

**COUNTY OF
ROCKINGHAM, NEW HAMPSHIRE**

Annual Financial Statements

For the Year Ended December 31, 2014

County of Rockingham, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Rockingham, New Hampshire

Additional Offices:
Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Rockingham, New Hampshire, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County of Rockingham, New Hampshire's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Rockingham, New Hampshire, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information appearing on pages 46 through 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records

used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melanson Heath

June 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The County of Rockingham's financial management offers readers of these financial statements this narrative, overview and analysis of the financial activities of the County of Rockingham (County) for the year ended December 31, 2014. This discussion and analysis is designed for readers in focusing on the significant financial issues and activities of the County and to identify any significant change in financial position. Readers are encouraged to review the information presented here in conjunction with additional information furnished in the County's financial statements, which follow this narrative.

A. FINANCIAL HIGHLIGHTS – GOVERNMENT WIDE

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$68,210,961 (net position).
- The County's total net position reflects an increase of \$4,747,944. The increase was planned to prepare for self-insured health funding.

B. FINANCIAL HIGHLIGHTS – FUND STATEMENTS

- As of the close of the year, the County's reported combined ending fund balances of \$40,667,231 were a decrease of \$1,333,999 in comparison to the prior year. The decrease is mostly due to specific planning by management to fund self-insured benefits, as funds were transferred to the Health Fund in 2014.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$24,936,517, or 32% of total 2014 General Fund (budgeted) appropriations. The primary component of unassigned fund balance is stabilization reserves of \$19,673,889. A goal of the County has been to maintain reserves equivalent to three months of budgeted appropriations, a portion of which could be used if certain conditions are met.
- The County's total long-term debt decreased by approximately \$935,000 during the current year, due to the \$525,000 scheduled principal payment on general obligation bonds issued in July 2013 and approximately \$410,000 of scheduled principal payments on capital lease obligations.
- The County retains an Aa1 bond rating for its long-term borrowing and maintained its MIG-1 rating on its short-term borrowing. The consistent level of bond rating is a clear indication of the sound financial condition of the County.
- In 2014, the County reestablished self-insurance for Health Fund and Compensated Absences. \$3.4 million in General Fund committed fund balance, set aside for this purpose, was transferred to these two internal service funds (also classified as proprietary funds) which partially accounts for the decrease in total General Fund balances.

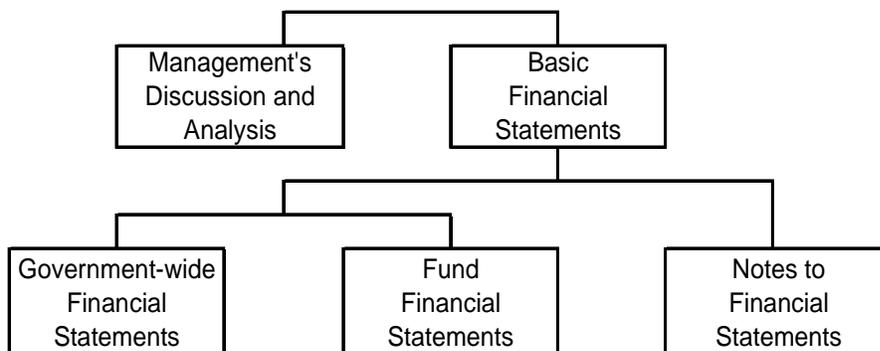
C. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

- The statements presented on pages 11 and 12 are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.
- The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the County's government. They provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: (1) the governmental fund statements, (2) the budgetary comparison statements, (3) the proprietary fund statements, and (4) the fiduciary fund statements.
- The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the required supplemental information that further explains and supports the information in the financial statements.

Required Components of Annual Financial Report

Figure 1



D. ANALYSIS OF NET POSITION

The following analysis focuses on net position (Table 1) and changes in net position (Table 2). Net position may serve, over time, as one useful indicator of a government's financial condition. Unrestricted net position can be used to finance day-to-day operations of the County and reduce the effect of property taxes.

Table 1

	<u>NET POSITION</u>	
		Governmental <u>Activities</u>
	<u>2013</u>	<u>2014</u>
Current assets	\$ 58,149,771	\$ 60,996,077
Noncurrent assets	<u>32,418,942</u>	<u>32,364,946</u>
Total assets	90,568,713	93,361,023
Current liabilities	16,754,822	14,471,855
Noncurrent liabilities	10,337,202	10,661,055
Deferred inflows of resources	<u>13,672</u>	<u>17,152</u>
Total liabilities and deferred inflows of resources	27,105,696	25,150,062
Net position:		
Net investment in capital assets	30,764,090	32,301,468
Restricted	499,328	475,617
Unrestricted	<u>32,199,599</u>	<u>35,433,876</u>
Total net position	<u>\$ 63,463,017</u>	<u>\$ 68,210,961</u>

Table 2

	<u>CHANGE IN NET POSITION</u>	
		Governmental <u>Activities</u>
	<u>2013</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services:		
Long term care services	\$ 23,887,394	\$ 23,650,977
Corrections	205,798	366,669
Administration and other	3,676,803	3,120,082
Sheriff's office	1,208,733	1,360,576
County attorney	<u>241,663</u>	<u>225,103</u>
Total charges for services	29,220,391	28,723,407
Operating grants and contributions	691,576	268,716
Capital grants and contributions	23,552	162,940
General revenues:		
Taxes	43,873,563	44,809,156
Investment income	46,691	58,429
Miscellaneous	<u>183,867</u>	<u>943,430</u>
Total revenues	74,039,640	74,966,078

(continued)

(continued)

Table 2

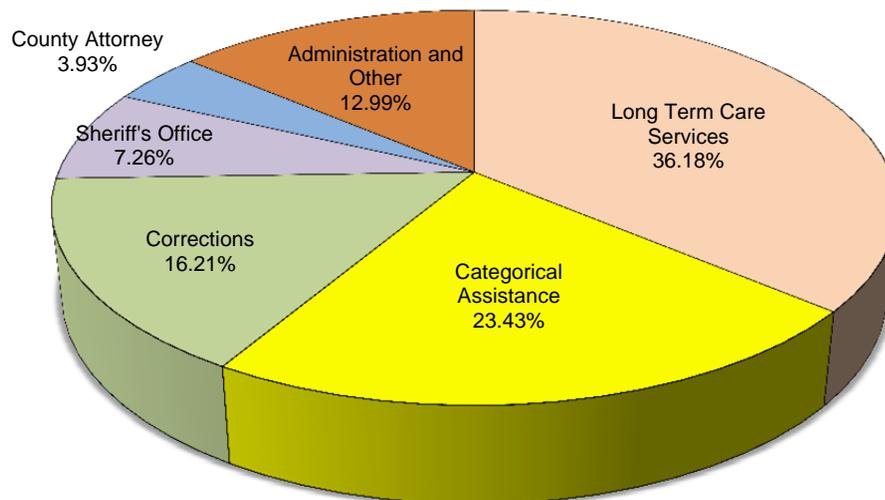
CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2014</u>
Expenses:		
Long term care services	25,313,379	25,402,222
Categorical assistance	15,652,117	16,452,555
Corrections	11,152,313	11,379,142
Administration and other	9,602,985	9,127,987
Sheriff's office	5,242,391	5,099,953
County attorney	<u>2,959,649</u>	<u>2,756,275</u>
Total expenses	<u>69,922,834</u>	<u>70,218,134</u>
Change in net position	4,116,806	4,747,944
Net position - beginning of year	<u>59,346,211</u>	<u>63,463,017</u>
Net position - end of year	<u>\$ 63,463,017</u>	<u>\$ 68,210,961</u>

E. GOVERNMENTAL ACTIVITIES

Below is a graph that presents actual expenditures under each of the major governmental activities as a percentage of total expenditures.

Expenses by Function - Governmental Activities For the Year Ended December 31, 2014



The following tables present the costs and net costs of the major County departments/functions. Costs are based upon total expenses and net costs are calculated by taking the total function-specific expenses, less direct revenues related to that particular function. The net costs represent amounts that are funded by general revenues, notably taxes.

