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ROBBIN R. GRILL, CPA, PC

The Concord Center, 10 Ferry Street, Suite 311, Concord, NH 03301

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
County of Rockingham, New Hampshire

We have audited the accompanying general purpose financial statements of the County of Rockingham, New Hampshire as of and for the year ended December 31, 2004 as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the County of Rockingham, New Hampshire at December 31, 2004 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis and the Budgetary Comparison Schedule on pages 3 through 7 and 28 through 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying individual fund financial statements listed as supporting schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements and in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2005 on our consideration of Rockingham County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in cursive script that reads "Robin P. Gill, CPA, PC". The signature is written in black ink and is positioned centrally on the page.

Concord, New Hampshire
March 24, 2005

Rockingham County's Management's Discussion and Analysis for 2004

This report provides readers with a narrative overview and analysis of the financial activities of Rockingham County for the year ended December 31, 2004. 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. Because this year represents the second year in which the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides more comparisons with the previous year as required.

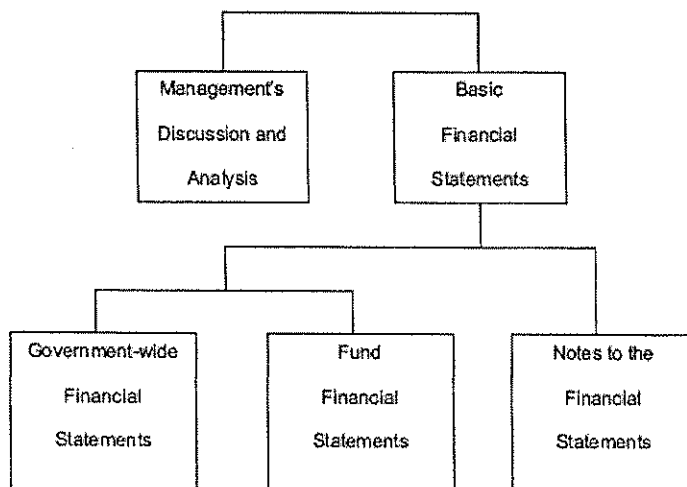
Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to Rockingham 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 first two statements in the basic financial statements 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 funds 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



Summary → Detail

Financial Highlights

- The assets of Rockingham County exceeded its liabilities at the close of the fiscal year by \$47,742,980 (net assets).
- The government's total net assets increased by \$4,731,291 primarily due to increased assets in the General Fund.

Financial Highlights Cont'd

- As of the close of the year, Rockingham County's reported combined ending fund balances of \$15,937,704, an increase of \$2,054,172 in comparison with the prior year as restated even with the addition of the debt service fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$17,235,977 or 25% percent of total general fund appropriations the increase was largely due to a new nursing home bed tax revenue source unspent human services funded appropriations.
- The County's total debt decreased by \$ 2,806,886 during the current year. However, an additional \$4 million was authorized on February 18, 2004 but not bonded by year end.
- The County maintained its Aa3 rating with a positive outlook and MIG-1 rating on its long-term bond and short-term borrowings respectively.

Government-Wide Financial Analysis

This is the second year that the County has prepared its government-wide financial statements in accordance with the GASB Statement 34 reporting model. Statement 34 dictates that when comparative numbers are accessible, they be included, such as with net assets.

The following analysis focuses on net assets (**table 1**) and changes in net assets (**table 2**). Net assets at year end were \$47,742,980 of which \$20,287,724 is unrestricted. Unrestricted net assets can be used to finance day-to-day operations of the County and reduce the effect of property taxes. Net assets may serve, over time, as one useful indicator of a government's financial condition.

table-1

Rockingham County Comparative Net Assets at December 31, 2003 and 2004

	<u>Activities 2003</u>	<u>Activities 2004</u>	<u>% change</u>
Current and other assets	\$35,303,711	\$38,581,407	9%
Capital Assets	<u>32,399,264</u>	<u>33,089,071</u>	2%
Total Assets	<u>67,702,975</u>	<u>71,670,478</u>	6%
Long-term liabilities	14,022,048	11,550,113	-18%
Other Liabilities	<u>10,669,238</u>	<u>12,375,217</u>	16%
Total liabilities	<u>24,691,286</u>	<u>23,925,330</u>	- 3%
Net Assets:			
Invested in capital assets net of related debt	20,290,516	25,004,643	23%
Restricted	2,527,040	2,450,613	- 3%
Unrestricted	<u>20,194,133</u>	<u>20,287,725</u>	1%
Total net assets	\$ <u>43,011,689</u>	\$ <u>47,742,980</u>	11%

