

**SULLIVAN COUNTY, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 2007**

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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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In fiscal year 2007, the County suffered a major operating loss, resulting in the need to issue a bank loan to meet cash flow requirements. Subsequently, in December, 2007 the Board of Commissioners established a plan to remedy this situation, which is discussed in footnote 18.

*Additional Offices:*

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

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  
December 17, 2007

## 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, 2007.

### 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 \$ 5,184,413 (i.e., net assets), a change of \$ (1,575,102) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 351,055, a change of \$ (221,976) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was a deficit balance of \$ (3,248,227), a change of \$ (3,612,491) 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 Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 487	\$ 2,286	\$ 1,688	\$ 443	\$ 2,175	\$ 2,729
Non-current assets	<u>6,629</u>	<u>2,518</u>	<u>4,489</u>	<u>4,356</u>	<u>11,118</u>	<u>6,874</u>
Total assets	7,116	4,804	6,177	4,799	13,293	9,603
Long-term liabilities outstanding	131	174	3,610	232	3,741	406
Other liabilities	<u>3,564</u>	<u>1,751</u>	<u>804</u>	<u>687</u>	<u>4,368</u>	<u>2,438</u>
Total liabilities	3,695	1,925	4,414	919	8,109	2,844
Net assets:						
Invested in capital assets, net	3,201	2,440	4,489	4,356	7,690	6,796
Unrestricted	<u>220</u>	<u>439</u>	<u>(2,726)</u>	<u>( 476)</u>	<u>( 2,506)</u>	<u>( 37)</u>
Total net assets	\$ <u>3,421</u>	\$ <u>2,879</u>	\$ <u>1,763</u>	\$ <u>3,880</u>	\$ <u>5,184</u>	\$ <u>6,759</u>

CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>						
Charges for services	\$ 847	\$ 943	\$ 11,172	\$ 10,186	\$ 12,019	\$ 11,129
Operating grants	627	562	-	60	627	622
County tax	9,284	9,433	-	-	9,284	9,433
Investment income	40	87	-	-	40	87
Other	<u>197</u>	<u>209</u>	<u>162</u>	<u>-</u>	<u>359</u>	<u>209</u>
Total revenues	10,995	11,234	11,334	10,246	22,329	21,480
<b>Expenses:</b>						
General government	2,147	1,907	-	-	2,147	1,907
County Attorney	373	361	-	-	373	361
Commissioners office	181	260	-	-	181	260
Public safety	825	773	-	-	825	773
Corrections	2,604	2,414	-	-	2,604	2,414
County Nursing Home	-	-	12,113	11,051	12,113	11,051
Health and welfare	5,025	5,227	-	-	5,025	5,227
Cooperative extension	282	274	-	-	282	274
Register of Deeds	<u>354</u>	<u>354</u>	<u>-</u>	<u>-</u>	<u>354</u>	<u>354</u>
Total expenses	<u>11,791</u>	<u>11,570</u>	<u>12,113</u>	<u>11,051</u>	<u>23,904</u>	<u>22,621</u>
Change in net assets before transfers	( 796)	( 336)	( 779)	( 805)	( 1,575)	( 1,141)
Transfers in (out)	<u>1,338</u>	<u>( 848)</u>	<u>( 1,338)</u>	<u>848</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	542	( 1,184)	( 2,117)	43	( 1,575)	( 1,141)
Net assets - beginning of year, as restated	<u>2,879</u>	<u>4,063</u>	<u>3,880</u>	<u>3,837</u>	<u>6,759</u>	<u>7,900</u>
Net assets - end of year	\$ <u>3,421</u>	\$ <u>2,879</u>	\$ <u>1,763</u>	\$ <u>3,880</u>	\$ <u>5,184</u>	\$ <u>6,759</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 \$ 5,184,413, a change of \$ (1,575,102) from the prior year.