Table 3 - Total and Net Cost of Services

Function / Program	2013			2014		
	Total Cost of Services	Revenues	Net Cost of Services	Total Cost of Services	Revenues	Net Cost of Services
Long Term Care Services	\$ 25,313,379	\$ 23,887,394	\$ 1,425,985	\$ 25,402,222	\$ 23,650,977 *	\$ 1,751,245
Categorical Assistance	15,652,117	-	15,652,117	16,452,555	-	16,452,555
Corrections	11,152,313	205,798	10,946,515	11,379,142	529,609	10,849,533
Administration and Other	9,602,985	4,176,710	5,426,275	9,127,987	3,120,082	6,007,905
Sheriff's Office	5,242,391	1,386,295	3,856,096	5,099,953	1,600,937	3,499,016
County Attorney	2,959,649	279,322	2,680,327	2,756,275	253,458	2,502,817
	<u>\$ 69,922,834</u>	<u>\$ 29,935,519</u>	<u>\$ 39,987,315</u>	<u>\$ 70,218,134</u>	<u>\$ 29,155,063</u>	<u>\$ 41,063,071</u>

*This amount reflects the budgetary net cost; actual net cost of services (a portion of which is reflected in Administration and Other) is \$7,080,943 as cited in the December 31, 2014 Rockingham County Nursing Home Medicaid Cost Report.

Table 4 - Comparative Net Cost of Services

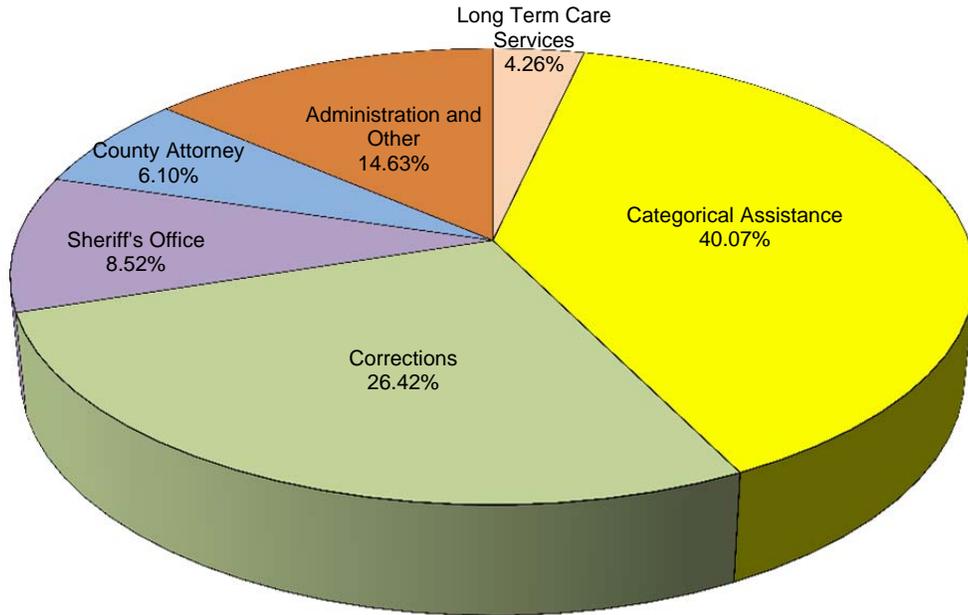
Function / Program	2013	2014	Change in Net Cost of Services
	Net Cost of Services	Net Cost of Services	
Long Term Care Services	\$ 1,425,985	\$ 1,751,245	\$ 325,260
Categorical Assistance	15,652,117	\$ 16,452,555	800,438
Corrections	10,946,515	\$ 10,849,533	(96,982)
Administration and Other	5,426,275	\$ 6,007,905	581,630
Sheriff's Office	3,856,096	\$ 3,499,016	(357,080)
County Attorney	2,680,327	\$ 2,502,817	(177,510)
	<u>\$39,987,315</u>	<u>\$ 41,063,071</u>	<u>\$ 1,075,756</u>

Note: For Table 3 and Table 4 presentation purposes, Debt Interest costs are included in the "Administration and Other" function.

The increase in net costs for Long Term Care Services in 2014 was largely due to decreased revenues which outpaced cost cutting measures taken by management. The increase in net costs for Categorical Assistance was mostly the result of the increased expenditure caps established by the State of New Hampshire. The increase in net costs for Administration and Other is primarily due to increases in legal expenses and debt interest expense.

The following chart is a graphical presentation of the components of the 2014 Net Costs of Services from Table 4. The primary source of funding for Net Costs is tax revenues.

Net Cost of Services - by Function/Program for the Year Ending December 31, 2014



F. COUNTY GOVERNMENTAL FUNDS

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the County.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund appropriations. At December 31, 2014, unassigned fund balance represents 32% of total General Fund (budgeted) appropriations, while total fund balance represents 40.2% of that same amount. General Fund stabilization reserves totaling \$19,673,889 (currently a component of unassigned fund balance) represent 25% (equivalent to three months) of budgeted appropriations.

G. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At December 31, 2014 the County reported approximately \$32.4 million in capital assets, net of depreciation, which includes construction in progress of approximately \$2.6 million. These assets include land, buildings and improvements, machinery, equipment and furnishings, and vehicles.

Long-term debt. At December 31, 2014 the County had approximately \$12.4 million in outstanding long-term debt. Most of this amount is comprised of general obligation bonds issued in 2013, with the remaining balance including compensated absences, net OPEB obligation, and capital leases payable.

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

H. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property taxes accounted for 57% of expected resources for 2014 and account for 58% of revenues in the 2015 budget.
- The State of New Hampshire is revisiting its plan to institute a Managed Care Program, originally expected to be in place in late 2012. This program was predicted to have far reaching negative effects on the County nursing homes. The State has delayed its implementation and has begun discussion with the counties for alternate plans.
- The caps for Categorical Assistance payments are expected to increase as part of the State's new biennial budget proposal effective for July 1, 2015. Categorical Assistance will continue to be the largest net County expenditure, followed by Corrections.
- Jail expenditures, including facility maintenance and correctional services, will be an increasing cost to the County. The County's ability to maintain a stable financial position and ample reserves, while continuing to control jail expenditures, will be a key factor in the future and is dependent on the development of community corrections programs and State impacts on the court systems.

REQUESTS FOR INFORMATION

This financial report is intended to provide report users with a general overview of the County's finances at December 31, 2014. Questions about this report can be directed to the Finance Office at 119 North Road, Brentwood, New Hampshire, 03833. Additional information about the County of Rockingham can be found at www.co.rockingham.nh.us.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 54,610,647
Restricted cash	1,006,999
Investments	73,750
Receivables:	
Accounts, net	1,254,955
Due from other governments, net	2,835,009
Due from fiduciary funds	171,475
Prepaid expenses	274,428
Inventory	768,801
Other assets	13
Total current assets	<u>60,996,077</u>
Noncurrent:	
Capital Assets:	
Land	578,857
Construction in progress	2,560,966
Other assets, net of accumulated depreciation	<u>29,225,123</u>
Total noncurrent assets	<u>32,364,946</u>
TOTAL ASSETS	93,361,023
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Liabilities	
Current:	
Accounts payable	1,394,602
Accrued payroll and related liabilities	122,112
Due to other governments	9,220,968
Incurred but not reported claims liability	1,902,325
Security deposits	14,512
Accrued interest payable	107,102
Current portion of noncurrent liabilities:	
Bonds payable	1,114,914
Capital leases payable	60,879
Compensated absences	<u>534,441</u>
Total current liabilities	14,471,855
Noncurrent:	
Bonds payable, net of current portion	7,434,663
Capital leases payable, net of current portion	2,378
Compensated absences, net of current portion	2,338,588
Net OPEB obligation	<u>885,426</u>
Total noncurrent liabilities	<u>10,661,055</u>
TOTAL LIABILITIES	25,132,910
Deferred Inflows of Resources	<u>17,152</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	25,150,062
NET POSITION	
Net investment in capital assets	32,301,468
Restricted for:	
Grants and other statutory restrictions	447,464
Permanent funds:	
Nonexpendable	28,153
Unrestricted	<u>35,433,876</u>
TOTAL NET POSITION	\$ <u>68,210,961</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Long Term Care Services:					
Nursing home	\$ 23,781,111	\$ 22,016,882	\$ -	\$ -	\$ (1,764,229)
Assisted living	1,621,111	1,634,095	-	-	12,984
Categorical Assistance:					
Public assistance	16,452,555	-	-	-	(16,452,555)
Corrections	11,379,142	366,669	-	162,940	(10,849,533)
Administration and Other:					
Maintenance	3,983,816	32,567	-	-	(3,951,249)
General government	1,403,148	-	-	-	(1,403,148)
Deeds	1,158,443	3,073,901	-	-	1,915,458
Finance	972,639	-	-	-	(972,639)
Information technology	258,503	13,614	-	-	(244,889)
Human resources	315,447	-	-	-	(315,447)
Interest	360,851	-	-	-	(360,851)
Non-county specials	248,750	-	-	-	(248,750)
Commissioners	171,763	-	-	-	(171,763)
Delegation	187,521	-	-	-	(187,521)
Medical examiner	62,086	-	-	-	(62,086)
Treasurer	5,020	-	-	-	(5,020)
Sheriff's Office:					
Sheriff/dispatch/radio	5,099,953	1,360,576	240,361	-	(3,499,016)
County Attorney	<u>2,756,275</u>	<u>225,103</u>	<u>28,355</u>	<u>-</u>	<u>(2,502,817)</u>
Total Governmental Activities	\$ <u>70,218,134</u>	\$ <u>28,723,407</u>	\$ <u>268,716</u>	\$ <u>162,940</u>	(41,063,071)
General Revenues:					
					44,809,156
					58,429
					<u>943,430</u>
Total general revenues					<u>45,811,015</u>
Change in Net Position					4,747,944
Net Position:					
					<u>63,463,017</u>
					\$ <u>68,210,961</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2014

