

**COUNTY OF
ROCKINGHAM, NEW HAMPSHIRE**

Annual Financial Statements

For the Year Ended December 31, 2012

County of Rockingham, New Hampshire

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Rockingham, New Hampshire

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, 2012, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2012, 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 45 through 50 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Melanson, Heath + Company P.C.
Nashua, New Hampshire
September 12, 2013

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, 2012. This discussion and analysis is designed to 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 \$59,346,211 (net position).
- The County's total net position reflects an increase of \$2,972,322. Its long-term liabilities continue to decrease as debt is paid off.
- Long-term liabilities continue to decrease. The final bond payment was made in 2012.

B. FINANCIAL HIGHLIGHTS – FUND STATEMENTS

- As of the close of the year, the County's reported combined ending fund balances of \$30,521,950 were an increase of \$2,817,810 in comparison to the prior year. The increase is partially due to favorable results for actual expenditures when compared to actual revenues. While revenues were mostly incurred as expected, expenses were underspent notably with regards to Nursing Home, Maintenance, and Public Assistance expenditures.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$21,452,780, or 28% of total 2012 General Fund (budgeted) appropriations.
- The County's total debt decreased by \$845,580 during the current year.
- 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.

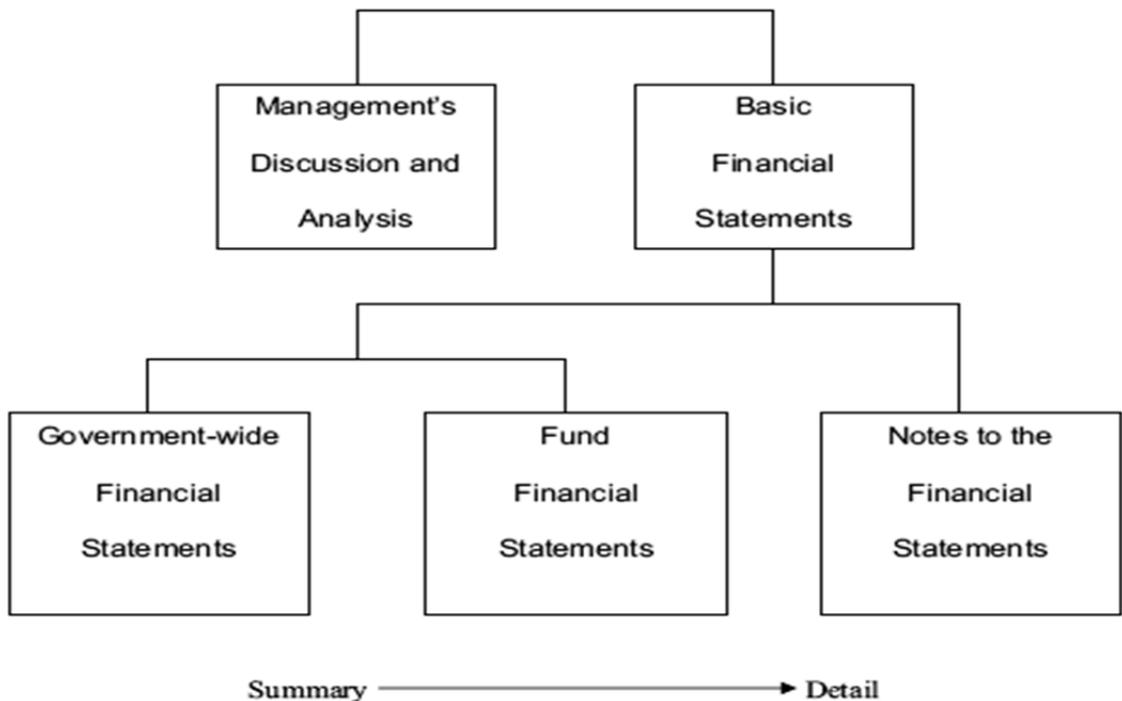
C. OVERVIEW OF THE FINANCIAL STATEMENTS

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 the 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 support 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>2011</u>	<u>2012</u>
Current assets	\$ 41,259,635	\$ 43,817,616
Noncurrent assets	33,308,417	32,841,835
Total assets	<u>74,568,052</u>	<u>76,659,451</u>
Current liabilities	14,985,061	13,974,628
Noncurrent liabilities	3,197,898	3,326,409
Deferred inflows of resources	11,204	12,203
Total liabilities and deferred inflows	<u>18,194,163</u>	<u>17,313,240</u>
Net position:		
Net investment in capital assets	30,147,301	30,526,299
Restricted	797,564	478,962
Unrestricted	<u>25,429,024</u>	<u>28,340,950</u>
Total net position	<u>\$ 56,373,889</u>	<u>\$ 59,346,211</u>

Table 2

	<u>CHANGES IN NET POSITION</u>	
		Governmental <u>Activities</u>
	<u>2011</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services:		
Long-term care services	\$ 24,341,278	\$ 24,820,545
Sheriff's Office	1,181,095	1,172,893
County Attorney	231,939	286,216
Corrections	190,969	220,345
Other functions/programs	<u>3,025,832</u>	<u>3,630,356</u>
Total charges for services	28,971,113	30,130,355
Operating grants and contributions	593,906	794,709
Capital grants and contributions	2,106,700	-
General revenues:		
Taxes	41,991,666	43,141,885
Interest	92,315	44,376
Miscellaneous	<u>126,821</u>	<u>122,401</u>
Total revenues	73,882,521	74,233,726

(continued)

(continued)