The largest portion of net assets \$ 7,690,290 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 and business-type activities.** Governmental and business-type activities for the year resulted in a change in net assets of \$ (1,575,102). Key elements of this change are as follows:

	<u>All Funds</u>
<u>Operating Results:</u>	
Deficiency of revenues over budget	\$ ( 478,749)
Expenditures in excess of budgetary appropriations	(1,849,012)
Use of fund balance as a funding source	( 209,357)
<u>Timing Differences:</u>	
Excess of current year encumbrances over prior year encumbrances spent in current period	144,677
Excess current year depreciation expense over over current year principal debt service	( 637,010)
Other timing differences	12,936
<u>Other:</u>	
Capital asset purchases	<u>1,441,413</u>
Total	\$ <u>(1,575,102)</u>

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

As of the end of the current fiscal year, combined ending fund balances for all funds was \$ 2,113,842, a change of \$ (2,339,454) from the prior year. Key elements of this change are as follows:

	<u>All Funds</u>
Revenues in excess of budget	\$ ( 478,749)
Expenditures less than budget	(1,849,012)
Use of fund balance	( 209,357)
Current year encumbrances over prior year	144,677
Other	<u>52,987</u>
Total	\$ <u>(2,339,454)</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 a deficit of \$ (3,248,227).

The fund balance of the general fund changed by \$ (56,109) during the current fiscal year. Key factors in this change are as follows:

	General Fund
Excess of general fund revenues over budget	\$ 37,919
Expenditures in excess of appropriations	( 67,401)
Use of fund balance as a funding source	(209,357)
Current year encumbrances in excess of prior year encumbrances (timing difference)	144,677
Other	<u>38,053</u>
Total	\$ ( <u>56,109</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 \$ (2,726,205), a change of \$ (2,250,056) 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 \$ 7,730,441 (net of accumulated depreciation), an increase of \$ 856,192 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 debt outstanding (capital leases) was \$ 40,151.

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, 2007

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 240,350	\$ 17,562	\$ 257,912
Accounts receivable, net of allowances	26,604	1,555,952	1,582,556
Other assets	220,711	-	220,711
Inventory	-	39,533	39,533
Restricted cash	-	74,839	74,839
Noncurrent:			
Internal balances	3,387,690	(3,387,690)	-
Capital assets, net of accumulated depreciation	<u>3,241,449</u>	<u>4,488,992</u>	<u>7,730,441</u>
<b>TOTAL ASSETS</b>	7,116,804	2,789,188	9,905,992
<b>LIABILITIES</b>			
Current:			
Accounts payable	412,269	252,620	664,889
Accrued liabilities	557,532	463,246	1,020,778
Other liabilities	92,463	13,277	105,740
Revenue anticipation notes payable	2,462,038	-	2,462,038
Due to residents	-	74,839	74,839
Capital leases payable	40,151	-	40,151
Noncurrent:			
Accrued compensated absences	<u>130,725</u>	<u>222,419</u>	<u>353,144</u>
<b>TOTAL LIABILITIES</b>	3,695,178	1,026,401	4,721,579
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,201,298	4,488,992	7,690,290
Unrestricted	<u>220,328</u>	<u>(2,726,205)</u>	<u>(2,505,877)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,421,626</u>	<u>\$ 1,762,787</u>	<u>\$ 5,184,413</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	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	\$ 2,147,098	\$ 210,998	\$ -	\$ (1,769,236)	\$ -	\$ (1,769,236)
County Attorney's office	372,513	3,283	-	(369,230)	-	(369,230)
Commissioners' office	181,050	-	-	(181,050)	-	(181,050)
Public safety	825,494	170,300	-	(591,725)	-	(591,725)
Corrections	2,603,702	-	-	(2,501,420)	-	(2,501,420)
Health and welfare	5,025,120	242,466	-	(4,782,654)	-	(4,782,654)
Cooperative extension	281,844	-	-	(281,844)	-	(281,844)
Register of Deeds	353,760	-	-	160,744	-	160,744
Total Governmental Activities	11,790,581	627,047	-	(10,316,415)	-	(10,316,415)
<b>Business-Type Activities:</b>						
Nursing Home	12,113,521	-	-	-	(941,664)	(941,664)
Total Business-Type Activities	12,113,521	-	-	-	(941,664)	(941,664)
Total	\$ 23,904,102	\$ 627,047	\$ -	(10,316,415)	(941,664)	(11,258,079)
<b>General Revenues:</b>						
County tax				9,283,721	-	9,283,721
Investment income				40,053	-	40,053
Miscellaneous				197,497	161,706	359,203
Transfers, net				1,337,520	(1,337,520)	-
Total general revenues and transfers				10,858,791	(1,175,814)	9,682,977
Change in Net Assets				542,376	(2,117,478)	(1,575,102)
<b>Net Assets:</b>						
Beginning of year, as restated				2,879,250	3,880,265	6,759,515
End of year				\$ 3,421,626	\$ 1,762,787	\$ 5,184,413