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 34,455,843	\$ 8,550,554	\$ 74,883	\$ 43,081,280
Restricted cash	790,685	-	216,314	1,006,999
Investments	-	-	73,750	73,750
Receivables:				
Accounts, net	1,223,102	-	84	1,223,186
Due from other governments, net	2,713,548	-	-	2,713,548
Due from other funds	4,316,504	615,458	170,672	5,102,634
Prepaid expenses	149,355	-	-	149,355
Inventory	768,801	-	-	768,801
Other assets	13	-	-	13
TOTAL ASSETS	\$ 44,417,851	\$ 9,166,012	\$ 535,703	\$ 54,119,566
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,030,846	\$ 183,959	\$ -	\$ 1,214,805
Accrued payroll and related liabilities	122,112	-	-	122,112
Due to other funds	2,380,769	432,696	60,086	2,873,551
Due to other governments	9,219,351	-	-	9,219,351
Security deposits	14,512	-	-	14,512
TOTAL LIABILITIES	12,767,590	616,655	60,086	13,444,331
DEFERRED INFLOWS OF RESOURCES	8,004	-	-	8,004
Fund Balances:				
Nonspendable:				
Prepaid expenses	149,355	-	-	149,355
Inventory	768,801	-	-	768,801
Nonexpendable permanent funds	-	-	28,153	28,153
Total Nonspendable	918,156	-	28,153	946,309
Restricted:				
Long term care (RSA 24:13)	441,161	-	-	441,161
Capital projects	-	7,469,178	-	7,469,178
Special revenue funds	-	-	447,464	447,464
Total Restricted	441,161	7,469,178	447,464	8,357,803
Assigned:				
Subsequent year budget	5,178,000	-	-	5,178,000
Encumbrances	168,423	1,080,179	-	1,248,602
Total Assigned	5,346,423	1,080,179	-	6,426,602
Unassigned	24,936,517	-	-	24,936,517
TOTAL FUND BALANCES	31,642,257	8,549,357	475,617	40,667,231
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 44,417,851	\$ 9,166,012	\$ 535,703	\$ 54,119,566

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

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

DECEMBER 31, 2014

Total governmental fund balances	\$ 40,667,231
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,364,946
• Internal service funds are used by management to account for certain activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	6,120,302
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(107,102)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(8,549,577)
Capital leases payable	(63,257)
Compensated absences (unfunded)	(1,336,156)
Net OPEB obligation	<u>(885,426)</u>
Net position of governmental activities	\$ <u><u>68,210,961</u></u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 44,809,156	\$ -	\$ -	\$ 44,809,156
Charges for services	28,488,880	-	276,444	28,765,324
Intergovernmental	230,548	-	-	230,548
Investment income	42,629	14,272	1,232	58,133
Miscellaneous	641,398	83	-	641,481
	<u>74,212,611</u>	<u>14,355</u>	<u>277,676</u>	<u>74,504,642</u>
Expenditures:				
Current:				
Long Term Care Services:				
Nursing home	23,446,088	-	-	23,446,088
Assisted living	1,524,410	-	-	1,524,410
Categorical Assistance:				
Public assistance	16,452,595	-	-	16,452,595
Corrections	11,179,722	-	-	11,179,722
Administration and Other:				
Maintenance	3,679,175	-	-	3,679,175
General government	1,307,958	-	-	1,307,958
Deeds	1,196,703	-	-	1,196,703
Finance	993,821	-	-	993,821
Grants	234,548	-	-	234,548
Information technology	269,418	-	-	269,418
Human resources	329,585	-	-	329,585
Non-county specials	248,750	-	-	248,750
Commissioners	159,257	-	-	159,257
Delegation	189,907	-	-	189,907
Medical examiner	62,086	-	-	62,086
Treasurer	11,930	-	-	11,930
Sheriff's Office:				
Sheriff/dispatch/radio	5,157,758	-	92,593	5,250,351
County Attorney	2,921,619	-	-	2,921,619
Capital outlay	25,431	1,690,876	-	1,716,307
Debt service:				
Principal	525,000	319,449	-	844,449
Interest	399,651	7,074	-	406,725
	<u>70,315,412</u>	<u>2,017,399</u>	<u>92,593</u>	<u>72,425,404</u>
Excess (deficiency) of revenues over expenditures	3,897,199	(2,003,044)	185,083	2,079,238
Other Financing Sources (Uses):				
Transfers in	208,794	1,015,943	-	1,224,737
Transfers out	(1,015,943)	-	(208,794)	(1,224,737)
Transfer of ProShare funds	(1,485,978)	1,485,978	-	-
Transfer of prior year committed funds	(3,413,237)	-	-	(3,413,237)
	<u>(5,706,364)</u>	<u>2,501,921</u>	<u>(208,794)</u>	<u>(3,413,237)</u>
Change in fund balance	(1,809,165)	498,877	(23,711)	(1,333,999)
Fund Equity, at Beginning of Year	33,451,422	8,050,480	499,328	42,001,230
Fund Equity, at End of Year	<u>\$ 31,642,257</u>	<u>\$ 8,549,357</u>	<u>\$ 475,617</u>	<u>\$ 40,667,231</u>

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

COUNTY OF ROCKINGHAM, 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 DECEMBER 31, 2014

Net changes in fund balances - Total governmental funds \$ (1,333,999)

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

Capital asset purchases	2,260,343
Capital asset donations	162,940
Disposal of capital assets	(5,921)
Depreciation	(2,471,356)

- The issuance of long-term debt (e.g., bonds and capital 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 position:

Repayments of debt - bonds	525,000
Repayments of debt - capital leases	410,259
Amortization of bond premium	157,238

- In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

37,989

- 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.

Compensated absences - change in unfunded liability	519,884
Net OPEB obligation	(84,770)

- Internal service funds are used by management to account for certain activities. The net activity of internal service funds is reported with governmental activities.

4,570,337

Change in net position of governmental activities

\$ 4,747,944

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
GENERAL FUND
STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	\$ 4,735,935	\$ 4,735,935	\$ 4,735,935	\$ -
Revenues (Inflows):				
Taxes	44,809,156	44,809,156	44,809,156	-
Charges for services:				
Long Term Care Services:				
Nursing home	20,787,643	20,787,643	22,005,941	1,218,298
Assisted living	1,520,657	1,520,657	1,633,995	113,338
Corrections	142,001	142,001	326,896	184,895
Administration and Other:				
Deeds	2,910,000	2,910,000	2,971,869	61,869
Property management	23,200	23,200	19,377	(3,823)
Information technology	15,000	15,000	13,614	(1,386)
Maintenance	-	-	13,190	13,190
Sheriff's Office:				
Sheriff/dispatch/radio	1,236,841	1,236,841	1,250,541	13,700
County Attorney	293,682	293,682	253,457	(40,225)
Intergovernmental	1,966,443	1,966,443	230,548	(1,735,895)
Investment income	50,000	50,000	42,629	(7,371)
Miscellaneous	16,000	16,000	641,398	625,398
Transfers from other funds	189,000	189,000	208,794	19,794
	<u>78,695,558</u>	<u>78,695,558</u>	<u>79,157,340</u>	<u>461,782</u>
Amounts Available for Appropriation				
Charges to Appropriations (Outflows):				
Current:				
Long Term Care Services:				
Nursing home	25,860,472	25,860,403	23,395,640	2,464,763
Assisted living	1,663,857	1,663,857	1,522,842	141,015
Categorical Assistance:				
Public assistance	16,638,468	16,615,968	16,452,595	163,373
Corrections	12,351,600	12,304,675	11,179,722	1,124,953
Administration and Other:				
Maintenance	3,868,023	3,870,624	3,667,432	203,192
General government	1,905,269	1,926,540	1,307,958	618,582
Deeds	1,322,494	1,322,494	1,196,703	125,791
Finance	1,202,463	1,202,463	993,821	208,642
Grants	2,066,443	2,066,443	234,548	1,831,895
Information technology	341,265	341,265	269,418	71,847
Human resources	349,566	349,566	329,585	19,981
Non-county specials	248,750	248,750	248,750	-
Commissioners	174,371	174,371	159,257	15,114
Delegation	208,489	208,489	189,907	18,582
Medical examiner	53,504	58,904	62,086	(3,182)
Treasurer	15,606	15,606	11,930	3,676
Sheriff's Office:				
Sheriff/dispatch/radio	5,322,869	5,368,491	5,157,757	210,734
County Attorney	3,167,770	3,162,370	2,921,619	240,751
Capital outlay	45,536	45,536	25,431	20,105
Debt service:				
Principal	525,000	525,000	525,000	-
Interest	347,800	347,800	399,651	(51,851)
Transfers to other funds	1,015,943	1,015,943	1,015,943	-
	<u>78,695,558</u>	<u>78,695,558</u>	<u>71,267,595</u>	<u>7,427,963</u>
Total Charges to Appropriations				
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 7,889,745	\$ 7,889,745

