fund balance for all funds was \$ 8,877,195, a change of \$ 4,662,734 from the prior year. Key elements of this change are as follows:

	<u>All Funds</u>
Revenues greater than budget	\$ 2,896,697
Expenditure timing differences	1,414,126
Expenditures less than budget	617,559
Non-budgeted depreciation of Nursing Home	(376,725)
Other Nursing Home adjustments	<u>111,077</u>
Total	<u>\$ 4,662,734</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 \$ 2,677,016.

The fund balance of the general fund changed by \$ 1,716,457 during the current fiscal year.

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to a deficit of \$ (1,218,213), a change of \$ 1,948,984 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 \$ 12,048,226 (net of accumulated depreciation), an increase of \$ 5,010,024 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress.

Long-term debt. Outstanding debt totaling \$ 6,772,703 relates to bonds payable and notes payable entered into during the current fiscal year for the purchase of vehicles and corrections facility upgrade.

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, 2010

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 4,564,529	\$ 26,505	\$ 4,591,034
Accounts receivable, net of allowances	487,918	1,914,542	2,402,460
Prepays	64,848	145,725	210,573
Inventory	-	40,013	40,013
Resident trust cash	-	79,118	79,118
Noncurrent:			
Internal balances	2,543,619	(2,543,619)	-
Capital assets, net of accumulated depreciation	<u>8,445,791</u>	<u>3,602,435</u>	<u>12,048,226</u>
TOTAL ASSETS	16,106,705	3,264,719	19,371,424
LIABILITIES			
Current:			
Accounts payable	774,218	351,771	1,125,989
Accrued liabilities	433,630	199,196	632,826
Other liabilities	84,287	13,393	97,680
Resident trust liability	-	79,118	79,118
Notes payable	51,933	-	51,933
Bonds payable	659,000	-	659,000
Noncurrent:			
Accrued compensated absences	139,349	237,019	376,368
Bond premium	326,000	-	326,000
Notes payable, net of current	146,770	-	146,770
Bonds payable, net of current	<u>5,915,000</u>	<u>-</u>	<u>5,915,000</u>
TOTAL LIABILITIES	8,530,187	880,497	9,410,684
NET ASSETS			
Invested in capital assets, net of related debt	2,858,981	3,602,435	6,461,416
Unrestricted	<u>4,717,537</u>	<u>(1,218,213)</u>	<u>3,499,324</u>
TOTAL NET ASSETS	\$ <u>7,576,518</u>	\$ <u>2,384,222</u>	\$ <u>9,960,740</u>

See notes to the financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 974,952	\$ 190,518	\$ 635	\$ -	\$ (783,799)	\$ -	\$ (783,799)
County Attorney's office	429,469	-	2,167	-	(427,302)	-	(427,302)
Commissioners' office	254,251	-	-	-	(254,251)	-	(254,251)
Public safety	859,152	121,987	119,639	-	(617,526)	-	(617,526)
Corrections	3,453,662	59,024	61,159	-	(3,333,479)	-	(3,333,479)
Health and welfare	5,534,226	-	1,514,742	-	(4,019,484)	-	(4,019,484)
Cooperative extension	320,202	-	51,933	-	(268,269)	-	(268,269)
Register of Deeds	340,631	351,138	-	-	10,507	-	10,507
Total Governmental Activities	12,166,545	722,667	1,750,275	-	(9,693,603)	-	(9,693,603)
Business-Type Activities:							
Nursing Home	13,079,332	12,125,576	-	-	-	(953,756)	(953,756)
Total Business-Type Activities	13,079,332	12,125,576	-	-	-	(953,756)	(953,756)
Total	\$ 25,245,877	\$ 12,848,243	\$ 1,750,275	\$ -	(9,693,603)	(953,756)	(10,647,359)
General Revenues:							
County tax					12,956,180	-	12,956,180
Investment income					45,173	-	45,173
Miscellaneous					346,644	128,349	474,993
Transfers, net					(2,511,732)	2,511,732	-
Total general revenues and transfers					10,836,265	2,640,081	13,476,346
Change in Net Assets					1,142,662	1,686,325	2,828,987
Net Assets:							
Beginning of year					6,433,856	697,897	7,131,753
End of year					\$ 7,576,518	\$ 2,384,222	\$ 9,960,740