Table 2

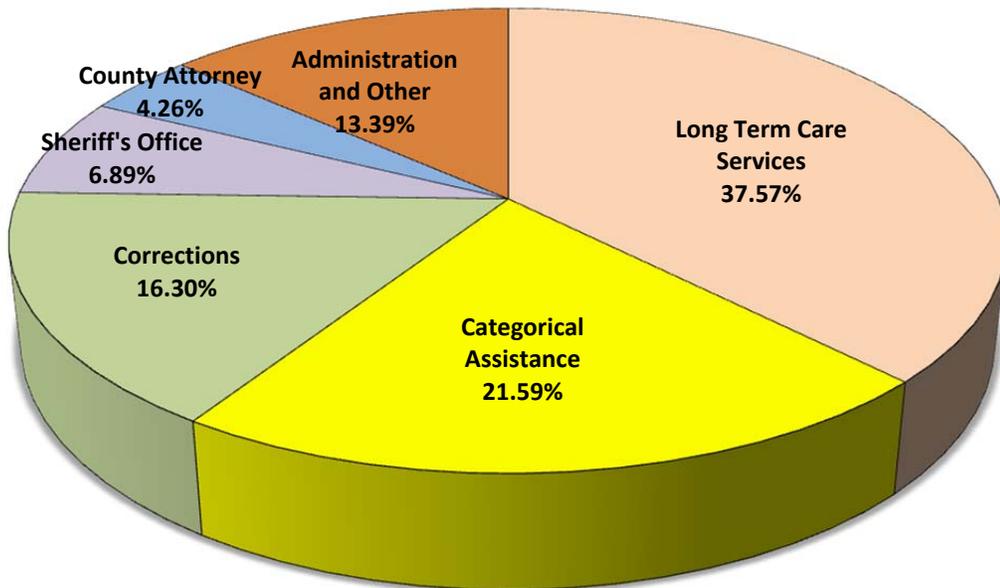
CHANGES IN NET POSITION

	Governmental Activities	
	<u>2011</u>	<u>2012</u>
Expenses:		
Long-term care services	28,441,645	26,774,512
Categorical assistance	15,261,369	15,386,052
Corrections	10,650,981	11,615,159
Sheriff's Office	4,792,366	4,908,408
County Attorney	3,074,403	3,036,099
Administration and other	9,860,706	9,417,133
Debt interest	<u>151,770</u>	<u>124,041</u>
Total expenses	<u>72,233,240</u>	<u>71,261,404</u>
Change in net position	1,649,281	2,972,322
Net position - beginning of year	<u>54,724,608</u>	<u>56,373,889</u>
Net position - end of year	<u>\$ 56,373,889</u>	<u>\$ 59,346,211</u>

E. GOVERNMENT 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, 2012**



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	2011			2012		
	Total Cost of Services	Revenues	Net Cost of Services	Total Cost of Services	Revenues	Net Cost of Services
Long Term Care Services	\$ 28,441,645	\$ 24,341,278	\$ 4,100,367	\$ 26,774,512	\$ 24,820,545 *	\$ 1,953,967
Categorical Assistance	15,261,369	-	15,261,369	15,386,052	-	15,386,052
Corrections	10,650,981	190,969	10,460,012	11,615,159	220,345	11,394,814
Sheriff's Office	4,792,366	1,370,000	3,422,366	4,908,408	1,366,920	3,541,488
County Attorney	3,074,403	274,211	2,800,192	3,036,099	307,097	2,729,002
Administration and Other	10,012,476	5,495,261	4,517,215	9,541,174	4,210,157	5,331,017
	<u>\$ 72,233,240</u>	<u>\$ 31,671,719</u>	<u>\$ 40,561,521</u>	<u>\$ 71,261,404</u>	<u>\$ 30,925,064</u>	<u>\$ 40,336,340</u>

*This amount reflects the budgetary net cost; actual net cost of services (a portion of which is reflected in Administration and Other) is \$4,574 as cited in the December 31, 2012 Rockingham County Nursing Home Medicaid Cost Report.

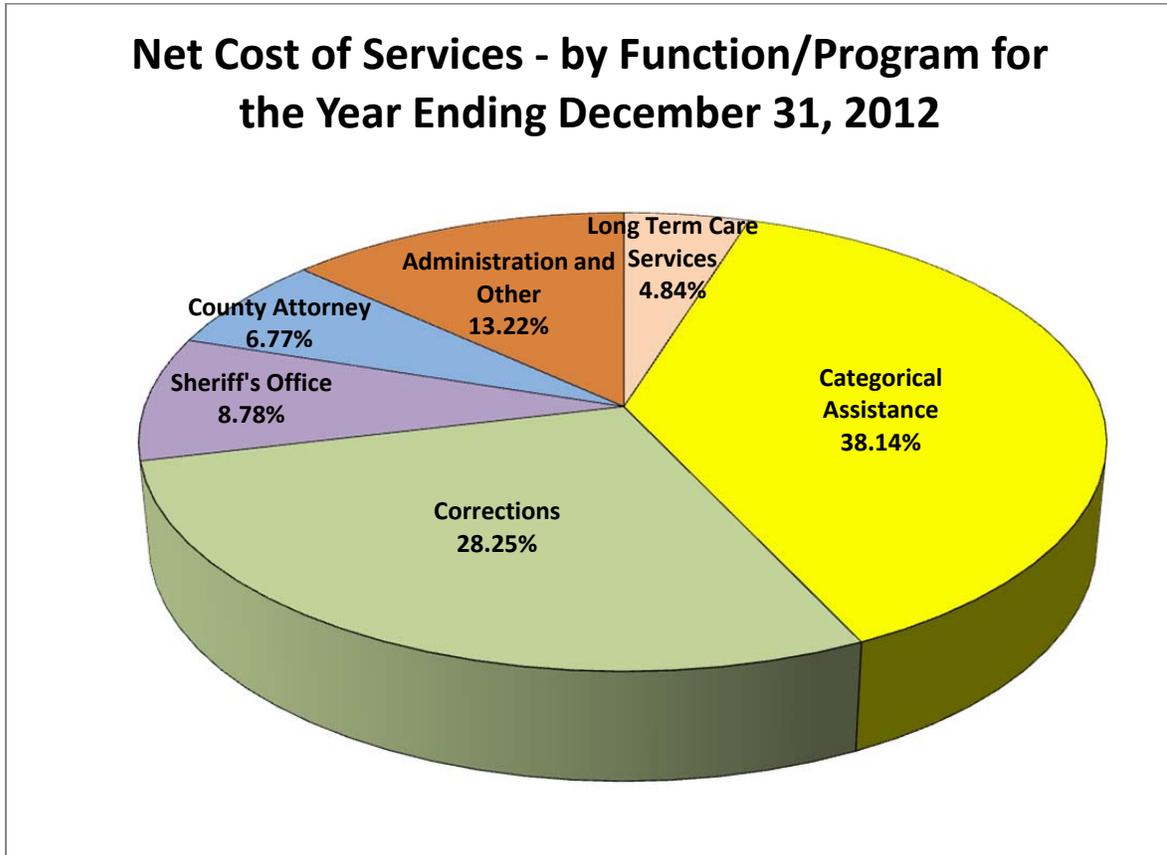
Table 4 - Comparative Net Cost of Services

Function / Program	2011	2012	Change in Net Cost of Services
	Net Cost of Services	Net Cost of Services	
Long Term Care Services	\$ 4,100,367	\$ 1,953,967	\$ (2,146,400)
Categorical Assistance	15,261,369	15,386,052	124,683
Corrections	10,460,012	11,394,814	934,802
Sheriff's Office	3,422,366	3,541,488	119,122
County Attorney	2,800,192	2,729,002	(71,190)
Administration and Other	4,517,215	5,331,017	813,802
	<u>\$40,561,521</u>	<u>\$ 40,336,340</u>	<u>\$ (225,181)</u>

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

The reduction in net costs for Long Term Care Services in 2012 was largely due to the better than anticipated proportionate share revenue, which was \$2.5 million in excess of the budgeted amount. The increase in net costs for Categorical Assistance was the result of the increased expenditure caps established by the State of NH. The increase in net costs for Corrections were the result of increased expenses in several areas, notably pay and benefits (\$334K), contracted medical care (\$283K), meals (\$120K) and inmates at other facilities (\$59K). The increase in net costs for Administration and Other is primarily due to \$2.0 million capital grant revenue from the U.S. Department of Energy that composed part of the 2011 net cost of services amount; there is no such grant revenue in 2012 to offset biomass capital project expenses.