table-2

Rockingham County Changes in Net Assets at December 31, 2003 and 2004

	<u>Activities 2003</u>	<u>Activities 2004</u>	<u>% change</u>
Revenues:			
Program Revenues			
Charges for Services	\$25,381,017	\$27,271,959	7%
Grants and contributions	121,368	154,732	27%
General Revenues			
Taxes	34,925,107	35,935,492	3%
Other	<u>839,473</u>	<u>1,505,689</u>	79%
Total Revenues	<u>61,266,965</u>	<u>64,867,872</u>	6%
Expenses			
Administration	6,875,223	7,905,652	15%
Law Enforcement	12,325,009	13,695,712	11%
Human Care and Services	32,366,913	35,013,845	8%
Other	3,074,143	3,521,372	15%
Debt interest	<u>310,244</u>	<u>177,613</u>	-43%
Total Expenses	<u>54,951,532</u>	<u>60,136,581</u>	9%
Increase in net assets	6,315,433	4,731,291	-25%
Net Assets at 1/1	<u>36,696,256</u>	<u>43,011,689</u>	17%
Net Assets at 12/31	<u>\$43,011,689</u>	<u>\$47,742,980</u>	11%

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, unreserved 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. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$17,235,977.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund appropriations. Unreserved fund balance represents 25 percent of total General Fund appropriations, while total fund balance represents 23 percent of that same amount.

Capital Asset and Debt Administration

assets

At December 31, 2004 the County reported \$31.8 million in capital assets net of depreciation which does not include work in progress of \$1.3 million. The \$4 million increase resulted from

the completion of a major energy management project. And while a \$4 million general obligation bond was approved in 2004 to provide for building improvements, work did not begin until 2005.

debt

At December 31, 2004 the County had \$8,084,428 in outstanding long-term debt. Two of the three bonds outstanding during the year matured. Approximately \$4 million of the \$8 million is for a general obligation bond maturing in 2010. Another \$3.7 million is for a capital lease for the energy management project completed in 2004.

The County again received the highest Moody's rating of MIG-1 on our short term notes also retained its long term Aa3 rating as well as a result of stable financial operations.

Economic Factors and Next Year's Budgets and Rates

- The second phase of the Ernest P. Barka's Assisted Living project is underway. Currently there is a 100% waiting list.
- The increase in the capital projects from \$500,000 to \$660,000 reflects the growing list of improvements needed on the complex.
- General Government section reflects a noteworthy reduction in bond payments funding.
- The Human Services budget is facing the largest unknown along with the Nursing Home as a result of the Granite Care program currently being pursued by the State Department of Health and Human Services. While the appropriations appear to have a decrease it is the result of not knowing the effect of the new programs pending
- 6% Bed Assessment appropriations with an offsetting revenue are funded as a result of 2003 House Bill 663 being finalized in September 2004.
- Property taxes account for 55% of expected revenues for 2005 and mirrors actual experience of 2004
- Budgeted expenditures in the General Fund are expected to decrease by approximately 1%

Contacting the County's Financial Management

This financial report is intended to provide report users with a general overview of the County's finances at 12/31/04. Questions about this report can be directed to the Finance Office at 119 North Road, Brentwood, New Hampshire, 03833.

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COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
Statement of Net Assets
December 31, 2004

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and Equivalents	\$ 24,556,897
Restricted Cash	1,564,638
Investments	8,625,271
Deposits	47,633
Accounts Receivable, net	559,726
Due from Other Governments	2,426,056
Prepaid Items	140,111
Inventory	661,075
Capital Assets, net	33,089,071
	<hr/>
Total Assets	71,670,477 <hr/>
Liabilities	
Accounts Payable	2,318,490
Accrued Interest Payable	24,076
Accrued Liabilities	535,263
Due to Other Governments	9,374,011
Deferred Revenue	125,543
Long-term Liabilities:	
Due Within One Year	3,972,297
Due in More Than One Year	7,577,816
	<hr/>
Total Liabilities	23,927,497 <hr/>
Net Assets	
Invested in capital assets, net of related debt	25,004,643
Restricted for:	
Capital Projects	828,208
Debt Service	302,126
Other Purposes	1,622,405
Unrestricted	19,985,598
	<hr/>
Total Net Assets	\$ 47,742,980 <hr/>