See notes to the financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

	<u>General</u>	<u>Register of Deeds</u>	<u>Capital Project Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 4,464,206	\$ 100,323	\$ -	\$ -	\$ 4,564,529
Departmental and other receivables	304,004	-	-	183,914	487,918
Prepays	54,673	4,449	-	5,726	64,848
Due from other funds	284,072	-	1,850,083	-	2,134,155
Advance to Nursing Home	<u>2,543,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,543,619</u>
TOTAL ASSETS	<u>\$ 7,650,574</u>	<u>\$ 104,772</u>	<u>\$ 1,850,083</u>	<u>\$ 189,640</u>	<u>\$ 9,795,069</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 104,281	\$ 718	\$ 664,190	\$ 5,029	\$ 774,218
Accrued liabilities	303,932	2,199	-	3,305	309,436
Due to other funds	1,850,083	7,459	-	276,613	2,134,155
Other liabilities	<u>51,970</u>	<u>32,317</u>	<u>-</u>	<u>-</u>	<u>84,287</u>
TOTAL LIABILITIES	2,310,266	42,693	664,190	284,947	3,302,096
Fund Balances:					
Reserved for encumbrances	65,000	-	-	-	65,000
Reserved for advances	2,543,619	-	-	-	2,543,619
Reserved for prepaids	54,673	4,449	-	5,726	64,848
Unreserved:					
Undesignated, reported in:					
General fund	2,677,016	-	-	-	2,677,016
Special revenue funds	-	57,630	-	(101,033)	(43,403)
Capital project funds	<u>-</u>	<u>-</u>	<u>1,185,893</u>	<u>-</u>	<u>1,185,893</u>
TOTAL FUND BALANCES	<u>5,340,308</u>	<u>62,079</u>	<u>1,185,893</u>	<u>(95,307)</u>	<u>6,492,973</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,650,574</u>	<u>\$ 104,772</u>	<u>\$ 1,850,083</u>	<u>\$ 189,640</u>	<u>\$ 9,795,069</u>

SULLIVAN COUNTY, NEW HAMPSHIRE

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

JUNE 30, 2010

TOTAL GOVERNMENTAL FUND BALANCES	\$ 6,492,973
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,445,791
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, compensated absences, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(7,362,246)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 7,576,518</u></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, 2010

	<u>General</u>	<u>Register of Deeds</u>	<u>Capital Project Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
County taxes	\$ 12,956,180	\$ -	\$ -	\$ -	\$ 12,956,180
Charges for services	249,541	351,138	-	121,988	722,667
Intergovernmental	1,052,455	-	-	697,820	1,750,275
Investment income	21,673	-	23,500	-	45,173
Miscellaneous	346,644	-	-	-	346,644
Total Revenues	<u>14,626,493</u>	<u>351,138</u>	<u>23,500</u>	<u>819,808</u>	<u>15,820,939</u>
Expenditures:					
Current:					
General government	620,639	-	-	76,299	696,938
County Attorney's office	431,565	-	-	-	431,565
Commissioners' office	254,274	-	-	-	254,274
Public safety	621,760	-	-	234,088	855,848
Corrections	3,130,799	-	-	175,416	3,306,215
Health and welfare	5,115,169	-	-	409,148	5,524,317
Cooperative extension	268,559	-	-	51,600	320,159
Register of Deeds	-	341,085	-	-	341,085
Capital expenditures	54,759	-	5,550,874	4,548	5,610,181
Debt service	17,742	-	-	-	17,742
Total Expenditures	<u>10,515,266</u>	<u>341,085</u>	<u>5,550,874</u>	<u>951,099</u>	<u>17,358,324</u>
Excess (deficiency) of revenues over expenditures	4,111,227	10,053	(5,527,374)	(131,291)	(1,537,385)
Other Financing Sources (Uses):					
Proceeds of bonds	-	-	6,900,000	-	6,900,000
Proceeds of notes	125,526	-	-	-	125,526
Transfers:					
Register of Deeds	(8,564)	8,564	-	-	-
Nursing Home - for general services	216,145	-	-	-	216,145
Nursing Home - to balance budget	(2,727,877)	-	-	-	(2,727,877)
Total Other Financing Sources (Uses)	<u>(2,394,770)</u>	<u>8,564</u>	<u>6,900,000</u>	<u>-</u>	<u>4,513,794</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,716,457	18,617	1,372,626	(131,291)	2,976,409
Fund Equity, at Beginning of Year, as restated	<u>3,623,851</u>	<u>43,462</u>	<u>(186,733)</u>	<u>35,984</u>	<u>3,516,564</u>
Fund Equity, at End of Year	<u>\$ 5,340,308</u>	<u>\$ 62,079</u>	<u>\$ 1,185,893</u>	<u>\$ (95,307)</u>	<u>\$ 6,492,973</u>