The following chart is a graphical presentation of the components of the 2012 Net Costs of Services from Table 4. The primary source of funding for Net Costs is tax revenues.



F. COUNTY GOVERNMENT 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, 2012, unassigned fund balance represents 28% of total General Fund (budgeted) appropriations, while total fund balance represents 36% of that same amount.

G. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At December 31, 2012 the County reported \$32.8 million in capital assets, net of depreciation, which includes construction in progress of \$786,841. These assets include land, buildings and improvements, machinery, equipment and furnishings, and vehicles.

Long-term debt. At December 31, 2012 the County had \$2.3 million in outstanding long-term debt. This amount is for capital leases, including an energy management project completed in 2004 and maturing 2018.

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

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

- Property taxes accounted for 58% of expected resources for 2012 and account for 60% of revenues in the 2013 budget.
- The reduction in the Long Term Care (LTC) deficit in 2012 was largely due to the receipt of an additional \$2.5 million in proportionate share revenues. This additional amount is expected in 2013 as well but cannot be predicted to occur for future years.
- The State of New Hampshire planned to institute a Managed Care Program and a Balancing Incentive Program to address long term care costs effective for late 2012. While both of these programs are meant to slow the cost of Medicaid statewide, neither were in place at year end and thus far have not been implemented in 2013.
- The caps for Categorical Assistance payments are expected to increase as part of the State's new biennial budget proposal. Categorical Assistance will continue to be the largest net County expenditure, followed by Corrections.

REQUESTS FOR INFORMATION

This financial report is intended to provide report users with a general overview of the County's finances at December 31, 2012. 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, 2012

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 37,054,210
Restricted cash	1,012,794
Investments	73,296
Receivables:	
Accounts, net	1,666,581
Due from other governments, net	2,877,851
Due from fiduciary funds	269,192
Prepaid expenses	90,098
Inventory	773,581
Other assets	13
Noncurrent:	
Capital Assets:	
Land	578,857
Construction in progress	786,842
Other assets, net of accumulated depreciation	<u>31,476,136</u>
TOTAL ASSETS	76,659,451
LIABILITIES	
Current:	
Accounts payable	1,080,354
Accrued payroll and related liabilities	1,371,551
Due to other governments	7,240,320
Incurred but not reported claims liability	1,491,380
Security deposits	13,516
Current portion of long-term liabilities:	
Capital leases payable	368,905
Compensated absences	2,408,602
Noncurrent:	
Capital leases payable, net of current portion	1,946,631
Compensated absences, net of current portion	700,598
Net OPEB obligation	<u>679,180</u>
TOTAL LIABILITIES	17,301,037
DEFERRED INFLOWS OF RESOURCES	<u>12,203</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	17,313,240
NET POSITION	
Net investment in capital assets	30,526,299
Restricted for:	
Grants and other statutory restrictions	451,089
Permanent funds:	
Nonexpendable	27,873
Unrestricted	<u>28,340,950</u>
TOTAL NET POSITION	\$ <u>59,346,211</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, 2012

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 1,268,785	\$ -	\$ 579,801	\$ -	\$ (688,984)
Commissioners	200,097	-	-	-	(200,097)
Treasurer	14,046	-	-	-	(14,046)
County attorney	3,036,099	286,216	20,881	-	(2,729,002)
Medical examiner	54,441	-	-	-	(54,441)
Deeds	1,148,538	3,561,915	-	-	2,413,377
Sheriff/dispatch/radio	4,908,408	1,172,893	194,027	-	(3,541,488)
Delegation	75,375	-	-	-	(75,375)
Finance	1,020,347	-	-	-	(1,020,347)
Maintenance	4,079,686	19,234	-	-	(4,060,452)
Human services	227,621	33,632	-	-	(193,989)
Public assistance	15,386,052	-	-	-	(15,386,052)
Human resources	430,088	-	-	-	(430,088)
Corrections	11,615,159	220,345	-	-	(11,394,814)
Nursing home	25,218,389	23,310,395	-	-	(1,907,994)
Assisted living	1,556,123	1,510,150	-	-	(45,973)
Information technology	300,600	15,575	-	-	(285,025)
Extension service	362,759	-	-	-	(362,759)
Non-county specials	234,750	-	-	-	(234,750)
Interest	124,041	-	-	-	(124,041)
Total Governmental Activities	\$ <u>71,261,404</u>	\$ <u>30,130,355</u>	\$ <u>794,709</u>	\$ <u>-</u>	(40,336,340)
General Revenues:					
					43,141,885
					44,376
					122,401
					<u>43,308,662</u>
					2,972,322
Net Position:					
					56,373,889
					<u>\$ 59,346,211</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2012

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 33,615,445	\$ 1,218,859	\$ 33,497	\$ 34,867,801
Restricted cash	726,981	-	285,813	1,012,794
Investments	-	-	73,296	73,296
Receivables:				
Accounts, net	1,664,699	-	45	1,664,744
Due from other governments, net	2,710,352	-	-	2,710,352
Due from other funds	362,814	633,280	140,267	1,136,361
Prepaid expenses	82,976	-	-	82,976
Inventory	773,581	-	-	773,581
Other assets	13	-	-	13
TOTAL ASSETS	\$ 39,936,861	\$ 1,852,139	\$ 532,918	\$ 42,321,918
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,016,643	\$ 54,910	\$ -	\$ 1,071,553
Accrued payroll and related liabilities	1,371,551	-	-	1,371,551
Due to other funds	891,466	-	53,956	945,422
Due to other governments	7,240,320	-	-	7,240,320
Deferred revenue	7,854	-	-	7,854
Security deposits	13,516	-	-	13,516
Compensated absences	1,149,752	-	-	1,149,752
TOTAL LIABILITIES	11,691,102	54,910	53,956	11,799,968
Fund Balances:				
Nonspendable:				
Prepaid expenses	82,976	-	-	82,976
Inventory	773,581	-	-	773,581
Nonexpendable permanent funds	-	-	27,873	27,873
Total Nonspendable	856,557	-	27,873	884,430
Restricted:				
Long term care (RSA 24:13)	439,170	-	-	439,170
Capital projects funded with grants	-	1,272,954	-	1,272,954
Special revenue funds	-	-	451,089	451,089
Total Restricted	439,170	1,272,954	451,089	2,163,213
Committed:				
Compensated absences	1,042,929	-	-	1,042,929
Total Committed	1,042,929	-	-	1,042,929
Assigned:				
Subsequent year budget	4,356,267	-	-	4,356,267
Encumbrances	98,056	524,275	-	622,331
Total Assigned	4,454,323	524,275	-	4,978,598
Unassigned	21,452,780	-	-	21,452,780
TOTAL FUND BALANCES	28,245,759	1,797,229	478,962	30,521,950
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,936,861	\$ 1,852,139	\$ 532,918	\$ 42,321,918