See Accompanying Independent Auditor's Report and Notes to Financial Statements

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

Statement of Activities

For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Primary Government:					
Governmental activities:					
General Government	2,053,839	\$ -	\$ -	\$ -	\$ (2,053,839)
Commissioners	146,037	-	-	-	(146,037)
Treasurer	49,070	-	-	-	(49,070)
County Attorney	2,344,779	323,825	43,000	-	(1,977,954)
Medical Examiner	49,795	-	-	-	(49,795)
Deeds	1,263,331	5,762,023	-	-	4,498,692
Sheriff/Dispatch/Radio	3,817,635	867,884	37,975	59,987	(2,851,789)
Airport Security	1,646,076	1,811,778	-	-	165,702
Delegation	54,462	-	-	-	(54,462)
Finance	670,405	150	-	-	(670,255)
Maintenance	3,263,192	22,146	-	-	(3,241,046)
Human Services	1,104,187	13,346	7,770	-	(1,083,071)
Public Assistance	11,862,865	665,838	-	-	(11,197,027)
Human Resources	308,038	76	-	-	(307,962)
Corrections	8,232,001	721,439	-	-	(7,510,562)
Nursing Home	21,259,107	16,610,624	-	-	(4,648,483)
Assisted Living	787,686	466,581	-	-	(321,106)
Information Technology	263,299	6,250	-	-	(257,050)
UNH Cooperative Extension	524,983	-	6,000	-	(518,983)
Noncounty Specials	258,180	-	-	-	(258,180)
Interest on Long Term Debt	177,613	-	-	-	(177,613)
Total governmental activities	60,136,581	27,271,959	94,745	59,987	(32,709,890)
Total Primary Government	60,136,581	27,271,959	94,745	59,987	(32,709,890)
General Revenues:					
Taxes					35,935,492
Grants Not Restricted to Specific Programs					987,949
Interest Earnings					475,493
Miscellaneous					42,247
Total General Revenues					37,441,182
Change in Net Assets					4,731,291
Net Assets - Beginning, as Restated					43,011,689
Net Assets - Ending					\$ 47,742,980

See Accompanying Independent Auditor's Report and Notes to Financial Statements

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

Balance Sheet
Governmental Funds
December 31, 2004

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Equivalents	\$ 23,664,203	\$ 874,369	\$ 251	\$ 24,538,823
Restricted Cash	1,242,790	-	321,848	1,564,638
Investments	-	-	230,807	230,807
Accounts Receivable, net	525,235	-	-	525,235
Due from Other Funds	19,771	174,852	327,215	521,838
Due from Other Governments	2,426,055	-	-	2,426,055
Prepaid Expenses	135,526	-	-	135,526
Inventory	661,075	-	-	661,075
Total Assets	\$ 28,674,655	\$ 1,049,221	\$ 880,122	\$ 30,603,998
Liabilities				
Accounts Payable	\$ 884,656	\$ 221,012	\$ 8,589	\$ 1,114,257
Accrued Liabilities	535,263	-	-	535,263
Due to Other Funds	302,697	-	189,793	492,490
Due to Other Governments	8,486,389	-	-	8,486,389
Deferred Revenue	316,863	-	-	316,863
Leases Payable	-	-	-	-
Total Liabilities	10,525,867	221,012	198,381	10,945,261
Fund Balances				
Reserved for:				
Noncurrent Assets	796,601	-	-	796,601
Encumbrances	116,210	-	-	116,210
Capital Projects	-	828,208	-	828,208
Debt Service	-	-	302,126	302,126
Other Purposes	-	-	379,615	379,615
Unreserved, reported in:				
General Fund				
Designated for Continuing Appropriations	537,747	-	-	537,747
Designated	16,698,230	-	-	16,698,230
Debt Service	-	-	-	-
Total Fund Balances	18,148,788	828,208	681,741	19,658,737
Total Liabilities and Fund Balances	\$ 28,674,655	\$ 1,049,221	\$ 880,122	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	33,089,071
Internal service funds are used by management to account for self insured employee benefits, such as health. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	5,903,576
Certain long term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued interest payable	(24,076)
Due to other governments	(887,623)
Capital lease obligations payable	(4,074,428)
General obligation bonds payable	(4,010,000)
Accrued compensated absences	(2,182,463)
Deferred revenue	270,186
	<u>(10,908,404)</u>
Net assets of governmental activities	<u>\$ 47,742,980</u>