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2014

	Governmental Activities <hr/> Internal Service Funds
ASSETS	
Current:	
Cash and short-term investments	\$ 11,529,367
Receivables:	
Accounts	31,769
Due from other governments	121,461
Due from other funds	1,627,826
Prepaid expenses	<u>125,073</u>
Total current assets	<u>13,435,496</u>
TOTAL ASSETS	13,435,496
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Liabilities	
Current:	
Accounts payable	179,797
Due to other governments	1,617
Due to other funds	3,685,434
Incurred but not reported claims liability	1,902,325
Current portion of noncurrent liabilities:	
Compensated absences	<u>534,441</u>
Total current liabilities	6,303,614
Noncurrent:	
Compensated absences, net of current portion	<u>1,002,432</u>
Total noncurrent liabilities	<u>1,002,432</u>
TOTAL LIABILITIES	7,306,046
Deferred Inflows of Resources	<u>9,148</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,315,194
NET POSITION	
Unrestricted	<u>6,120,302</u>
TOTAL NET POSITION	<u>\$ 6,120,302</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Activities <u>Internal Service Fund</u>
Operating Revenues:	
Employee and employer contributions	\$ <u>10,002,595</u>
Total Operating Revenues	10,002,595
Operating Expenses:	
Employee benefits	<u>8,740,435</u>
Total Operating Expenses	<u>8,740,435</u>
Operating Income (Loss)	1,262,160
Nonoperating Revenues (Expenses):	
Investment income	297
Miscellaneous	<u>(105,357)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(105,060)</u>
Income (Loss) Before Transfers	1,157,100
Transfers:	
Transfers in	<u>3,413,237</u>
Change in Net Position	4,570,337
Net Position at Beginning of Year	<u>1,549,965</u>
Net Position at End of Year	<u>\$ <u>6,120,302</u></u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Activities
	Internal Service Fund
<u>Cash Flows From Operating Activities:</u>	
Receipts from users	\$ 9,985,258
Payments to providers	(7,860,559)
Payments to employees	(1,000,074)
Other receipts (payments)	1,888,076
Net Cash Provided By Operating Activities	3,012,701
<u>Cash Flows From Noncapital Financing Activities:</u>	
Net change in due to/from other funds	2,151,232
Transfers from other funds	3,413,237
Net Cash Provided By Noncapital Financing Activities	5,564,469
<u>Cash Flows From Investing Activities:</u>	
Investment income	297
Net Cash Provided By Investing Activities	297
Net Change in Cash and Short-Term Investments	8,577,467
Cash and Short-Term Investments, Beginning of Year	2,951,900
Cash and Short-Term Investments, End of Year	\$ 11,529,367
<u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u>	
Operating income (loss)	\$ 1,262,160
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Nonoperating revenues (expenses)	(105,357)
Changes in assets and liabilities:	
Accounts receivable	(17,337)
Due from other governments	(51,883)
Prepaid expenses	(120,198)
Accounts payable	133,465
Due to other governments	1,617
Incurred but not reported claims liability	369,319
Accrued compensated absences	1,536,873
Deferred inflows of resources	4,042
Net Cash Provided By Operating Activities	\$ 3,012,701

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ 394,471
Accounts receivable	<u>25</u>
Total Assets	<u>\$ 394,496</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 397
Due to other funds	171,475
Due to specific individuals	<u>222,624</u>
Total Liabilities	<u>\$ 394,496</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the County of Rockingham, New Hampshire (the County) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The governmental accounting standards board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the GASB's generally accepted accounting principles applicable to the County, and the County's conformity with such principles, are described below. These disclosures are an integral part of the County's financial statements.

A. Reporting Entity

The County of Rockingham, New Hampshire is a body corporate governed by a Commissioner form of government and provides County services as authorized by state statutes. As required by GAAP, specifically Statement 14 (as amended) of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, these financial statements are required to present County of Rockingham, New Hampshire and its "component units" (if any). A primary government is defined by the GASB as any state government or general purpose local government. Additionally, a primary government may also consist of a special-purpose government (such as a school district) that meets all of the following criteria: (a) it has a separately elected governing body, (b) it is legally separate, and (c) it is fiscally independent of other governments.

A component unit is defined by the GASB as a legally separate organization for which the elected officials of the primary government are "financially accountable". The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is "fiscally dependent" on the primary government. Fiscal independency is defined by the GASB as the ability to complete certain essential fiscal events without substantive approval by a primary government, (a) determine its budget without another government's having the authority to approve and modify that budget, (b) levy taxes or set rates or charges without approval by another government, and (c) issue bonded debt without approval by another government. For the current year there were no potential component units identified upon which the application of these criteria were applied.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes, charges for services, and intergovernmental revenues, are reported separately from business-type activities, which rely to a great degree on external fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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 well as 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 and available to pay current liabilities. 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 County reports the following major governmental funds:

- The **General Fund** is used to account for the resources traditionally associated with government operations, which are not required legally to be accounted for in some other fund. The General Fund is the overall operating entity of the County.
- The **Capital Projects Fund** is used to account for the acquisition or construction of fixed assets.

Non-major governmental funds provide for **special revenue** and **permanent fund** activity.

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties or to other departments or agencies primarily within the County. The self-insured risk management programs are operated by the County and are accounted for as proprietary (internal service) funds in accordance with GASB Statement 10, "*Accounting and Financial Reporting for Risk financing and Related Insured Issues*".

Fiduciary funds are generally used to account for assets that the government holds on behalf of others. The County currently has the following individual agency funds: (1) **Inmate Funds** - To account for funds held by the County for individuals incarcerated at the County Corrections Facility, and (2) **Residents Funds** - To account for funds held by the County for individuals living in the Long Term Care facility.

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 capital project and special revenue funds, 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 financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are 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

The County Treasurer is authorized by state statutes to invest excess funds, with the approval of the Commissioners, in the following:

- Obligations of the United States Government,
- Savings bank deposits of banks incorporated under the laws of the State of New Hampshire,
- Certificates of deposits of banks incorporated under the laws of the State of New Hampshire or in national banks located within the States of New Hampshire or Massachusetts, or,
- "Participation units" of the New Hampshire Public Deposit Investment Pool established under RSA 383:22.

The receiver of such public funds to be deposited or to be invested in securities shall "prior to acceptance of such funds" provide a collateralization option (represented by exclusively segregated securities defined by the Bank Commissioner as qualifying under RSA 386:57) for such funds in an amount at least equal to the amount to be deposited or invested in securities.

The County was in compliance with these applicable deposit and investment state laws and regulations for the year.

Investments are stated at fair value, in accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". The fair value of investments is based

on current market prices. Fair value fluctuates with interest rates and increasing rates could cause fair value to decline below original cost. County management believes that liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

F. Interfund Receivables and Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed. Any residual balances outstanding between the funds are reported in the government-wide financial statements as internal balances.

G. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventory is recorded as an expenditure when purchased rather than when consumed. Significant inventory balances on hand in governmental funds at year end are reported as assets of the respective fund, with an offsetting nonspendable fund balance.

H. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and furnishings, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years, except for the Nursing Home, where assets are capitalized at \$500 or more with a useful life of at least three years.

All Long Term Care fixed assets, including those of the Nursing Home, are valued at historical cost. As of November 2001, other County assets were valued at estimated cost and subsequent additions are recorded at actual cost. Donated assets are recorded at the estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Also, interest costs that are deemed to be immaterial and not directly allocable to a specific asset are expensed when incurred.

The infrastructure assets owned and maintained by the County include only utility tunnels, drainage systems, water and sewer systems and dams and are included in the cost of the building and improvements the infrastructure is most identified with. Condition assessments are performed regularly and the results are used to budget annually the amount necessary to maintain and preserve the infrastructure.