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, 2012

Total governmental fund balances	\$ 30,521,950
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,841,834
• 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.	936,591
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Capital leases payable	(2,315,536)
Compensated absences (unfunded)	(1,959,448)
Net OPEB obligation	(679,180)
Net position of governmental activities	<u>\$ 59,346,211</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, 2012

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 43,141,885	\$ -	\$ -	\$ 43,141,885
Charges for services	29,910,088	-	256,784	30,166,872
Intergovernmental	758,190	-	-	758,190
Investment income	40,239	1,807	1,592	43,638
Miscellaneous	122,401	-	-	122,401
Total Revenues	<u>73,972,803</u>	<u>1,807</u>	<u>258,376</u>	<u>74,232,986</u>
Expenditures:				
Current:				
General government	688,784	-	-	688,784
Commissioners	179,535	-	-	179,535
Treasurer	14,030	-	-	14,030
County attorney	2,965,945	-	37,764	3,003,709
Medical examiner	54,441	-	-	54,441
Deeds	1,126,686	-	-	1,126,686
Sheriff/dispatch/radio	4,865,263	-	14,287	4,879,550
Delegation	75,176	-	-	75,176
Finance	1,016,583	-	-	1,016,583
Maintenance	3,814,872	-	-	3,814,872
Human services	214,905	-	-	214,905
Public assistance	15,386,052	-	-	15,386,052
Human resources	423,587	-	-	423,587
Corrections	11,051,525	-	-	11,051,525
Nursing home	24,086,658	-	-	24,086,658
Assisted living	1,370,581	-	-	1,370,581
Information technology	312,836	-	-	312,836
Extension service	360,506	-	-	360,506
Non-county specials	234,750	-	-	234,750
Grants	758,390	-	-	758,390
Capital outlay	36,955	1,470,908	-	1,507,863
Debt service:				
Principal	550,000	-	265,237	815,237
Interest	13,750	-	119,151	132,901
Total Expenditures	<u>69,601,810</u>	<u>1,470,908</u>	<u>436,439</u>	<u>71,509,157</u>
Excess (deficiency) of revenues over expenditures	4,370,993	(1,469,101)	(178,063)	2,723,829
Other Financing Sources (Uses):				
Proceeds of capital lease	93,981	-	-	93,981
Transfers in	140,539	1,046,842	-	1,187,381
Transfers out	(1,046,842)	-	(140,539)	(1,187,381)
Total Other Financing Sources (Uses)	<u>(812,322)</u>	<u>1,046,842</u>	<u>(140,539)</u>	<u>93,981</u>
Change in fund balance	3,558,671	(422,259)	(318,602)	2,817,810
Fund Equity, at Beginning of Year	<u>24,687,088</u>	<u>2,219,487</u>	<u>797,564</u>	<u>27,704,139</u>
Fund Equity, at End of Year	<u>\$ 28,245,759</u>	<u>\$ 1,797,228</u>	<u>\$ 478,962</u>	<u>\$ 30,521,949</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, 2012

Net changes in fund balances - Total governmental funds	\$ 2,817,810																						
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital asset purchases</td> <td style="text-align: right;">1,895,792</td> </tr> <tr> <td>Capital asset donations</td> <td style="text-align: right;">15,000</td> </tr> <tr> <td>Disposal of capital assets</td> <td style="text-align: right;">(7,608)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,369,768)</td> </tr> </table> • 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Proceeds of capital lease</td> <td style="text-align: right;">(93,981)</td> </tr> <tr> <td>Repayments of debt - bonds</td> <td style="text-align: right;">550,000</td> </tr> <tr> <td>Repayments of debt - capital leases</td> <td style="text-align: right;">389,561</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">8,860</td> </tr> </table> • 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. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences - change in unfunded liability</td> <td style="text-align: right;">(91,948)</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;">(138,311)</td> </tr> </table> • Internal service funds are used by management to account for certain activities. The net activity of internal service funds is reported with Governmental Activities. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(3,085)</u></td> </tr> </table> 		Capital asset purchases	1,895,792	Capital asset donations	15,000	Disposal of capital assets	(7,608)	Depreciation	(2,369,768)	Proceeds of capital lease	(93,981)	Repayments of debt - bonds	550,000	Repayments of debt - capital leases	389,561		8,860	Compensated absences - change in unfunded liability	(91,948)	Net OPEB obligation	(138,311)		<u>(3,085)</u>
Capital asset purchases	1,895,792																						
Capital asset donations	15,000																						
Disposal of capital assets	(7,608)																						
Depreciation	(2,369,768)																						
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Repayments of debt - capital leases	389,561																						
	8,860																						
Compensated absences - change in unfunded liability	(91,948)																						
Net OPEB obligation	(138,311)																						
	<u>(3,085)</u>																						
Change in net position of governmental activities	\$ <u>2,972,322</u>																						

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, 2012

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	\$ 3,795,966	\$ 3,795,966	\$ 3,795,966	\$ -
Revenues (Inflows):				
Taxes	43,141,885	43,141,885	43,141,885	-
Charges for services:				
County attorney	258,815	258,815	258,544	(271)
Deeds	2,625,000	2,625,000	3,426,745	801,745
Sheriff/dispatch/radio	1,329,898	1,329,898	1,168,732	(161,166)
Maintenance	-	-	2,728	2,728
Information technology	17,100	17,100	15,574	(1,526)
Property management	21,520	21,520	16,505	(5,015)
Human services	30,500	30,500	33,632	3,132
Corrections	170,002	170,002	186,848	16,846
Long term care services:				
Nursing home	22,465,538	22,465,538	23,298,590	833,052
Assisted living	1,444,700	1,444,700	1,502,190	57,490
Intergovernmental	2,516,116	2,516,116	758,190	(1,757,926)
Investment income	75,000	75,000	40,239	(34,761)
Miscellaneous	-	-	122,401	122,401
Transfers from other funds	109,000	109,000	140,539	31,539
Amounts Available for Appropriation	78,001,040	78,001,040	77,909,308	(91,732)
Charges to Appropriations (Outflows):				
Delegation	88,515	91,943	75,176	16,767
Treasurer	15,606	15,606	14,030	1,576
County attorney/district court	3,004,270	3,018,086	2,965,945	52,141
Medical examiner	40,504	59,004	54,441	4,563
Sheriff/dispatch/radio	5,000,567	5,037,218	4,771,282	265,936
Deeds	1,265,802	1,272,304	1,126,686	145,618
Commissioners	172,401	188,994	179,535	9,459
General government	1,109,182	1,024,182	688,784	335,398
Debt service - principal	550,000	550,000	550,000	-
Debt service - interest	14,000	14,000	13,750	250
Projects (capital outlay)	42,200	42,200	36,955	5,245
Grants	2,616,116	2,586,116	758,390	1,827,726
Finance	1,106,335	1,106,335	1,016,583	89,752
Maintenance	4,586,549	4,591,408	3,746,470	844,938
Information technology	307,521	307,521	312,836	(5,315)
Human services	217,088	220,961	214,905	6,056
Public assistance	16,162,737	16,162,737	15,386,052	776,685
Corrections	11,165,738	11,270,738	11,051,525	219,213
Extension service	393,171	393,171	360,506	32,665
Human resources	420,906	425,910	423,587	2,323
Non-county specials	234,750	234,750	234,750	-
Long Term Care Services				
Nursing home	27,435,162	27,350,936	24,085,000	3,265,936
Assisted living	1,637,920	1,622,920	1,370,581	252,339
Transfers to other funds	414,000	414,000	1,046,842	(632,842)
Total Charges to Appropriations	78,001,040	78,001,040	70,484,611	7,516,429
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 7,424,697	\$ 7,424,697