See Accompanying Independent Auditors' Report and Notes to Financial Statements

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 Statements of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2004

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 35,935,492	\$ -	\$ -	\$ 35,935,492
Charges for Services				
County Attorney	321,825	-	-	321,825
Deeds	5,548,461	-	213,562	5,762,023
Sheriff/Dispatch/Radio	950,692	-	-	950,692
Airport Security	1,811,778	-	-	1,811,778
Finance	150	-	-	150
Maintenance	4,950	-	-	4,950
County Land Management	17,196	-	-	17,196
Human Services	679,184	-	-	679,184
Human Resources	76	-	-	76
Corrections	444,000	-	277,439	721,439
Nursing Home	16,591,958	-	18,667	16,610,624
Assisted Living	465,976	-	605	466,581
Information Technology	6,250	-	-	6,250
Interest	312,966	10,387	6,145	329,497
Grants	1,016,874	-	-	1,016,874
Other	42,247	-	-	42,247
Total Revenues	64,150,072	10,387	516,418	64,676,877
Expenditures				
Current				
General Government	1,058,758	-	-	1,058,758
Commissioners	142,801	-	-	142,801
Treasurer	49,054	-	-	49,054
County Attorney	2,305,758	-	-	2,305,758
Medical Examiner	49,795	-	-	49,795
Deeds	1,219,202	-	-	1,219,202
Sheriff/Dispatch/Radio	3,644,582	-	-	3,644,582
Airport Security	1,612,579	-	-	1,612,579
Delegation Office	51,673	-	-	51,673
Finance Office	662,128	-	-	662,128
Maintenance	2,696,721	-	-	2,696,721
Human Services	1,081,792	-	-	1,081,792
Public Assistance	11,865,199	-	-	11,865,199
Human Resources	312,042	-	-	312,042
Corrections	7,586,303	-	256,212	7,842,515
Nursing Home	20,059,936	-	-	20,059,936
Assisted Living	673,492	-	-	673,492
Information Technology	311,149	-	-	311,149
Extension Service	509,319	-	-	509,319
Non County Specials	258,180	-	-	258,180
Debt Service - Principal	2,600,000	-	291,909	2,891,909
Debt Service - Interest	177,613	-	-	177,613
Grants	1,020,426	-	-	1,020,426
Capital Outlay	119,488	2,462,162	-	2,581,650
Total Expenditures	60,067,989	2,462,162	548,121	63,078,272
Excess (Deficiency) of Revenues Over Expenditures	4,082,083	(2,451,775)	(31,703)	1,598,604
Other Financing Sources (Uses)				
Proceeds of Refunding Bonds	-	-	-	-
Proceeds of Bonds Issued	-	-	-	-
Retirement of Long Term Debt	-	-	-	-
Premium on Long Term Debt Issued	-	-	-	-
Accrued Interest on Long Term Debt Issued	-	-	-	-
Proceeds of Capital Lease	180,693	-	-	180,693
Transfers In	297,956	558,229	302,126	1,158,310
Transfers Out	(847,261)	-	(311,050)	(1,158,310)
Total Other Financing Sources (Uses)	(368,612)	558,229	(8,924)	180,693
Net Change in Fund Balance	3,713,470	(1,893,546)	(40,627)	1,779,297
Fund Balances, beginning as restated	14,420,297	2,721,754	722,368	17,864,419
Changes in Reserves (Inventory)	15,021	-	-	15,021
Fund Balances, ending	\$ 18,148,788	\$ 828,208	\$ 681,741	\$ 19,658,737

See Accompanying Independent Auditors' Report and Notes to 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, 2004