The County has a sizable amount of capital asset projects in process at December 31, 2014 totaling \$2,560,966. The projects in process are included in the reporting of \$32,364,946 net capital assets in the related statements. Once a project is completed it is reported in the asset category (see Note 9).

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 30
Machinery, equipment, and furnishings	3 - 15
Vehicles	4 - 10

I. Compensated Absences

Certain County employees are entitled to compensated absences based, in part, on their length of employment. In accordance with GASB Statement 16, “*Accounting for Compensated Absences*”, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a liability of the fund that will pay it. The total liability at December 31, 2014 is \$2,873,029.

Until December 31, 2011, the County had a Compensated Absences Fund; a proprietary fund that had provided funding for known separations and long term absences. Since its creation, the fund had increased its amount of funding available to provide for the growing liability. The fund accounted for all funded liabilities and expenditures. Any expense ineligible for fund use based on County policy was accounted for through the General Fund. Pursuant to GASB Statement 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”, the fund was closed effective December 31, 2011. The fund reopened January 1, 2014. The funded portion of the compensated absences liability reported in the Compensated Absences Fund at December 31, 2014 is \$1,536,873. Any liability for which no funding is currently available is reported in the government wide Statement of Net Position long term liabilities.

The calculation of compensated absences can include vacation, sick time, earned time and holiday pay that are attributable to past service in which it is probable that the County will compensate the employee through paid time off or cash payment. The calculation also includes the incremental cost of any item associated with compensation payments such as the employer share of Social Security, Medicare and retirement.

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 or proprietary fund type Statement of Net Position.

K. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between current assets and current liabilities/deferred inflows. The County reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. For governmental funds, unassigned fund balances represent the amount that may be available for budgeting future operations. The County has set and exceeded a financial management goal of attaining an unassigned fund balance of at least three months of budgeted appropriations.

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

- 1) Nonspendable funds are either unspendable in the current form (\$149,355 and \$768,801 for prepaid expenses and inventory, respectively, as of December 31, 2014) or can never be spent (\$28,153 principal portion of permanent fund as of December 31, 2014).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of amounts restricted for Long Term Care, these funds are created by statute or otherwise have external constraints on how the funds can be expended. The County’s special revenue funds fall under this category.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the County (i.e., the Board of County Commissioners).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. The amount of fund balance designated for use in the next year to reduce the tax burden is categorized as assigned.
- 5) Unassigned funds are available to be spent in future periods. The County has made it a goal to maintain fund balance reserves (currently part of unassigned funds) equivalent to at least three months of current

year appropriations. The County has continually been able to meet and exceed this measure, with three months of reserves being equivalent to \$19,673,889 for 2014, with an ending unassigned balance amount of \$24,936,517. The intent of the County was for these reserves to be part of committed fund balance for 2014.

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

Net Position – Net position represents the difference between assets and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

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

Governmental revenues and expenditures are controlled by a formal integrated budgetary system which is substantially consistent with both generally accepted accounting principles (GAAP) and applicable State finance-related laws and regulations which govern the County's operations. The County budget is formally acted upon at the County Convention. During the year, appropriations may be transferred between line items, but total expenditures may not exceed the total approved budget (with the exception of emergency items, which require approval by the New Hampshire Department of Revenue Administration under RSA 32). At year end, all unencumbered annual appropriations lapse. Other appropriations, which have a longer than annual authority may carry over at year end if the governing body intends to continue or complete the special purpose for which the funds were established. State legislation also requires balanced bud-

gets. For the County year ended December 31, 2014, \$4,378,000 of the beginning General Fund unassigned fund balance was used to reduce taxes.

B. Encumbrances

Encumbrance accounting is utilized in the governmental funds to account for commitments relating to unperformed contracts for goods and services. Encumbrances outstanding at year-end are reported as assigned fund balance and do not constitute expenditures or liabilities of the governmental fund, but are carried forward to supplement appropriations of the succeeding year. Encumbrances outstanding at year-end in the General Fund are detailed by function as follows:

Long Term Care Services	\$ 6,160
Corrections	7,550
Administration and Other:	
Maintenance	4,612
General government	8,375
Deeds	25,904
Finance	114,156
Information technology	<u>1,666</u>
Total Encumbrances	<u>\$ 168,423</u>

C. 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 transfers and supplemental appropriations.

D. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 74,212,611	\$ 70,315,412
Other financing sources/uses (GAAP Basis)	<u>208,794</u>	<u>5,915,158</u>
Subtotal (GAAP Basis)	74,421,405	76,230,570
Adjustment for inventory budgeted on the cash basis	-	(63,760)
Reverse unbudgeted transfers out		(4,899,215)
Recognize use of fund balance as funding source	<u>4,735,935</u>	<u>-</u>
Budgetary Basis	<u>\$ 79,157,340</u>	<u>\$ 71,267,595</u>

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's deposit policy for custodial credit risk is that all deposits with banks are to be fully insured and collateralized.

As of December 31, 2014, the County's bank balance of \$56,657,223 was fully insured or collateralized.

4. Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Within the Governmental Funds, the General Fund restricted cash amount of \$790,685 is composed of a \$441,161 non-lapsing reserve account to fund Long Term Care Services (established in accordance with RSA 24:13) and \$349,524 for an account that is segregated for LCHIP surcharges (in accordance with RSA 478:17-g). These surcharges are collected by the Registry of Deeds, remitted to the State and are used to fund the State of New Hampshire's Land and Community Heritage Investment Program ("LCHIP"), which was established with RSA 227-M.

The \$216,314 restricted cash that is part of Nonmajor Governmental Funds is composed of amounts from the Nursing Home Special Account and Deeds Equipment funds, both of which are special revenue funds. The cash for each

of these funds is restricted as it can only be disbursed for expenditures as appropriated by the County Convention for Long Term Care Services and the Registry of Deeds, respectively.

5. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year-end for the investments of the County. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
Mutual funds	\$ <u>73,750</u>	N/A	\$ <u>73,750</u>	\$ -	\$ -	\$ -
Total investments	\$ <u>73,750</u>		\$ <u>73,750</u>	\$ -	\$ -	\$ -

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the County will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The County has formal policies for custodial credit risk.

The County has a custodial credit risk exposure of \$73,750 because the related securities are uninsured, unregistered and held by the County’s brokerage firm, which is also the counterparty to these securities. The County manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The County places no limit on the amount that may be invested in any one issuer. At December 31, 2014, no investments in any one issuer represent 5% or more of total investments.

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The County does not have a policy for foreign currency risk.

6. Accounts Receivable, Net

Accounts receivable consist of the following at December 31, 2014:

	General Fund	Nonmajor Governmental Funds	Internal Service Fund	Total
Nursing home	\$ 1,318,389	\$ 45	\$ -	\$ 1,318,434
Refunding of advanced lease payments	191,366	-	-	191,366
Health premiums	19,418	-	23,954	43,372
Outside detail	33,056	-	-	33,056
Vendor credits	19,826	-	1,501	21,327
Civil services	17,145	-	-	17,145
Assisted living	13,705	-	-	13,705
Energy efficiency rebate program	9,000	-	-	9,000
Phone commissions	6,255	-	-	6,255
Adult Diversion Program	3,800	-	-	3,800
Deeds	3,413	-	-	3,413
Other	<u>3,566</u>	<u>39</u>	<u>6,314</u>	<u>9,919</u>
Total	1,638,939	84	31,769	1,670,792
Less: allowance for doubtful accounts	<u>(415,837)</u>	<u>-</u>	<u>-</u>	<u>(415,837)</u>
Total accounts receivable, net	<u>\$ 1,223,102</u>	<u>\$ 84</u>	<u>\$ 31,769</u>	<u>\$ 1,254,955</u>

7. Due From Other Governments, Net

Due from other governments consist of the following at December 31, 2014:

	General Fund	Internal Service Fund	Total
State of New Hampshire	\$ 2,128,716	\$ 121,461	\$ 2,250,177
U.S. Treasury	1,357,219	-	1,357,219
Other	<u>21,871</u>	<u>-</u>	<u>21,871</u>
Total	3,507,806	121,461	3,629,267
Less: allowance for doubtful accounts	<u>(794,258)</u>	<u>-</u>	<u>(794,258)</u>
Total due from other governments, net	<u>\$ 2,713,548</u>	<u>\$ 121,461</u>	<u>\$ 2,835,009</u>