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Governmental Activities <u>Internal Service Funds</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 2,186,409
Receivables:	
Accounts	1,837
Due from other governments	167,499
Due from other funds	117,650
Prepaid expenses	<u>7,122</u>
Total current assets	<u>2,480,517</u>
TOTAL ASSETS	2,480,517
LIABILITIES	
Current:	
Accounts payable	8,800
Due to other funds	39,397
Incurred but not reported claims liability	<u>1,491,380</u>
Total current liabilities	<u>1,539,577</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,349</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,543,926
NET POSITION	
Unrestricted	<u>936,591</u>
TOTAL NET POSITION	<u>\$ 936,591</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, 2012

	Governmental Activities <u>Internal Service Fund</u>
Operating Revenues:	
Employee and employer contributions	\$ <u>1,408,245</u>
Total Operating Revenues	1,408,245
Operating Expenses:	
Employee benefits	<u>1,399,747</u>
Total Operating Expenses	<u>1,399,747</u>
Operating Income (Loss)	8,498
Nonoperating Revenues (Expenses):	
Investment income	739
Miscellaneous	<u>(12,322)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(11,583)</u>
Change in Net Position	(3,085)
Net Position at Beginning of Year	<u>939,676</u>
Net Position at End of Year	<u><u>\$ 936,591</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, 2012

	Governmental Activities
	Internal Service Fund
<u>Cash Flows From Operating Activities:</u>	
Receipts from users	\$ 1,288,250
Payments to providers	(1,350,834)
Other receipts (payments)	212,510
	149,926
Net Cash Provided By Operating Activities	149,926
<u>Cash Flows From Noncapital Financing Activities:</u>	
Net change in due to/from other funds	(44,892)
Net Cash Used In Noncapital Financing Activities	(44,892)
<u>Cash Flows From Investing Activities:</u>	
Investment income	739
	739
Net Cash Provided By Investing Activities	739
Net Change in Cash and Short-Term Investments	105,773
Cash and Short-Term Investments, Beginning of Year	2,080,636
Cash and Short-Term Investments, End of Year	\$ 2,186,409
<u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u>	
Operating income (loss)	\$ 8,498
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Nonoperating revenues (expenses)	(12,322)
Changes in assets and liabilities:	
Accounts receivable	613
Due from other governments	(120,608)
Prepaid expenses	48,914
Accounts payable	(7,867)
Incurred but not reported claims liability	232,698
	232,698
Net Cash Provided By Operating Activities	\$ 149,926

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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ 508,338
Accounts receivable	<u>533</u>
Total Assets	<u>\$ 508,871</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 398
Due to other funds	269,192
Due to specific individuals	<u>239,281</u>
Total Liabilities	<u>\$ 508,871</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 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 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 gov-

ernment. 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 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Generally, all other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, claims and judgment expenditures are recorded only when payment is due.

The County may report deferred revenue on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period or when resources are received by the government before it has a legal claim to them (such as grant monies). In subsequent periods, when both revenue recognition criteria are met, or when the county has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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, debt service 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 various funds held by the County for individuals incarcerated at the County Corrections

Facility, (2) Trust Funds - To account for funds designated for subsequent year's expenditures of the Long-Term Care facilities as appropriated and (3) 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 combined 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, if any, 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 determined annually and 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. However, the government-wide Statement of Activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

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 government 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 and 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.

Additionally, 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, 2012 totaling \$786,841. The projects in process are included in the reporting of \$32,841,835 net capital assets in the related statements. Once a project is completed it is reported in the asset category (see note 8).

Property, plant and equipment 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

County employees are sometimes entitled to certain 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, 2012 is \$3,109,200.

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. Since the County switched to a fully-insured short-term disability insurance carrier for 2012, the fund no longer qualified as an internal service fund. The funded portion of the compensated absences liability reported in the General Fund at December 31, 2012 is \$1,149,752. 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 the current assets and current liabilities. The County reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. 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 and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (\$773,581 and \$82,976 for inventory and prepaid expenses, respectively, as of December 31, 2012) or can never be spent (\$27,873 principal portion of permanent fund as of December 31, 2012).
- 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.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Board of County Commissioners). The County’s special revenue

funds and amount committed for compensated absences fall under this category.

- 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. Capital Projects and Debt Service fund balances fall under the assigned category.
- 5) Unassigned funds are available to be spent in future periods.

L. 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 budgets. For the County year ended December 31, 2012, \$3,795,966 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:

General government	\$ 2,200
Deeds	50,899
Finance office	7,401
Maintenance	12,384
Long-Term Care	<u>25,172</u>
Total Encumbrances	\$ <u>98,056</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)	\$ 73,972,803	\$ 69,601,810
Other financing sources/uses (GAAP Basis)	<u>234,520</u>	<u>1,046,842</u>
Subtotal (GAAP Basis)	74,207,323	70,648,652

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<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Adjustment for inventory budgeted on the cash basis	-	(70,060)
Reverse proceeds of capital lease	(93,981)	(93,981)
Recognize use of fund balance as funding source	<u>3,795,966</u>	<u>-</u>
Budgetary Basis	<u>\$ 77,909,308</u>	<u>\$ 70,484,611</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 does have a deposit policy for custodial credit risk.

As of December 31, 2012, the County’s bank balance of \$38,452,838 was fully insured or collateralized. The difference between the carrying amount and the bank balance represents reconciling items such as deposits in transit and outstanding checks, which have not been processed by the bank at December 31, 2012.

4. 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>73,296</u>	N/A	\$ <u>73,296</u>	\$ -	\$ -	\$ -
Total investments	\$ <u>73,296</u>		\$ <u>73,296</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.

Of the County's investment of \$73,296, the government has a custodial credit risk exposure of \$73,296 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 the County may invest in any one issuer. At December 31, 2012, no investments in any one issuer (other than Federal agency securities) 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.