Net change in fund balances - total governmental funds	\$ 1,779,297
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	2,665,325
Loss on disposal of capital assets	(191,269)
Depreciation expense	(1,784,249)
	<u>689,807</u>
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred revenue	<u>-</u>
 Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets. Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets:	
Bond proceeds received	-
Retirement of Bonds	-
Accrued Interest on Bonds	-
Capital lease proceeds received	(180,693)
Capital lease obligation principle payments	387,579
General obligation bond principle payments	2,600,000
	<u>2,806,886</u>
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Due to other governments	2,334
Accrued interest payable	6,763
Accrued compensated absences	(218,688)
	<u>(209,591)</u>
 Internal Services Funds are used by management to account for self-insured employee benefits, such as health. The net revenue (expense) of the internal service funds is reported with governmental activities.	
	<u>(350,127)</u>
 Inventory is recorded as an expenditure when purchased in the funds but is recorded as an expense when used in governmental activities.	
	<u>15,021</u>
Change in net assets of governmental activities	<u>\$ 4,731,291</u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
December 31, 2004

		<u>Governmental Activities- Internal Service Funds</u>
Assets		
Current Assets		
Investments	\$	8,394,463
Accounts Receivable, net		34,491
Due from Other Funds		108,996
Deposits		47,633
Prepaid Expenses		4,585
Total Current Assets		<u>8,590,168</u>
Noncurrent Assets		
Other receivables		0
Total Noncurrent Assets		<u>0</u>
Total Assets		<u>8,590,168</u>
Liabilities		
Current Liabilities		
Accounts Payable		1,204,233
Due to Other Funds		120,270
Deferred Revenue		78,867
Compensated Absences Payable		95,725
Total Current Liabilities		<u>1,499,095</u>
Noncurrent Liabilities		
Compensated Absences Payable		1,187,497
Total Noncurrent Liabilities		<u>1,187,497</u>
Total Liabilities		<u>2,686,592</u>
Net Assets		
Unrestricted		5,903,576
Total Net Assets	<u>\$</u>	<u>5,903,576</u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements

Statement G

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	<u>Governmental Activities- Internal Service Funds</u>
Operating Revenues	
Charges for Services	\$ 6,608,701
Total Operating Revenues	<u>6,608,701</u>
Operating Expenses	
Claims and Premiums	6,839,851
Compensated Absences	251,318
Total Operating Expenses	<u>7,091,169</u>
Operating Income (Loss)	(482,468)
Non-Operating Revenues (Expenses)	
Investment Income	145,996
Miscellaneous	(13,655)
Total Non-Operating Revenues (Expenses)	<u>132,341</u>
Net Income (Loss)	(350,127)
Change in Net Assets	<u>(350,127)</u>
Total Net Assets - Beginning	6,253,703
Total Net Assets - Ending	<u>\$ 5,903,576</u>

See Accompanying Independent Auditor's Report and Notes to Financial Statements

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities	
Receipts from Users	\$ 6,608,701
Payments to Providers	(6,839,851)
Payments to Employees	(251,318)
Other Receipts (Payments)	679,674
	197,206
Net Cash Provided by (Used in) Operating Activities	197,206
Net Cash Provided by (Used in) Noncapital Financing Activities	0
Cash Flows from Investing Activities	
Purchase of Investments	(10,673,350)
Sale of Investments	10,330,148
Interest	145,996
	(197,206)
Net Cash Provided by (Used in) Investing Activities	(197,206)
Net Increase (Decrease) in Cash and Cash Equivalents	0
Balances - Beginning of Year	0
Balances - End of Year	\$ 0
 Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (Loss)	\$ (482,468)
Adjustments to Reconcile Operating Income to Net Cash Provided	
Non-operating revenue	(13,655)
Change in Assets and Liabilities:	
Deposits	86,010
Receivables, net	(5,671)
Deferred Revenue	13,159
Prepaid Expenses	(3,985)
Due from Other Funds	(34,018)
Accounts Payable	(15,222)
Due to Other Funds	108,361
Accrued Liabilities	428,433
Accrued Compensated Absences	116,263
Net Cash Provided By (Used in) Operating Activities	\$ 197,206

See Accompanying Independent Auditor's Report and Notes to Financial Statements

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2004

	Agency Funds			Totals
	Inmates	Nursing Home Residents	Assisted Living Security Deposits	
Assets				
Cash and Equivalents	\$ 42,486	\$ 243,001	\$ 25,929	\$ 311,417
Accounts Receivable	-	316	-	316
Total Assets	42,486	243,317	25,929	311,732
Liabilities				
Accounts Payable	12,069	-	-	12,069
Due to Other Funds	10,370	896	6,807	18,073
Due to Specific Individuals	20,048	242,421	19,122	281,590
Total Liabilities	\$ 42,486	\$ 243,317	\$ 25,929	\$ 311,732