8. 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 December 31, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 4,316,504	\$ 2,380,769
Special Revenue Funds:		
Expendable Trust	-	28,043
Nursing Home Special Account	-	14,489
Assisted Living Donations	7,071	-
Inmate Commissary	152,606	-
Inmate Chapel	10,475	-
Deeds Equipment	520	-
Capital Projects Fund	615,458	432,696
Internal Service Funds:		
Health	1,142,570	2,633,905
Dental	241,621	133,571
Workers' Compensation	108,929	192,968
Compensated Absences	134,706	724,990
Permanent Trust Fund	-	17,554
Agency Funds:		
Inmates	-	113,134
Nursing Home Residents	-	10,423
Assisted Living Security Deposits	-	47,918
Total	<u>\$ 6,730,460</u>	<u>\$ 6,730,460</u>

9. Capital Assets

Capital asset activity for the year ended December 31, 2014 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	\$ 55,689	\$ 218	\$ -	\$ 55,907
Machinery, equipment, and furnishings	12,938	455	(79)	13,314
Vehicles	1,483	216	(198)	1,501
Total capital assets, being depreciated	70,110	889	(277)	70,722
Less accumulated depreciation for:				
Buildings and improvements	(30,982)	(1,670)	-	(32,652)
Machinery, equipment, and furnishings	(7,080)	(653)	74	(7,659)
Vehicles	(1,236)	(148)	198	(1,186)
Total accumulated depreciation	(39,298)	(2,471)	272	(41,497)
Total capital assets, being depreciated, net	30,812	(1,582)	(5)	29,225
Capital assets, not being depreciated:				
Land	579	-	-	579
Construction in progress	1,028	1,632	(99)	2,561
Total capital assets, not being depreciated	1,607	1,632	(99)	3,140
Governmental activities capital assets, net	<u>\$ 32,419</u>	<u>\$ 50</u>	<u>\$ (104)</u>	<u>\$ 32,365</u>

Depreciation expense was charged to functions of the County as follows:

Governmental Activities:	
Long Term Care Services:	
Nursing home	\$ 1,118,464
Assisted living	159,617
Corrections	585,934
Administration and Other:	
Maintenance	357,055
General government	28,521
Deeds	9,503
Finance	693
Information technology	4,877
Human resources	7,803
Commissioners	23,994
Delegation	604
Sheriff's Office:	
Sheriff/dispatch/radio	170,803
County Attorney	<u>3,488</u>
Total	<u>\$ 2,471,356</u>

10. Accounts Payable

Accounts payable represent 2014 expenditures paid after December 31, 2014.

11. Due To Other Governments

Due to other governments consist of the following at December 31, 2014:

	General <u>Fund</u>	Internal Service <u>Fund</u>	<u>Total</u>
State of New Hampshire	\$ 9,084,445	\$ 1,617	\$ 9,086,062 *
Hillsborough County	70,380	-	70,380
Other	<u>64,526</u>	<u>-</u>	<u>64,526</u>
Total	<u>\$ 9,219,351</u>	<u>\$ 1,617</u>	<u>\$ 9,220,968</u>

* = Includes approximately \$2.4 million of transfer taxes and \$5.8 million related to human services liabilities.

12. Tax Anticipation Notes Payable

In 2014, the County issued tax anticipation notes in advance of property tax collections, depositing the proceeds in the General Fund. These notes were necessary because property taxes are a major source of funding for appropriations but the tax collections are not received until shortly before their December 18, 2014 due date. The annual interest rate for the notes was 0.50%, with a net interest cost of 0.214% after taking into account the premium paid by the purchaser.

The following summarizes activity of tax anticipation notes payable during 2014:

	Balance Beginning of Year	8/1/2014 Proceeds	12/18/2014 Repayment	Balance End of Year
Tax anticipation	\$ <u>-</u>	\$ <u>7,500,000</u>	\$ <u>(7,500,000)</u>	\$ <u>-</u>

13. Long-Term Debt

A. Changes in General Long-Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/14	Additions	Reductions	Total Balance 12/31/14	Less Current Portion	Equals Long-Term Portion 12/31/14
<u>Governmental Activities</u>						
Bonds payable	\$ 8,695	\$ -	\$ (525)	\$ 8,170	\$ (985)	\$ 7,185
Bond premium	537	-	(157)	380	(130)	250
Subtotal	9,232	-	(682)	8,550	(1,115)	7,435
Other:						
Capital leases payable	473	-	(410)	63	(61)	2
Compensated absences	3,006	-	(133)	2,873	(534)	2,339
Net OPEB obligation	801	268	(184)	885	-	885
Totals	\$ <u>13,512</u>	\$ <u>268</u>	\$ <u>(1,409)</u>	\$ <u>12,371</u>	\$ <u>(1,710)</u>	\$ <u>10,661</u>

B. General Obligation Bonds

The County issues general obligation debt instruments to provide funds for the acquisition and construction of major capital equipment, infrastructure, and other facilities. General obligation debt instruments are direct government obligations and consequently are a pledge of the full faith and credit of the County. General obligation debt instruments currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/14</u>
General Obligation Municipal Purpose Loan of 2013 Bonds	5/15/23	3.0 - 4.0%	\$ <u>8,170,000</u>

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 985,000	\$ 268,200	\$ 1,253,200
2016	1,040,000	227,700	1,267,700
2017	1,095,000	185,000	1,280,000
2018	1,160,000	139,900	1,299,900
2019	735,000	105,675	840,675
2020 - 2023	<u>3,155,000</u>	<u>192,525</u>	<u>3,347,525</u>
Total	<u>\$ 8,170,000</u>	<u>\$ 1,119,000</u>	<u>\$ 9,289,000</u>

C. Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function.

Following are the capital lease balances at year-end:

Equipment, due in annual installments the next of which is \$56,260 including interest, through November 2015 at 2.28%	\$ 55,006
Equipment, due in monthly installments the next of which is \$129 including interest, through July 2017 at 3.14%	3,821
Equipment, due in annual installments the next of which is \$4,552 including interest, through November 2015 at 2.75%	<u>4,430</u>
Totals	<u>\$ 63,257</u>

Annual debt service requirements to maturity for capital lease obligations, including interest, are as follows:

Year Ended <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 60,879	\$ 1,475	\$ 62,354
2016	1,488	53	1,541
2017	<u>890</u>	<u>9</u>	<u>899</u>
Totals	<u>\$ 63,257</u>	<u>\$ 1,537</u>	<u>\$ 64,794</u>

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets by the County that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. For 2014, deferred inflows of resources are comprised of revenues received in advance.

15. Operating Leases

The County leases office space and equipment annually. Future minimum rental payments are as follows:

Year Ended <u>December 31</u>	<u>Office Space</u>	<u>Equipment Rental</u>	<u>Total</u>
2015	\$ 179,448	\$ 11,440	\$ 190,888
2016	-	5,494	5,494
2017	<u>-</u>	<u>2,237</u>	<u>2,237</u>
Totals	<u>\$ 179,448</u>	<u>\$ 19,171</u>	<u>\$ 198,619</u>

16. Restricted Net Position

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

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. **Stabilization Reserves**

The County has established a goal of maintaining stabilization reserves equivalent to three months of current year budgeted appropriations. Usage of reserves can only be authorized if certain conditions are met. The intention was for such reserve funds to be classified as committed fund balance within the general fund, but the current technical classification under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is for the stabilization reserves to be included under unassigned funds. The 2014 reserve amount, \$19,673,889, comprises 78.9% of the unassigned fund balance total. If this amount was not included in unassigned fund balance, \$5,262,628 would have been the ending unassigned funds total for 2014.

18. **Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits in which the County is involved. The County follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. It is County management's opinion that the County is not liable in these suits, and the County intends to contest the cases. The County's management is also 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 are subject to later year's review and adjustments by grantor agencies, principally the federal and state governments. At such time, any disallowed claims, including amounts already collected, may constitute a liability of the County and the applicable funds. At December 31, 2014, the County believes that disallowed expenditures, if any, based on subsequent review will not have a material effect on any individual funds or the overall financial position of the County.

19. **Post-Employment Healthcare Insurance Benefits**

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

A. Plan Description

The New Hampshire retirement system (Title VI, Medical Benefits Chapter 100-A:50) requires that political subdivisions in New Hampshire extend the same health insurance coverage to retirees as those offered to active employees, including spousal, and family coverage. Premium rates must be rated on a group basis including both employees and retirees. Premium charges payable by employees and by retirees are at the discretion of the subdivision. As of December 31, 2014 (the interim actuarial valuation date), 78 retirees and 472 active employees met the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The County provides medical, prescription drug, and mental health/substance abuse to retirees and their covered dependents. All active employees who retire from the County and meet the eligibility criteria will receive these benefits.

C. Funding Policy

The contributions policy of the County is established by the County and state law. The contributions are based upon a pay-as-you-go financing plan. Retirees under age 65 may participate in these same coverage plans as active employees by paying 100% of the required premium.