5. Accounts Receivable, Net

Accounts receivable consist of the following at December 31, 2012:

	General Fund	Nonmajor Governmental Funds	Internal Service Fund	Total
Nursing home	\$ 1,778,186	\$ 45	\$ -	\$ 1,778,231
Assisted living	18,957	-	-	18,957
Phone commissions	8,298	-	-	8,298
Civil services	17,621	-	-	17,621
Health premiums	27,438	-	-	27,438
Outside detail	24,939	-	-	24,939
Deeds	5,515	-	-	5,515
Vendor credits	71,228	-	-	71,228
Other	7,478	-	1,837	9,315
Total	1,959,660	45	1,837	1,961,542
Less: allowance for doubtful accounts	(294,961)	-	-	(294,961)
Total accounts receivable, net	\$ 1,664,699	\$ 45	\$ 1,837	\$ 1,666,581

6. Due From Other Governments, Net

Due from other governments consist of the following at December 31, 2012:

	General Fund	Internal Service Fund	Total
State of New Hampshire	\$ 2,037,377	\$ 167,499	\$ 2,204,876
U.S. Treasury	1,002,822	-	1,002,822
Other	5,237	-	5,237
Total	<u>3,045,436</u>	<u>167,499</u>	<u>3,212,935</u>
Less: allowance for doubtful accounts	<u>(335,084)</u>	<u>-</u>	<u>(335,084)</u>
Total due from other governments, net	<u>\$ 2,710,352</u>	<u>\$ 167,499</u>	<u>\$ 2,877,851</u>

7. 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, 2012 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 362,814	\$ 891,466
Special Revenue Funds:		
Expendable Trust	-	27,869
Nursing Home Special Account	-	8,533
Assisted Living Donations	8,133	-
Inmate Commissary	123,165	-
Inmate Chapel	8,683	-
Deeds Equipment	286	-
Capital Projects Fund	633,280	-
Internal Service Funds:		
Dental	95,556	6,582
Workers' Compensation	22,094	32,815
Permanent Trust Fund	-	17,554
Agency Funds:		
Inmates	-	245,418
Nursing Home Residents	-	4,657
Assisted Living Security Deposits	-	19,117
Total	<u>\$ 1,254,011</u>	<u>\$ 1,254,011</u>

8. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 54,765	\$ 61	\$ (149)	\$ 54,677
Machinery, equipment, and furnishings	9,563	4,047	(1,267)	12,343
Vehicles	<u>1,373</u>	<u>94</u>	<u>(27)</u>	<u>1,440</u>
Total capital assets, being depreciated	65,701	4,202	(1,443)	68,460
Less accumulated depreciation for:				
Buildings and improvements	(27,672)	(1,734)	147	(29,259)
Machinery, equipment, and furnishings	(7,236)	(505)	1,263	(6,478)
Vehicles	<u>(1,143)</u>	<u>(131)</u>	<u>27</u>	<u>(1,247)</u>
Total accumulated depreciation	<u>(36,051)</u>	<u>(2,370)</u>	<u>1,437</u>	<u>(36,984)</u>
Total capital assets, being depreciated, net	29,650	1,832	(6)	31,476
Capital assets, not being depreciated:				
Land	579	-	-	579
Construction in progress	<u>3,079</u>	<u>1,535</u>	<u>(3,828)</u>	<u>786</u>
Total capital assets, not being depreciated	<u>3,658</u>	<u>1,535</u>	<u>(3,828)</u>	<u>1,365</u>
Governmental activities capital assets, net	<u>\$ 33,308</u>	<u>\$ 3,367</u>	<u>\$ (3,834)</u>	<u>\$ 32,841</u>

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

Governmental Activities:	
Commissioners	\$ 23,626
Treasurer	15
County attorney	12,755
Deeds	8,566
Sheriff/dispatch/radio	126,641
Delegation	604
Finance	1,102
Maintenance	321,405
Human services	7,419
Human resources	7,802
Corrections	550,613
Nursing home	1,118,128
Assisted living	160,002
Information technology	9,988
Extension service	<u>21,102</u>
Total depreciation expense - governmental activities	<u>\$ 2,369,768</u>

9. Accounts Payable

Accounts payable represent 2012 expenditures paid after December 31, 2012.

10. Due To Other Governments

Due to other governments consist of the following at December 31, 2012:

	<u>General Fund</u>
State of New Hampshire	\$ 7,133,164 *
Other	<u>107,156</u>
Total	<u>\$ 7,240,320</u>

* = Includes approximately \$2.6 million of transfer taxes and \$4.2 million related to human services liabilities.

11. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net 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 2012, deferred inflows of resources are comprised solely of deferred revenues.

12. Tax Anticipation Notes Payable

The County issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. These notes are necessary because property taxes are a major source of funding for appropriations but the tax collections are not received until shortly before their December 17, 2012 due date. The annual interest rate for the notes was 1.00%, with a net interest cost of 0.206% after taking into account the premium paid by the purchaser.

The following summarizes activity of tax anticipation notes payable during fiscal year 2012:

	Balance Beginning of Year	8/9/2012 Proceeds	12/19/2012 Repayment	Balance End of Year
Tax anticipation	\$ <u>-</u>	\$ <u>13,500,000</u>	\$ <u>(13,500,000)</u>	\$ <u>-</u>

13. Long-Term Debt

A. Changes in General Long-Term Liabilities

During the year ended December 31, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total			Total		Less	Equals
	Balance	Additions	Reductions	Balance	Current	Portion	Long-Term
	<u>1/1/12</u>		<u></u>	<u>12/31/12</u>	<u>Portion</u>		<u>12/31/12</u>
<u>Governmental Activities</u>							
Bonds payable	\$ 550	\$ -	\$ (550)	\$ -	\$ -	\$ -	
Other:							
Capital leases payable	2,611	94	(389)	2,316	(369)	1,947	
Compensated absences	3,017	92	-	3,109	(2,409)	700	
Net OPEB obligation	541	355	(217)	679	-	679	
Totals	<u>\$ 6,719</u>	<u>\$ 541</u>	<u>\$ (1,156)</u>	<u>\$ 6,104</u>	<u>\$ (2,778)</u>	<u>\$ 3,326</u>	

B. General Obligation Bonds

The County can issue 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. There were no general obligation debt instruments outstanding as of December 31, 2012, as the final payment on the 2005 Improvement Bond was made on June 14, 2012.