See notes to the 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, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,976,409
<ul style="list-style-type: none">Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital purchases	5,609,278
Depreciation	(336,595)
<ul style="list-style-type: none">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:	
Proceeds from bonds payable	(6,900,000)
Proceeds from notes payable	(125,526)
Repayments of notes payable	34,623
<ul style="list-style-type: none">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.	<u>(115,527)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,142,662</u></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, 2010

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
Revenues and Other Sources:				
General Fund:				
County taxes	\$ 12,956,180	\$ 12,956,180	\$ 12,956,180	\$ -
Charges for services	279,109	279,109	249,541	(29,568)
Intergovernmental	79,500	79,500	1,052,455	972,955
Investment income	13,500	13,500	21,673	8,173
Miscellaneous	210,947	210,947	346,644	135,697
Proceeds of notes	-	-	125,526	125,526
Other Funds:				
Nursing Home	11,714,089	11,714,089	13,163,488	1,449,399
Register of Deeds	375,000	375,000	351,138	(23,862)
Grants and other	576,367	576,367	819,808	243,441
Capital projects (bonds and interest)	6,900,000	6,900,000	6,923,500	23,500
Transfers in	<u>216,145</u>	<u>216,145</u>	<u>207,581</u>	<u>(8,564)</u>
Total Revenues and Other Sources	33,320,837	33,320,837	36,217,534	2,896,697
Expenditures and Other Uses:				
General Fund:				
General government	611,800	609,180	620,639	(11,459)
County Attorney's office	454,060	454,060	431,565	22,495
Commissioners' office	266,068	268,688	254,274	14,414
Public safety	633,317	633,317	621,760	11,557
Corrections	3,355,006	3,355,006	3,130,799	224,207
Health and welfare	5,263,438	5,263,438	5,160,169	103,269
Cooperative extension	272,038	272,038	268,559	3,479
Capital expenditures	127,100	127,100	74,759	52,341
Debt service	75,000	75,000	17,742	57,258
Other Funds:				
Nursing Home	14,227,521	14,227,521	13,723,247	504,274
Register of Deeds	347,127	347,127	341,085	6,042
Grants and other	572,217	572,217	951,099	(378,882)
Capital projects	6,900,000	6,900,000	6,900,000	-
Transfers out	<u>216,145</u>	<u>216,145</u>	<u>207,581</u>	<u>8,564</u>
Total Expenditures and Other Uses	<u>33,320,837</u>	<u>33,320,837</u>	<u>32,703,278</u>	<u>617,559</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,514,256</u>	\$ <u>3,514,256</u>

See notes to the financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-Type Activities Enterprise Fund
	<u>Nursing Home</u>
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 26,505
Accounts receivable, net of allowances	1,914,542
Prepays	145,725
Inventory	<u>40,013</u>
Total current assets	2,126,785
Noncurrent:	
Resident trust cash	79,118
Capital assets, net of accumulated depreciation	<u>3,602,435</u>
Total noncurrent assets	<u>3,681,553</u>
TOTAL ASSETS	5,808,338
<u>LIABILITIES</u>	
Current:	
Accounts payable	351,771
Accrued liabilities	199,196
Other liabilities	13,393
Resident trust liability	<u>79,118</u>
Total current liabilities	643,478
Noncurrent:	
Advance from General Fund	2,543,619
Compensated absences	<u>237,019</u>
Total noncurrent liabilities	<u>2,780,638</u>
TOTAL LIABILITIES	3,424,116
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	3,602,435
Unrestricted	<u>(1,218,213)</u>
TOTAL NET ASSETS	\$ <u><u>2,384,222</u></u>