D. Annual OPEB Costs and Net OPEB Obligation

The County of Rockingham's fiscal 2014 annual OPEB expense is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the Normal Cost (NC) per year and amortize any unfunded actuarial liability (UAAL), or funding excess, over a period of thirty years. This calculation is performed using an open amortization and level service. The following table shows the components of the County's annual OPEB cost for the year ending December 31, 2014, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an interim actuarial valuation as of December 31, 2014.

Annual Required Contribution (ARC)	\$ 282,674
Interest on net OPEB obligation	32,026
Adjustment to ARC	<u>(46,302)</u>
Annual OPEB cost	268,398
Contributions made*	<u>(183,628)</u>
Increase in net OPEB obligation	84,770
Net OPEB obligation - beginning of year	<u>800,656</u>
Net OPEB obligation - end of year	<u>\$ 885,426</u>

*The County made no separately identified contributions. The excess morbidity cost for retirees under age 65 are implicit in the premiums paid for active lives. "Contributions made" is the estimated portion of premiums for retirees under age 65.

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 268,398	68.4%	\$ 885,426
2013	\$ 289,944	58.1%	\$ 800,656
2012	\$ 323,608	57.3%	\$ 679,180
2011	\$ 339,125	50.1%	\$ 540,869
2010	\$ 258,837	53.6%	\$ 371,739
2009	\$ 251,548	0.0%	\$ 251,548

E. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2014, the date of the most recent interim actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,660,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,660,000</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 19,847,839</u>
UAAL as a percentage of covered payroll	<u>13.4%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of

events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the December 31, 2014 interim actuarial valuation, the entry age normal level dollar method was used. The actuarial value of assets was not determined as the County has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), the anticipated long-term investment return on the County's invested funds. Healthcare inflation is calculated based upon a secular trend of 8.5% grading to down to 5.0% over 8 years. UAAL is being amortized over a 30-year period (level dollar method, on an open basis) using a 4.0% interest rate discount factor.

20. Pension Plan

The County follows the provisions of GASB Statement 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

The County contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary

information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

B. Funding Policy

Covered public safety (Group II) and general employees (Group I) are required to contribute 11.55% or 7.0% of their covered salary, respectively, and the County is required to contribute at an actuarially determined rate. The County's contribution rates were 25.30% (Group II) and 10.77% (Group I) at December 31, 2014. Effective July 1, 2011, the County contributes 100% of the employer cost for general employees and police employed by the County.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The County's contributions to the NHRS for the years ending December 31, 2014, 2013, 2012, and 2011 were \$3,177,658, \$2,642,349, \$2,675,847, and \$2,886,088, respectively, which were equal to the required contributions for each year.

21. Self-Insurance

The County self-insures against claims for most health coverage, workers' compensation and most employee dental coverage. Annual estimated requirements for claims are provided in the County's annual operating budget.

Health Insurance

The County contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its health insurance coverage for nonunion employees (and those of one union, Sheriff's Supervisors), the County is liable for all medical claims up to \$150,000 for a covered individual. Claims exceeding this amount are the responsibility of the stop loss (or reinsurance) carrier, which funds these specific claims in advance to the County, which then pays the claims to the providers. 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.

Dental Insurance

The County does not contract with an insurance carrier for excess liability coverage. Under the terms of its dental insurance coverage, the County is liable for all dental claims up to an annual maximum of \$1,000 per covered individual. Any claim amounts exceeding \$1,000 maximum, are the respon-

sibility of the covered plan participants. 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.

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.

Changes in the aggregate liability for claims for the year ended December 31, 2014 are as follows:

	<u>Health</u>	<u>Dental</u>	<u>Workers' Compensation</u>	<u>Total</u>
Claims liability, beginning of year	\$ -	\$ 17,006	\$ 1,516,000	\$ 1,533,006
Claims incurred/recognized in 2014	3,764,084	332,373	577,330	4,673,787
Claims paid in 2014	<u>(3,465,328)</u>	<u>(333,514)</u>	<u>(505,626)</u>	<u>(4,304,468)</u>
Claims liability, end of year	\$ <u>298,756</u>	\$ <u>15,865</u>	\$ <u>1,587,704</u>	\$ <u>1,902,325</u>

22. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The County is a member of a public entity risk pool for all general liability risks, property liability risks, and for the protection of assets. The County has established risk management fund types in accordance with GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, to account for and finance its uninsured risks of loss for health, dental, unemployment and workers compensation. Settled claims, if any, have not exceeded the County's coverage in any of the past five years.

23. Implementation of New GASB Standards

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

ROCKINGHAM COUNTY, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014
(Unaudited)
(Amounts Expressed in Thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
12/31/14	\$ -	\$ 2,660	\$ 2,660	0.0%	\$ 19,848	13.4%
12/31/13	\$ -	\$ 2,878	\$ 2,878	0.0%	\$ 19,270	14.9%
12/31/11	\$ -	\$ 2,808	\$ 2,808	0.0%	n/a	n/a
12/31/09	\$ -	\$ 2,184	\$ 2,184	0.0%	n/a	n/a

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2014

	Drug Task <u>Force</u>	Expendable <u>Trust</u>	Nursing Home <u>Special Account</u>	Assisted Living <u>Donations</u>	Inmate <u>Commissary</u>	Inmate <u>Chapel</u>	Deeds <u>Equipment</u>	WF Sturtevant <u>Memorial</u>	Permanent <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS										
Cash and short-term investments	\$ 69,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,201	\$ -	\$ 74,883
Restricted cash	-	-	89,462	-	-	-	126,852	-	-	216,314
Investments	-	28,043	-	-	-	-	-	-	45,707	73,750
Receivables:										
Accounts, net	-	-	45	-	39	-	-	-	-	84
Due from other funds	-	-	-	7,071	152,606	10,475	520	-	-	170,672
TOTAL ASSETS	\$ <u>69,682</u>	\$ <u>28,043</u>	\$ <u>89,507</u>	\$ <u>7,071</u>	\$ <u>152,645</u>	\$ <u>10,475</u>	\$ <u>127,372</u>	\$ <u>5,201</u>	\$ <u>45,707</u>	\$ <u>535,703</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Due to other funds	\$ -	\$ 28,043	\$ 14,489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,554	\$ 60,086
TOTAL LIABILITIES	-	28,043	14,489	-	-	-	-	-	17,554	60,086
Fund Balances:										
Nonspendable	-	-	-	-	-	-	-	-	28,153	28,153
Restricted	69,682	-	75,018	7,071	152,645	10,475	127,372	5,201	-	447,464
TOTAL FUND BALANCES	69,682	-	75,018	7,071	152,645	10,475	127,372	5,201	28,153	475,617
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>69,682</u>	\$ <u>28,043</u>	\$ <u>89,507</u>	\$ <u>7,071</u>	\$ <u>152,645</u>	\$ <u>10,475</u>	\$ <u>127,372</u>	\$ <u>5,201</u>	\$ <u>45,707</u>	\$ <u>535,703</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2014

	Drug Task <u>Force</u>	Expendable <u>Trust</u>	Nursing Home <u>Special Account</u>	Assisted Living <u>Donations</u>	Inmate <u>Commissary</u>	Inmate <u>Chapel</u>	Deeds <u>Equipment</u>	WF Sturtevant <u>Memorial</u>	Permanent <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:										
Charges for services:										
County attorney	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deeds	-	-	-	-	-	-	102,032	-	-	102,032
Sheriff/dispatch/radio	123,598	-	-	-	-	-	-	-	-	123,598
Corrections	-	-	-	-	37,183	2,590	-	-	-	39,773
Nursing home	-	-	10,941	-	-	-	-	-	-	10,941
Assisted living	-	-	-	100	-	-	-	-	-	100
Investment income	<u>58</u>	<u>204</u>	<u>93</u>	<u>-</u>	<u>309</u>	<u>21</u>	<u>210</u>	<u>13</u>	<u>324</u>	<u>1,232</u>
Total Revenues	123,656	204	11,034	100	37,492	2,611	102,242	13	324	277,676
Expenditures:										
Current:										
Sheriff/dispatch/radio	<u>92,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,593</u>
Total Expenditures	<u>92,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,593</u>
Excess (deficiency) of revenues over expenditures	31,063	204	11,034	100	37,492	2,611	102,242	13	324	185,083
Other Financing Sources (Uses):										
Transfers out	<u>-</u>	<u>(174)</u>	<u>(5,691)</u>	<u>-</u>	<u>(21,537)</u>	<u>(1,392)</u>	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>(208,794)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(174)</u>	<u>(5,691)</u>	<u>-</u>	<u>(21,537)</u>	<u>(1,392)</u>	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>(208,794)</u>
Change in fund balance	31,063	30	5,343	100	15,955	1,219	(77,758)	13	324	(23,711)
Fund Equity, at Beginning of Year	<u>38,619</u>	<u>(30)</u>	<u>69,675</u>	<u>6,971</u>	<u>136,690</u>	<u>9,256</u>	<u>205,130</u>	<u>5,188</u>	<u>27,829</u>	<u>499,328</u>
Fund Equity, at End of Year	<u>\$ 69,682</u>	<u>\$ -</u>	<u>\$ 75,018</u>	<u>\$ 7,071</u>	<u>\$ 152,645</u>	<u>\$ 10,475</u>	<u>\$ 127,372</u>	<u>\$ 5,201</u>	<u>\$ 28,153</u>	<u>\$ 475,617</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