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	<u>General</u>	<u>Register of Deeds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 170,830	\$ 67,733	\$ 1,787	\$ 240,350
Departmental and other receivables	10,599	-	16,005	26,604
Due from (to) other funds	2,197	(60,760)	58,563	-
Advance from other funds	3,387,690	-	-	3,387,690
Other assets	<u>220,711</u>	<u>-</u>	<u>-</u>	<u>220,711</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,792,027</b>	<b>\$ 6,973</b>	<b>\$ 76,355</b>	<b>\$ 3,875,355</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 399,282	\$ 227	\$ 12,760	\$ 412,269
Accrued liabilities	543,643	11,453	2,434	557,530
Other liabilities	50,391	27,495	14,577	92,463
Revenue anticipation notes payable	<u>2,462,038</u>	<u>-</u>	<u>-</u>	<u>2,462,038</u>
<b>TOTAL LIABILITIES</b>	<b>3,455,354</b>	<b>39,175</b>	<b>29,771</b>	<b>3,524,300</b>
Fund Balances:				
Reserved for encumbrances	197,210	-	-	197,210
Reserved for advances	3,387,690	-	-	3,387,690
Unreserved:				
Undesignated, reported in:				
General fund	(3,248,227)	-	-	(3,248,227)
Special revenue funds	<u>-</u>	<u>(32,202)</u>	<u>46,584</u>	<u>14,382</u>
<b>TOTAL FUND BALANCES</b>	<b>336,673</b>	<b>(32,202)</b>	<b>46,584</b>	<b>351,055</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,792,027</b>	<b>\$ 6,973</b>	<b>\$ 76,355</b>	<b>\$ 3,875,355</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, 2007

<b>Total governmental fund balances</b>	\$ 351,055
<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>	3,241,449
<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>170,878</u> )
<b>Net assets of governmental activities</b>	\$ <u>3,421,626</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, 2007

	General	Register of Deeds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
County taxes	\$ 9,283,721	-	-	\$ 9,283,721
Charges for services	269,146	514,504	63,469	847,119
Intergovernmental	158,117	-	468,930	627,047
Investment income	40,053	-	-	40,053
Miscellaneous	191,711	-	5,786	197,497
Total Revenues	<u>9,942,748</u>	<u>514,504</u>	<u>538,185</u>	<u>10,995,437</u>
<b>Expenditures:</b>				
Current:				
General government	1,892,193	-	44,359	1,936,552
County Attorney's office	373,728	-	-	373,728
Commissioners' office	181,838	-	-	181,838
Public safety	579,587	-	230,597	810,184
Corrections	2,486,523	-	-	2,486,523
Health and welfare	4,816,808	-	208,688	5,025,496
Cooperative extension	278,604	-	-	278,604
Register of Deeds	-	464,211	-	464,211
Capital expenditures	339,264	-	607,661	946,925
Debt service	50,872	-	-	50,872
Total Expenditures	<u>10,999,417</u>	<u>464,211</u>	<u>1,091,305</u>	<u>12,554,933</u>
Excess (deficiency) of revenues over expenditures	(1,056,669)	50,293	(553,120)	(1,559,496)
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,109,734	-	972,750	3,082,484
Transfers out	(1,109,174)	(200,846)	(434,944)	(1,744,964)
Total Other Financing Sources (Uses)	<u>1,000,560</u>	<u>(200,846)</u>	<u>537,806</u>	<u>1,337,520</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(56,109)	(150,553)	(15,314)	(221,976)
Fund Equity, at Beginning of Year, as restated	392,782	118,351	61,898	573,031
Fund Equity, at End of Year	<u>\$ 336,673</u>	<u>\$ (32,202)</u>	<u>\$ 46,584</u>	<u>\$ 351,055</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, 2007

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**    \$ ( 221,976)

- 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	1,006,469
Depreciation	( 282,854)

- 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	37,991
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- 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.