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 variable annual installments the next of which is \$384,388 including interest, through June, 2018 at 4.73%	\$ 2,206,785
Equipment, due in annual installments the next of which is \$28,750 including interest, through June, 2013 at 4.99%	27,384
Equipment, due in annual installments the next of which is \$10,408 including interest, through November, 2013 at 7.47%	9,685

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Equipment, due in semi-annual installments the next of which is \$10,361 including interest, through August 2013 at 6.50%	9,728
Equipment, due in annual installments the next of which is \$32,026 including interest, through December 2013 at 2.25%	<u>61,954</u>
Totals	<u>\$ 2,315,536</u>

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

<u>Year Ended</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 368,905	\$ 110,483	\$ 479,388
2014	350,770	93,023	443,793
2015	349,258	76,921	426,179
2016	381,008	60,086	441,094
2017	414,811	41,722	456,533
2018 and thereafter	<u>450,784</u>	<u>21,728</u>	<u>472,512</u>
Totals	<u>\$ 2,315,536</u>	<u>\$ 403,963</u>	<u>\$ 2,719,499</u>

14. Operating Leases

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

<u>Year Ended</u> <u>December 31</u>	<u>Office</u> <u>Space</u>	<u>Equipment</u> <u>Rental</u>	<u>Total</u>
2013	\$ 175,836	\$ 42,674	\$ 218,510
2014	177,636	21,402	199,038
2015	<u>179,448</u>	<u>-</u>	<u>179,448</u>
Totals	<u>\$ 532,920</u>	<u>\$ 64,076</u>	<u>\$ 596,996</u>

15. 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.

16. Commitments and Contingencies

Outstanding Legal Matters - There are several pending legal matters 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, 2012, 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.

**17. Post-Employment Healthcare and Life Insurance Benefits
Other Post-Employment Benefits**

GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, requires governments to account for other post-employment benefits (OPEB), 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, 2011 (the actuarial valuation date), 34 retirees and 380 active employees meet 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 2012 annual OPEB expense is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the Normal Cost (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, 2012, the amount actually contributed to the plan, and the change in the County’s net OPEB obligation based on an actuarial valuation as of December 31, 2011.

Annual Required Contribution (ARC)	\$ 333,251
Interest on net OPEB obligation	21,635
Adjustment to ARC	<u>(31,278)</u>
Annual OPEB cost	323,608
Contributions made*	<u>(185,297)</u>
Increase in net OPEB obligation	138,311
Net OPEB obligation - beginning of year	<u>540,869</u>
Net OPEB obligation - end of year	<u>\$ 679,180</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>
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, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,808,373
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,808,373</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

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, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial value of assets was not determined as the County has not advanced 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 9.0% grading to down to 4.5% over 10 years. In addition, healthcare costs are projected to advance age by age at approximately 4%. UAAL is being amortized over a 30-year period (level dollar method, on an open basis) using a 4.0% interest rate discount factor.

18. Pension Plan

The County follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

The County contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer 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 19.95% (Group II) and 8.80% (Group I) at December 31, 2012. Effective July 1, 2011, the County contributes 75% of the employer cost for police employed by the County and the State contributes the remaining 25% of the employer cost. The County contributes 100% of the employer cost for general employees 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, 2012, 2011, 2010, and 2009 were \$2,675,847, \$2,886,088, \$2,530,973, and \$2,261,544, respectively, which were equal to the required contributions for each year.

19. Self-Insurance

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

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.

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 responsibility 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.

Changes in the aggregate liability for claims for the year ended December 31, 2012 are as follows:

	Dental Coverage	Workers' Compensation	Total
Claims liability, beginning of year	\$ 15,653	\$ 1,243,027	\$ 1,258,680
Claims incurred/recognized in 2012	417,936	981,811	1,399,747
Claims paid in 2012	<u>(412,209)</u>	<u>(754,838)</u>	<u>(1,167,047)</u>
Claims liability, end of year	<u>\$ 21,380</u>	<u>\$ 1,470,000</u>	<u>\$ 1,491,380</u>

20. 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.

21. Federal Medical Assistance Percentage (FMAP)

Section 167:18a of the New Hampshire Stat Statutes requires that the County reimburse the State of New Hampshire (State) 100% of the non-federal share of defined public assistance expenditures incurred by the State on a monthly basis. The federal share of payments to the State has been 50% for at least the past five years and is reimbursed to the State through FMAP payments. At times, the FMAP reimbursement to the State, is temporarily increased as is the case for the 33-month period of October 1, 2008 to June 30, 2011 through section 5001 (f) of the American Recovery and Reinvestment Act of 2009 (ARRA).

During 2011, the State did receive an additional FMAP allowance quarterly in addition to the regular FMAP payment. As a result, the monthly amount due from the County was reduced. However, the State continued billing the County the normal 50% monthly and later abated the amounts paid by the County by providing a check for each quarter of the year. The abatement totaled \$1.2 million during 2011 and materially reduced the County payments due the State. The FMAP allowances as a result of ARRA were extended by the United States Congress through June 30, 2011. No FMAP allowances were received in 2012.

22. Implementation of New GASB Standards

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

**ROCKINGHAM COUNTY, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

December 31, 2012

(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]
12/31/11	\$ -	\$ 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, 2012

	Drug Task Force	Expendable Trust	Nursing Home Special Account	Assisted Living Donations	Inmate Commissary	Inmate Chapel	Deeds Equipment	WF Sturtevant Memorial	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS											
Cash and short-term investments	\$ 28,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,175	\$ -	\$ -	\$ 33,497
Restricted cash	-	-	84,498	-	-	-	201,315	-	-	-	285,813
Investments	-	27,869	-	-	-	-	-	-	-	45,427	73,296
Receivables:											
Accounts, net	-	-	45	-	-	-	-	-	-	-	45
Due from other funds	-	-	-	8,133	123,165	8,683	286	-	-	-	140,267
TOTAL ASSETS	\$ 28,322	\$ 27,869	\$ 84,543	\$ 8,133	\$ 123,165	\$ 8,683	\$ 201,601	\$ 5,175	\$ -	\$ 45,427	\$ 532,918
LIABILITIES AND FUND BALANCES											
Liabilities:											
Due to other funds	\$ -	\$ 27,869	\$ 8,533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,554	\$ 53,956
TOTAL LIABILITIES	-	27,869	8,533	-	-	-	-	-	-	17,554	53,956
Fund Balances:											
Nonspendable	-	-	-	-	-	-	-	-	-	27,873	27,873
Restricted	28,322	-	76,010	8,133	123,165	8,683	201,601	5,175	-	-	451,089
TOTAL FUND BALANCES	28,322	-	76,010	8,133	123,165	8,683	201,601	5,175	-	27,873	478,962
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,322	\$ 27,869	\$ 84,543	\$ 8,133	\$ 123,165	\$ 8,683	\$ 201,601	\$ 5,175	\$ -	\$ 45,427	\$ 532,918