COMBINING STATEMENT OF NET POSITION

DECEMBER 31, 2014

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>Workers' Compensation Fund</u>	<u>Compensated Absences Fund</u>	<u>Governmental Activities Total Internal Service Funds</u>
ASSETS					
Current:					
Cash and short-term investments	\$ 5,865,976	\$ 212,261	\$ 3,305,878	\$ 2,145,252	\$ 11,529,367
Receivables:					
Accounts	23,954	4,623	3,192	-	31,769
Due from other governments	-	-	121,461	-	121,461
Due from other funds	1,142,570	241,621	108,929	134,706	1,627,826
Prepaid expenses	99,524	4,424	21,125	-	125,073
	<u>7,132,024</u>	<u>462,929</u>	<u>3,560,585</u>	<u>2,279,958</u>	<u>13,435,496</u>
Total current assets	7,132,024	462,929	3,560,585	2,279,958	13,435,496
TOTAL ASSETS	7,132,024	462,929	3,560,585	2,279,958	13,435,496
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Current:					
Accounts payable	98,549	13,344	49,828	18,076	179,797
Due to other governments	1,617	-	-	-	1,617
Due to other funds	2,633,905	133,571	192,968	724,990	3,685,434
Incurred but not reported claims liability	298,756	15,865	1,587,704	-	1,902,325
Current portion of noncurrent liabilities:					
Compensated absences	-	-	-	534,441	534,441
	<u>3,032,827</u>	<u>162,780</u>	<u>1,830,500</u>	<u>1,277,507</u>	<u>6,303,614</u>
Total current liabilities	3,032,827	162,780	1,830,500	1,277,507	6,303,614
Noncurrent:					
Compensated absences, net of current portion	-	-	-	1,002,432	1,002,432
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,002,432</u>	<u>1,002,432</u>
Total noncurrent liabilities	-	-	-	1,002,432	1,002,432
TOTAL LIABILITIES	3,032,827	162,780	1,830,500	2,279,939	7,306,046
Deferred Inflows of Resources	1,622	7,526	-	-	9,148
	<u>1,622</u>	<u>7,526</u>	<u>-</u>	<u>-</u>	<u>9,148</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,034,449	170,306	1,830,500	2,279,939	7,315,194
NET POSITION					
Unrestricted	4,097,575	292,623	1,730,085	19	6,120,302
	<u>4,097,575</u>	<u>292,623</u>	<u>1,730,085</u>	<u>19</u>	<u>6,120,302</u>
TOTAL NET POSITION	\$ 4,097,575	\$ 292,623	\$ 1,730,085	\$ 19	\$ 6,120,302

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2014

	Health Fund	Dental Fund	Workers' Compensation Fund	Compensated Absences Fund	Governmental Activities Total Internal Service Fund
Operating Revenues:					
Employee and employer contributions	\$ 7,892,272	\$ 402,192	\$ 1,317,122	\$ 391,009	\$ 10,002,595
Total Operating Revenues	7,892,272	402,192	1,317,122	391,009	10,002,595
Operating Expenses:					
Employee benefits	6,522,871	401,918	815,572	1,000,074	8,740,435
Total Operating Expenses	6,522,871	401,918	815,572	1,000,074	8,740,435
Operating Income (Loss)	1,369,401	274	501,550	(609,065)	1,262,160
Nonoperating Revenues (Expenses):					
Investment income	-	24	263	10	297
Miscellaneous	(75,998)	-	(29,368)	9	(105,357)
Total Nonoperating Revenues (Expenses), Net	(75,998)	24	(29,105)	19	(105,060)
Income (Loss) Before Transfers	1,293,403	298	472,445	(609,046)	1,157,100
Transfers:					
Transfers in	2,804,172	-	-	609,065	3,413,237
Change in Net Position	4,097,575	298	472,445	19	4,570,337
Net Position at Beginning of Year	-	292,325	1,257,640	-	1,549,965
Net Position at End of Year	\$ 4,097,575	\$ 292,623	\$ 1,730,085	\$ 19	\$ 6,120,302

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Health Fund	Dental Fund	Workers' Compensation Fund	Compensated Absences Fund	Governmental Activities Total Internal Service Fund
<u>Cash Flows From Operating Activities:</u>					
Receipts from users	\$ 7,868,318	\$ 402,363	\$ 1,323,568	\$ 391,009	\$ 9,985,258
Payments to providers	(6,622,395)	(401,467)	(836,697)	-	(7,860,559)
Payments to employees	-	-	-	(1,000,074)	(1,000,074)
Other receipts (payments)	<u>324,546</u>	<u>(12,865)</u>	<u>21,437</u>	<u>1,554,958</u>	<u>1,888,076</u>
Net Cash Provided By (Used In) Operating Activities	1,570,469	(11,969)	508,308	945,893	3,012,701
<u>Cash Flows From Noncapital Financing Activities:</u>					
Net change in due to/from other funds	1,491,335	41,190	28,423	590,284	2,151,232
Transfers in from other funds	<u>2,804,172</u>	<u>-</u>	<u>-</u>	<u>609,065</u>	<u>3,413,237</u>
Net Cash Provided by Noncapital Financing Activities	4,295,507	41,190	28,423	1,199,349	5,564,469
<u>Cash Flows From Investing Activities:</u>					
Investment income	<u>-</u>	<u>24</u>	<u>263</u>	<u>10</u>	<u>297</u>
Net Cash Provided By Investing Activities	-	24	263	10	297
Net Change in Cash and Short-Term Investments	5,865,976	29,245	536,994	2,145,252	8,577,467
Cash and Short-Term Investments, Beginning of Year	-	<u>183,016</u>	<u>2,768,884</u>	-	<u>2,951,900</u>
Cash and Short-Term Investments, End of Year	<u>\$ 5,865,976</u>	<u>\$ 212,261</u>	<u>\$ 3,305,878</u>	<u>\$ 2,145,252</u>	<u>\$ 11,529,367</u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:</u>					
Operating income (loss)	\$ 1,369,401	\$ 274	\$ 501,550	\$ (609,065)	\$ 1,262,160
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Nonoperating revenues (expenses)	(75,998)	-	(29,368)	9	(105,357)
Changes in assets and liabilities:					
Accounts receivable	(23,954)	171	6,446	-	(17,337)
Due from other governments	-	-	(51,883)	-	(51,883)
Prepaid expenses	(99,524)	451	(21,125)	-	(120,198)
Accounts payable	98,549	(14,144)	30,984	18,076	133,465
Due to other governments	1,617	-	-	-	1,617
Incurred but not reported claims liability	298,756	(1,141)	71,704	-	369,319
Accrued compensated absences	-	-	-	1,536,873	1,536,873
Deferred revenue	<u>1,622</u>	<u>2,420</u>	<u>-</u>	<u>-</u>	<u>4,042</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,570,469</u>	<u>\$ (11,969)</u>	<u>\$ 508,308</u>	<u>\$ 945,893</u>	<u>\$ 3,012,701</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2014

	<u>Inmates</u>	<u>Nursing Home Residents</u>	<u>Assisted Living Security Deposits</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 161,794	\$ 116,580	\$ 116,097	\$ 394,471
Accounts receivable	<u>-</u>	<u>25</u>	<u>-</u>	<u>25</u>
Total Assets	<u>\$ 161,794</u>	<u>\$ 116,605</u>	<u>\$ 116,097</u>	<u>\$ 394,496</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 397	\$ -	\$ 397
Due to other funds	113,134	10,423	47,918	171,475
Due to specific individuals	<u>48,659</u>	<u>105,786</u>	<u>68,179</u>	<u>222,624</u>
Total Liabilities	<u>\$ 161,793</u>	<u>\$ 116,606</u>	<u>\$ 116,097</u>	<u>\$ 394,496</u>

See Independent Auditors' Report.