2,746

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**    \$ 542,376

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, 2007

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	\$	Amounts	(Negative)
<b>Revenues and Other Sources:</b>					
<b>General Fund:</b>					
County taxes	\$ 9,970,328	\$ 9,283,721		\$ 9,283,721	-
Charges for services	248,991	248,991		269,146	20,155
Intergovernmental	155,834	155,834		158,117	2,283
Investment income	20,000	20,000		40,053	20,053
Miscellaneous	196,283	196,283		191,711	(4,572)
Other sources (use of fund balance)	-	209,357		209,357	-
<b>Other Funds:</b>					
Nursing Home	12,715,382	12,965,382		11,842,799	(1,122,583)
Registry of Deeds	450,000	550,000		514,504	(35,496)
Grants and other	369,770	369,770		538,185	168,415
<b>Transfers in</b>	2,822,072	1,999,322		2,472,318	472,996
<b>Total Revenues and Other Sources</b>	26,948,660	25,998,660		25,519,911	(478,749)
<b>Expenditures and Other Uses:</b>					
<b>General Fund:</b>					
General government	2,080,904	2,091,304		1,869,074	222,230
County Attorney's office	420,420	420,420		381,651	38,769
Commissioners' office	264,089	253,689		181,321	72,368
Public safety	606,275	606,275		576,437	29,838
Corrections	2,588,696	2,588,696		2,461,704	126,992
Health and welfare	4,737,102	4,737,102		4,816,808	(79,706)
Cooperative extension	274,596	274,596		278,554	(3,958)
Capital expenditures	79,612	79,612		527,674	(448,062)
Debt service	25,000	25,000		50,872	(25,872)
<b>Other Funds:</b>					
Nursing Home	11,077,168	11,027,168		12,240,799	(1,213,631)
Registry of Deeds	387,206	387,206		464,211	(77,005)
Grants and other	369,770	369,770		483,644	(113,874)
Capital expenditures fund	1,222,750	972,750		1,042,605	(69,855)
<b>Transfers out</b>	2,815,072	2,165,072		2,472,318	(307,246)
<b>Total Expenditures and Other Uses</b>	26,948,660	25,998,660		27,847,672	(1,849,012)
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	\$ -	\$ -		\$ (2,327,761)	\$ (2,327,761)

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-Type Activities Enterprise Fund
	<u>Nursing Home</u>
<b><u>ASSETS</u></b>	
Current:	
Cash and short-term investments	\$ 17,562
Accounts receivable, net of allowances	1,555,952
Inventory	<u>39,533</u>
Total current assets	1,613,047
Noncurrent:	
Restricted cash	74,839
Capital assets, net of accumulated depreciation	<u>4,488,992</u>
Total noncurrent assets	<u>4,563,831</u>
<b>TOTAL ASSETS</b>	<b>6,176,878</b>
<b><u>LIABILITIES</u></b>	
Current:	
Accounts payable	252,620
Accrued liabilities	463,246
Other liabilities	13,277
Due to residents	<u>74,839</u>
Total current liabilities	803,982
Noncurrent:	
Advance from other funds	3,387,690
Compensated absences	<u>222,419</u>
Total noncurrent liabilities	<u>3,610,109</u>
<b>TOTAL LIABILITIES</b>	<b>4,414,091</b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	4,488,992
Unrestricted	<u>(2,726,205)</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>1,762,787</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, 2007

	Business-Type Activities Enterprise Fund <u>Nursing Home</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 11,171,857
Miscellaneous	<u>161,706</u>
Total Operating Revenues	11,333,563
<b>Operating Expenses:</b>	
Personnel services	6,245,085
Employee benefits	2,068,848
Contractual services	1,048,254
Payroll and other taxes	450,523
Therapy services	457,542
Food	480,750
Depreciation	392,147
Medicine	335,521
Medical expenses	320,718
Supplies and office expense	164,439
Repairs and maintenance	63,360
Insurance	65,807
Telephone	<u>20,527</u>
Total Operating Expenses	<u>12,113,521</u>
Operating Income (Loss)	(779,958)
<b>Transfers:</b>	
Transfers in:	
From 42 for capital expenditures	434,944
Transfers out:	
To fund 30	(807,354)
To balance budget	<u>(965,110)</u>
Total Transfers	<u>(1,337,520)</u>
Change in Net Assets	(2,117,478)
Net Assets at Beginning of Year	<u>3,880,265</u>
Net Assets at End of Year	<u>\$ 1,762,787</u>

See notes to financial statements.