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, 2012

	Drug Task Force	Expendable Trust	Nursing Home Special Account	Assisted Living Donations	Inmate Commissary	Inmate Chapel	Deeds Equipment	WF Sturtevant Memorial	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:											
Charges for services:											
County attorney	\$ 48,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,553
Deeds	-	-	-	-	-	-	135,170	-	-	-	135,170
Sheriff/dispatch/radio	19,799	-	-	-	-	-	-	-	-	-	19,799
Corrections	-	-	-	-	32,797	700	-	-	-	-	33,497
Nursing home	-	-	11,805	-	-	-	-	-	-	-	11,805
Assisted living	-	-	-	7,960	-	-	-	-	-	-	7,960
Investment income	2	224	503	-	154	11	377	9	-	312	1,592
Total Revenues	68,354	224	12,308	7,960	32,951	711	135,547	9	-	312	258,376
Expenditures:											
Current:											
County attorney	37,764	-	-	-	-	-	-	-	-	-	37,764
Sheriff/dispatch/radio	14,287	-	-	-	-	-	-	-	-	-	14,287
Debt service:											
Principal	-	-	-	-	-	-	-	-	265,237	-	265,237
Interest	-	-	-	-	-	-	-	-	119,151	-	119,151
Total Expenditures	52,051	-	-	-	-	-	-	-	384,388	-	436,439
Excess (deficiency) of revenues over expenditures	16,303	224	12,308	7,960	32,951	711	135,547	9	(384,388)	312	(178,063)
Other Financing Sources (Uses):											
Transfers out	-	(224)	(11,949)	(589)	(27,777)	-	(100,000)	-	-	-	(140,539)
Total Other Financing Sources (Uses)	-	(224)	(11,949)	(589)	(27,777)	-	(100,000)	-	-	-	(140,539)
Change in fund balance	16,303	-	359	7,371	5,174	711	35,547	9	(384,388)	312	(318,602)
Fund Equity, at Beginning of Year	12,019	-	75,651	762	117,991	7,972	166,054	5,166	384,388	27,561	797,564
Fund Equity, at End of Year	\$ 28,322	\$ -	\$ 76,010	\$ 8,133	\$ 123,165	\$ 8,683	\$ 201,601	\$ 5,175	\$ -	\$ 27,873	\$ 478,962

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

COMBINING STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Dental Fund	Workers' Compensation Fund	Governmental Activities <u>Total</u> Internal Service Funds
ASSETS			
Current:			
Cash and short-term investments	\$ 234,905	\$ 1,951,504	\$ 2,186,409
Receivables:			
Accounts	1,118	719	1,837
Due from other governments	-	167,499	167,499
Due from other funds	95,556	22,094	117,650
Prepaid expenses	<u>4,135</u>	<u>2,987</u>	<u>7,122</u>
Total current assets	<u>335,714</u>	<u>2,144,803</u>	<u>2,480,517</u>
TOTAL ASSETS	335,714	2,144,803	2,480,517
LIABILITIES			
Current:			
Accounts payable	-	8,800	8,800
Due to other funds	6,582	32,815	39,397
Incurred but not reported claims liability	<u>21,380</u>	<u>1,470,000</u>	<u>1,491,380</u>
Total current liabilities	<u>27,962</u>	<u>1,511,615</u>	<u>1,539,577</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	<u>4,349</u>	<u>-</u>	<u>4,349</u>
Total deferred inflows of resources	<u>4,349</u>	<u>-</u>	<u>4,349</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	32,311	1,511,615	1,543,926
NET POSITION			
Unrestricted	<u>303,403</u>	<u>633,188</u>	<u>936,591</u>
TOTAL NET POSITION	<u>\$ 303,403</u>	<u>\$ 633,188</u>	<u>\$ 936,591</u>

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, 2012

	<u>Dental Fund</u>	<u>Workers' Compensation Fund</u>	<u>Governmental Activities Total Internal Service Fund</u>
Operating Revenues:			
Employee and employer contributions	\$ 437,835	\$ 970,410	\$ 1,408,245
Total Operating Revenues	437,835	970,410	1,408,245
Operating Expenses:			
Employee benefits	417,936	981,811	1,399,747
Total Operating Expenses	417,936	981,811	1,399,747
Operating Income (Loss)	19,899	(11,401)	8,498
Nonoperating Revenues (Expenses):			
Investment income	61	678	739
Miscellaneous	-	(12,322)	(12,322)
Total Nonoperating Revenues (Expenses), Net	61	(11,644)	(11,583)
Change in Net Position	19,960	(23,045)	(3,085)
Net Position at Beginning of Year	283,443	656,233	939,676
Net Position at End of Year	<u>\$ 303,403</u>	<u>\$ 633,188</u>	<u>\$ 936,591</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Dental Fund	Workers' Compensation Fund	Governmental Activities <u>Total</u> Internal Service Fund
<u>Cash Flows From Operating Activities:</u>			
Receipts from users	\$ 437,620	\$ 850,630	\$ 1,288,250
Payments to providers	(422,072)	(928,762)	(1,350,834)
Other receipts (payments)	5,726	206,784	212,510
Net Cash Provided By Operating Activities	<u>21,274</u>	<u>128,652</u>	<u>149,926</u>
<u>Cash Flows From Noncapital Financing Activities:</u>			
Net change in due to/from other funds	<u>(47,516)</u>	<u>2,624</u>	<u>(44,892)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	(47,516)	2,624	(44,892)
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>61</u>	<u>678</u>	<u>739</u>
Net Cash Provided By Investing Activities	<u>61</u>	<u>678</u>	<u>739</u>
Net Change in Cash and Short-Term Investments	(26,181)	131,954	105,773
Cash and Short-Term Investments, Beginning of Year	<u>261,086</u>	<u>1,819,550</u>	<u>2,080,636</u>
Cash and Short-Term Investments, End of Year	<u>\$ 234,905</u>	<u>\$ 1,951,504</u>	<u>\$ 2,186,409</u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating income (loss)	\$ 19,899	\$ (11,401)	\$ 8,498
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Nonoperating revenues (expenses)	-	(12,322)	(12,322)
Changes in assets and liabilities:			
Accounts receivable	(215)	828	613
Due from other governments	-	(120,608)	(120,608)
Prepaid expenses	(4,135)	53,049	48,914
Accounts payable	-	(7,867)	(7,867)
Incurred but not reported claims liability	5,725	226,973	232,698
Net Cash Provided By Operating Activities	<u>\$ 21,274</u>	<u>\$ 128,652</u>	<u>\$ 149,926</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2012

	<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	\$ 291,635	\$ 131,245	\$ 85,458	\$ 508,338
Accounts receivable	<u>176</u>	<u>357</u>	<u>-</u>	<u>533</u>
Total Assets	<u>\$ 291,811</u>	<u>\$ 131,602</u>	<u>\$ 85,458</u>	<u>\$ 508,871</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 398	\$ -	\$ 398
Due to other funds	245,418	4,657	19,117	269,192
Due to specific individuals	<u>46,393</u>	<u>126,547</u>	<u>66,341</u>	<u>239,281</u>
Total Liabilities	<u>\$ 291,811</u>	<u>\$ 131,602</u>	<u>\$ 85,458</u>	<u>\$ 508,871</u>

See Independent Auditors' Report.