See notes to the financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Fund
	<u>Nursing Home</u>
Operating Revenues:	
Charges for services	\$ 12,125,576
Miscellaneous	<u>128,349</u>
Total Operating Revenues	12,253,925
Operating Expenses:	
Personnel services	7,014,255
Employee benefits	2,151,193
Contractual services	360,331
Payroll and other taxes	527,232
Therapy services	696,062
Food	547,502
Depreciation	376,723
Medicine	272,943
Medical expenses	263,065
Miscellaneous expenses	3,048
Supplies and office expense	181,990
Repairs and maintenance	197,700
Insurance	52,550
Telephone	28,801
Utilities	<u>405,937</u>
Total Operating Expenses	<u>13,079,332</u>
Operating Income (Loss)	(825,407)
Transfers:	
Transfers in:	
From General Fund to balance budget	2,727,877
Transfers out:	
For capital expenditures	(59,900)
For accounting	(39,676)
For human resources	<u>(116,569)</u>
Total Transfers	<u>2,511,732</u>
Change in Net Assets	1,686,325
Net Assets at Beginning of Year	<u>697,897</u>
Net Assets at End of Year	<u>\$ 2,384,222</u>

See notes to the financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Funds
	<u>Nursing Home</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts for services provided	\$ 12,243,391
Miscellaneous receipts	128,349
Payments for personnel and related costs	(9,966,073)
Payments for goods and services	<u>(3,002,593)</u>
Net Cash (Used For) Operating Activities	(596,926)
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers, net	2,511,732
Net change in advance from General Fund	<u>(1,795,845)</u>
Net Cash Provided by Noncapital Financing Activities	715,887
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	<u>(114,064)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(114,064)</u>
Net Change in Cash and Short-Term Investments	4,897
Cash and Short Term Investments, Beginning of Year	<u>21,608</u>
Cash and Short Term Investments, End of Year	<u>\$ 26,505</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ (825,407)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	376,723
Changes in assets and liabilities:	
Accounts receivable	117,815
Prepays	(145,725)
Inventory	(13,109)
Account payable	1,127
Accrued liabilities	(108,589)
Other liabilities	<u>239</u>
Net Cash (Used For) Operating Activities	<u>\$ (596,926)</u>

SULLIVAN COUNTY, NEW HAMPSHIRE

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental funds:

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

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 guar-

anted by such securities with maturity dates of no more than 90 days from the date of purchase.

F. Interfund Receivables and Payables

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

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

G. Inventories

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

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

I. Compensated Absences

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

J. Long-Term Obligations

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

K. Fund Equity

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

L. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

- Prior to May 1st, the County departments submit to the County Commissioners a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Hearings are conducted by the County Commissioners prior to the County's budget meeting to discuss the proposed budget.
- The budget is legally enacted by the County Delegation prior to September 1st.
- Appropriations for certain projects and specific items not fully expended at the fiscal year-end are carried forward as continued appropriations to the new fiscal year in which they supplement the appropriations of that year.
- The budgets for all departments and operations of the County are prepared under the direction of the County Commissioners. Original appropriations are acted upon by the County Delegation vote.
- A copy of the budget is published in the Annual Report of Sullivan County, New Hampshire.

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 28,074,864	\$ 30,437,656
Nursing Home reclassifications	909,563	909,563
Budgeted transfers	207,581	207,581
Proceeds of bonds and notes	7,025,526	-
Encumbrances	-	1,414,126
Convert accrual basis Nursing Home to budget basis	-	(265,648)
Budgetary basis	<u>\$ 36,217,534</u>	<u>\$ 32,703,278</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2010:

<u>Fund Number</u>	<u>Fund Name</u>	<u>Deficit</u>
00	Miscellaneous	\$ (243)
602	ARRA: ARLECCD CCC	(56,885)
642	Juvenile Justice High Risk Youth & Family Intervention	(10,395)
643	Sullivan County Juvenile Justice Planning Grant	(2,122)
644	Juvenile Justice High Risk Youth & Family Intervention	(29,062)
646	Highway Safety	(277)
863	2nd Chance JMI	(61,921)
943	Strengthening Families Program	(5,865)
948	Parents As Teachers	(5,607)
955	Public Health Network Coordinator	(3,422)
959	ASPR	(8)
961	PHN PHER Phase III	(15)
	Total	<u>\$ (175,822)</u>

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

3. Cash and Short-Term Investments

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

As of June 30, 2010, all of the County's bank balance of \$ 5,852,578 was fully insured and collateralized.