SULLIVAN COUNTY, NEW HAMPSHIRE

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds
	<u>Nursing Home</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts for services provided	\$ 11,383,729
Miscellaneous receipts	154,917
Payments for personnel and related costs	(8,774,643)
Payments for goods and services	<u>(2,826,469)</u>
Net Cash (Used For) Operating Activities	(62,466)
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Transfers out	(1,772,464)
Receipts from internal balances	<u>2,367,280</u>
Net Cash Provided by Noncapital Financing Activities	594,816
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Acquisition and construction of capital assets	<u>(524,726)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(524,726)</u>
Net Change in Cash and Short-Term Investments	7,624
Cash and Short Term Investments, Beginning of Year	<u>9,938</u>
Cash and Short Term Investments, End of Year	<u>\$ 17,562</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income (loss)	\$ (779,958)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	392,147
Changes in assets and liabilities:	
Accounts receivable	205,083
Inventory	10,631
Account payable	41,243
Accrued liabilities	64,850
Other liabilities	<u>3,538</u>
Net Cash (Used For) Operating Activities	<u>\$ (62,466)</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) 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 \$ 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 and 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 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>All Funds</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 22,329,000	\$ 24,668,454
Other financing sources/uses (GAAP basis)	<u>3,517,428</u>	<u>3,517,428</u>
Subtotal (GAAP Basis)	25,846,428	28,185,882
Record use of fund balance	209,357	-

(continued)

(continued)

<u>All Funds</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Reclassifications	( 535,874)	( 535,874)
Reverse prior year appropriation carryforwards	-	( 52,533)
Record current year appropriation carryforwards	-	197,210
Convert accrual basis Nursing Home to budget basis	<u>-</u>	<u>52,987</u>
Budgetary basis	\$ <u>25,519,911</u>	\$ <u>27,847,672</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2007:

Domestic Violence Grant - Fund 445	\$ ( 90)
Cooperative Extension Service - Fund 475	( 3,902)
JAG - Fund 527	( 822)
Highway Safety - Fund 646	( 1,091)
Facilities - Fund 700	( 4,500)
Drug Task Force - Fund 745	( 1,792)
Emergency Planning - Fund 725	( 1,000)
Intervention Program - Fund 945	( 8,083)
Claremont Teen Resource Center - Fund 947	(121,779)
Parents as Teachers - Fund 948	( 7,092)
CAC of Grafton/Sullivan County - Fund 949	( 4,634)
Registry of Deeds - Fund 22	<u>( 32,202)</u>
Total	\$ <u>(186,987)</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, 2007, \$ 416,886 of the County's bank balance of \$ 1,655,212 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 \$ 196,820 at June 30, 2007. 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, 2007 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	\$ 2,197	\$ -	\$ 3,387,690	\$ -
Special Revenue Funds:				
Register of Deeds	-	60,760	-	-
Grants and Fund 42	58,563	-	-	-
Enterprise Funds:				
Nursing Home	-	-	-	3,387,690
Total	<u>\$ 60,760</u>	<u>\$ 60,760</u>	<u>\$ 3,387,690</u>	<u>\$ 3,387,690</u>

#### 6. Capital Assets

Capital asset activity for the year ended June 30, 2007 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	\$ 4,406	\$ 537	\$ -	\$ 4,943
Equipment and vehicles	998	209	-	1,207
Land improvements	<u>313</u>	<u>-</u>	<u>-</u>	<u>313</u>
Total capital assets, being depreciated	5,717	746	-	6,463
Less accumulated depreciation for:				
Buildings and improvements	( 2,160)	(181)	-	( 2,341)
Equipment and vehicles	( 806)	( 63)	-	( 869)
Land improvements	<u>( 233)</u>	<u>( 38)</u>	<u>-</u>	<u>( 271)</u>
Total accumulated depreciation	( 3,199)	(282)	-	( 3,481)
Construction in progress	<u>-</u>	<u>259</u>	<u>-</u>	<u>259</u>
Governmental activities capital assets, net	<u>\$ 2,518</u>	<u>\$ 723</u>	<u>\$ -</u>	<u>\$ 3,241</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	\$ 8,111	\$ 370	\$ -	\$ 8,481
Equipment	2,037	149	-	2,186
Vehicles	<u>190</u>	<u>-</u>	<u>-</u>	<u>190</u>
Total capital assets, being depreciated	10,338	519	-	10,857
Less accumulated depreciation for:				
Buildings and improvements	( 4,137)	(288)	-	( 4,425)
Equipment	( 1,719)	( 91)	-	( 1,810)
Vehicles	<u>( 126)</u>	<u>( 13)</u>	<u>-</u>	<u>( 139)</u>
Total accumulated depreciation	( 5,982)	(392)	-	( 6,374)
Construction in progress	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>
Business-type activities capital assets, net	\$ <u>4,356</u>	\$ <u>133</u>	\$ <u>-</u>	\$ <u>4,489</u>