4. Allowance for Doubtful Accounts and Contractual Allowances

The allowance for doubtful accounts for Nursing Home receivables has been estimated at \$ 232,137 at June 30, 2010. 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, 2010 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General fund	\$ 284,072	\$ 1,850,083	\$ 2,543,619	\$ -
Special Revenue Funds:				
Register of Deeds	-	7,459	-	-
Grants Fund	-	276,613	-	-
Capital Project Funds	1,850,083	-	-	-
Enterprise Funds:				
Nursing Home	-	-	-	2,543,619
Total	<u>\$ 2,134,155</u>	<u>\$ 2,134,155</u>	<u>\$ 2,543,619</u>	<u>\$ 2,543,619</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 5,496	\$ -	\$ -	\$ 5,496
Equipment and furnishing	1,213	58	-	1,271
Vehicles	307	-	-	307
	<u>7,016</u>	<u>58</u>	<u>-</u>	<u>7,074</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(2,834)	(246)	-	(3,080)
Equipment and furnishing	(1,018)	(61)	-	(1,079)
Vehicles	(177)	(29)	-	(206)
	<u>(4,029)</u>	<u>(336)</u>	<u>-</u>	<u>(4,365)</u>
Total accumulated depreciation				
Construction in progress	187	5,550	-	5,737
	<u>187</u>	<u>5,550</u>	<u>-</u>	<u>5,737</u>
Governmental activities capital assets, net	<u>\$ 3,174</u>	<u>\$ 5,272</u>	<u>\$ -</u>	<u>\$ 8,446</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,715	\$ 18	\$ -	\$ 8,733
Equipment and furnishing	2,206	11	-	2,217
Vehicles	207	85	-	292
	<u>11,128</u>	<u>114</u>	<u>-</u>	<u>11,242</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(5,114)	(304)	-	(5,418)
Equipment and furnishing	(1,969)	(60)	-	(2,029)
Vehicles	(180)	(13)	-	(193)
	<u>(7,263)</u>	<u>(377)</u>	<u>-</u>	<u>(7,640)</u>
Total accumulated depreciation				
Business-type activities capital assets, net	<u>\$ 3,865</u>	<u>\$ (263)</u>	<u>\$ -</u>	<u>\$ 3,602</u>

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

Governmental Activities:	
General government	\$ 155
Public safety	36
Public welfare	1
Department of Corrections	142
Cooperative extension	<u>2</u>
Total depreciation expense - governmental activities	<u>\$ 336</u>
Business-Type Activities	
Nursing Home	<u>\$ 377</u>
Total depreciation expense - business-type activities	<u>\$ 377</u>

7. Accounts Payable

Accounts payable represents 2010 expenditures paid after June 30, 2010.

8. Anticipation Notes Payable

At June 30, 2010, the County had no anticipation lines of credit available. The following summarizes notes payable activity during fiscal year 2010:

	<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	05/21/09	1.970%	\$ 775,000	\$ -	\$ (775,000)	-
Bond anticipation	\$ 3,000,000	03/19/09	2.000%	125,000	1,450,000	(1,575,000)	-
Revenue anticipation	\$ 5,000,000	07/02/09	1.050%	-	3,490,000	(3,490,000)	-
Totals				<u>\$ 900,000</u>	<u>\$ 4,940,000</u>	<u>\$ (5,840,000)</u>	<u>-</u>

9. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/10</u>
Corrections facility upgrades	01/15/20	2.62%	\$ <u>6,574,000</u>
Total Governmental Activities:			\$ <u><u>6,574,000</u></u>

B. Notes Payable

The County has entered into agreements to provide funds for the acquisition of vehicles and payroll system. At June 30, 2010 notes payable outstanding were as follows:

<u>Governmental Activities:</u>	Maturities <u>Through</u>	Interest <u>Rate %</u>	Amount Outstanding as of <u>6/30/10</u>
Vehicles	2012	4.125%	\$ 73,177
Vehicles	2014	1.970%	21,026
Vehicles	2014	1.970%	42,500
Payroll system	2012	1.720%	<u>62,000</u>
Total Governmental Activities			\$ <u><u>198,703</u></u>

C. Future Debt Service

The annual payments to repay the bonds and notes payable outstanding as of June 30, 2010 are as follows:

Bonds payable:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 659,000	\$ 241,418	\$ 900,418
2012	660,000	203,650	863,650
2013	660,000	183,850	843,850
2014	660,000	164,050	824,050
2015	660,000	144,250	804,250
2016-2020	<u>3,275,000</u>	<u>386,450</u>	<u>3,661,450</u>
Total	<u>\$ 6,574,000</u>	<u>\$ 1,323,668</u>	<u>\$ 7,897,668</u>

(continued)

(continued)
Notes payable:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 51,933	\$ 5,207	\$ 57,140
2012	84,007	3,558	87,565
2013	46,882	626	47,508
2014	<u>15,881</u>	<u>313</u>	<u>16,194</u>
Total	<u>\$ 198,703</u>	<u>\$ 9,704</u>	<u>\$ 208,407</u>

The general fund has been designated as the source that will repay the governmental-type general obligation long-term debt outstanding as of June 30, 2010.

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities (in thousands):

	<u>Total</u>			<u>Total</u>			<u>Equals</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Less</u>	<u>Current</u>	<u>Long-Term</u>
	<u>6/30/09</u>			<u>6/30/10</u>	<u>Portion</u>		<u>6/30/10</u>
<u>Governmental Activities</u>							
Compensated absences	\$ 148	\$ -	\$ (9)	\$ 139	\$ -	\$	139
Bond premium	-	326	-	326	-		326
Notes payable	108	126	(35)	199	(52)		147
Bonds payable	-	6,574	-	6,574	(659)		5,915
Totals	<u>\$ 256</u>	<u>\$ 7,026</u>	<u>\$ (44)</u>	<u>\$ 7,238</u>	<u>\$ (711)</u>		<u>\$ 6,527</u>
<u>Business-Type Activities</u>							
Compensated absences	\$ 234	\$ 3	\$ -	\$ 237	\$ -		\$ 237
Totals	<u>\$ 234</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 237</u>	<u>\$ -</u>		<u>\$ 237</u>

10. Restricted Net Assets

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

11. Reserves of Fund Equity

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

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

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

Reserved for Prepaids - An account used to segregate the portion of fund balance that is not available because of prepaid expenses at year end.

12. Commitments and Contingencies

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

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

13. Pension Plan

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

A. Plan Description

The County contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer contributory defined benefit pension plan. NHRS provides service, disability and death, and vested retirement benefits to plan members and beneficiaries. NHRS is administered by a 13-member Board of Trustees. The Board of Trustees formulates administrative policies and procedures and authorizes benefit payments to members and their beneficiaries. The NHRS issues a publicly

available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New Hampshire Retirement System, 4 Chenell Drive, Concord, NH 03301-8509 or by calling (603) 271-3351.

B. Funding Policy

Sheriff's deputies and correctional office plan members and all other employee plan members are required to contribute 9.3% and 5%, respectively, of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate for sheriff's deputies and correctional officers is 11.84% of annual covered payroll. The current rate for all other employees is 8.74% of annual covered payroll. The contribution requirements of plan members are fixed by statute. The County's contributions to NHRS for the years ended June 30, 2010, 2009, and 2008 were \$ 738,471, \$ 632,244, and \$ 625,170, respectively, equal to the required contributions for each year.

14. Risk Management

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

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

15. Beginning Fund Balance Reclassification

The County's major governmental funds for fiscal year 2010, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/09 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity 6/30/09 (as restated)
Nonmajor funds	\$ (150,749)	\$ 186,733	\$ 35,984
Capital project fund	<u>-</u>	<u>(186,733)</u>	<u>(186,733)</u>
Total	<u>\$ (150,749)</u>	<u>\$ -</u>	<u>\$ (150,749)</u>