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

<b>Governmental Activities:</b>	
General government	\$ 101
Public safety	55
Public welfare	1
Department of Corrections	121
Cooperative extension	<u>4</u>
Total depreciation expense - governmental activities	\$ <u>282</u>
<b>Business-Type Activities:</b>	
Nursing Home	\$ <u>392</u>
Total depreciation expense - business-type activities	\$ <u>392</u>

## 7. Accounts Payable

Accounts payable represents 2007 expenditures paid after June 30, 2007.

## 8. Anticipation Notes Payable

The County has a \$ 2,500,000 revenue anticipation line of credit dated June 19, 2007 that expires December 30, 2007. This line of credit carries interest at a fixed annual rate of 4.25006%.

The following summarizes activity in notes payable during fiscal year 2007:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Revenue anticipation	\$ <u>500,000</u>	\$ <u>6,962,038</u>	\$ <u>5,000,000</u>	\$ <u>2,462,038</u>

Subsequent to year end, the above line of credit limit was increased from \$ 2,500,000 to \$ 4,500,000, and an additional \$ 1,037,962 was borrowed.

In January, 2008, this line was renewed for borrowing up to \$ 4,000,000, at a fixed rate of 3.65%, maturing on December 31, 2008.

## 9. Long-Term Debt

### General Obligation Bonds

During the year ended June 30, 2007, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/06	Additions	Reductions	Total Balance 6/30/07	Less Current Portion	Equals Long-Term Portion 6/30/07
<u>Governmental Activities</u>						
Capital leases	\$ 78	\$ -	\$ (38)	\$ 40	\$ (40)	\$ -
Accrued vacation	<u>133</u>	<u>-</u>	<u>( 2)</u>	<u>131</u>	<u>-</u>	<u>131</u>
Totals	\$ <u>211</u>	\$ <u>-</u>	\$ <u>(40)</u>	\$ <u>171</u>	\$ <u>(40)</u>	\$ <u>131</u>
<u>Business-Type Activities</u>						
Accrued vacation	\$ <u>232</u>	\$ <u>-</u>	\$ <u>(10)</u>	\$ <u>222</u>	\$ <u>-</u>	\$ <u>222</u>
Totals	\$ <u>232</u>	\$ <u>-</u>	\$ <u>(10)</u>	\$ <u>222</u>	\$ <u>-</u>	\$ <u>222</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, 2007:

Total minimum lease payments	\$ 42,431
Less amount representing interest	<u>( 2,280)</u>
Present Value of Minimum Lease Payments	\$ <u>40,151</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.

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.

## 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, 2007, 2006, and 2005 were \$ 523,220, \$ 499,688, and \$ 387,562, 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, 2007.

Changes in the aggregate liability for claims for the year ended June 30, 2007 are as follows:

Claims liability, July 1, 2006	\$ 365,462
Claims incurred/recognized in fiscal year 2007	2,380,198
Claims paid in fiscal year 2007	<u>(2,348,960)</u>
Claims liability, June 30, 2007	\$ <u>396,700</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 2007 was \$ 102,416.

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.

**17. Prior Period Adjustment**

A prior period adjustment of \$ (24,015) was made to restate the DOC inmate liability for commissions renewed.

**18. Subsequent Events - Fiscal Stabilization Plan**

On November 14, 2007, the Sullivan County Commissioners voted unanimously to raise the fiscal year 2007 budgetary deficit (as reflected on page 15) in the fiscal year 2009 budget. In addition, fiscal year 2008 appropriations will be scrutinized, and budget cuts will be made wherever possible. The Board of Commissioners is confident that this will result in a substantial decrease in fiscal 2008 expenses.