See Accompanying Independent Auditor's Report and Notes to Financial Statements

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Rockingham, New Hampshire (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 the County of Rockingham, New Hampshire and its "component units" (if any). A *primary government* is defined by the GASB as any state government or general purpose local government. Additionally, a primary government may also consist of a special-purpose government (such as a school district) that meets all of the following criteria: (a) it has a *separately elected governing body*, (b) it is *legally separate*, and (c) it is *fiscally independent* of other governments.

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

(B) Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to those who purchase, use, or directly benefit from goods or services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary 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 as well as the proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 available when they are collectible within the current reporting period and available to pay current liabilities. Expenditures are recorded when a liability is incurred. 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 funds in accordance with GASB Statement #10, "Accounting and Financial Reporting for Risk Financing and Related Insurance 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 and (2) **Trust Funds** – To account for funds designated for subsequent years expenditures of the Long Term Care facilities as appropriated.

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Cash and 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.

Cash and equivalent accounts include amounts in demand and savings account deposits as well as short-term investments (such as certificate of deposits) with a maturity date within three months of the date acquired by the County.

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.

Proprietary Fund investment income is comprised of the following for the year:

Interest and Dividends	\$ 153,581
Net Increase (Decrease) in the Fair Value of Investments	<u>(\$7,585)</u>
Total Investment Income	<u>\$ 145,996</u>

The net decrease in fair value of investments during the year takes into account all changes in fair value, including bank charges and selling costs of \$2,438, that occurred during the year.

(E) Interfund Receivables/Payables and Transfers

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.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) Inventories

Inventories of the General Fund are accounted for utilizing the purchase method. Under this method, inventories are recorded as expenditures when purchased. When inventory amounts are material (significant) at year end they are to be reported as assets of the respective fund and are to be equally offset by a fund balance reserve.

(G) Capital Assets

Capital assets include property and equipment are reported in the applicable governmental activities column in the government-wide financial statements. The County defines a capital asset as an asset that has an initial cost of \$5,000 and an estimated useful life of 3 years except for the Nursing Home where assets are capitalized at \$500 and more with a useful life of 3 years.

All Long Term Care fixed assets including the Nursing Home are valued at cost. As of November 2001, the 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. Depreciation is calculated using the straight line method. Estimated useful lives for buildings and improvements are 10 to 30 years and for movable equipment are 3 to 15 years.

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 included in the cost of the asset. 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.

Finally, the County has a variety of capital asset projects in process at December 31, 2004 totaling \$1,231,533. The projects in process are included in the reporting of \$33,089,072 net Capital Assets in the related statements. Once a project is completed it is reported in the asset category (see note 4). The largest Work in Progress project completed during 2004 was the Energy Management project valued at \$3,819,103 and accounts for the significant decrease in work in progress at 12/31/2004.

(H) 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 fund liability of the fund that will pay it. The total liability at December 31, 2004 is \$3,465,685.

The County established a Compensated Absences Fund, a Proprietary Fund, that has provided funding for known separations and long term absences. The funded portion of the liability reported in this fund at December 31, 2004 is \$1,283,222. Since its creation, the fund has increased its amount of funding available to provide for the growing liability. The fund accounts for all funded liabilities and expenditures. Any expense ineligible for fund use based on County policy is accounted for through the General Fund. Any liability for which no funding is currently available is reported in the government wide statement of net assets long term liabilities.

The calculation of compensated absences can include vacation, sick time, earned time and holiday pay that is attributable to past service in which it is probable that the County will compensate the employee

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(I) 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 assets.

(J) Fund Equity

For governmental funds the unreserved fund balances represent the amount that may be available for budgeting future operations; the reserved fund balances represent the amounts that have been legally identified for specific purposes and are not appropriated for expenditure; and the designated fund balances represent tentative plans for future use of financial resources. The County has set and exceeded a financial management goal of attaining a designated Fund Balance of at least 12% of budgeted appropriations.

(K) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Budget

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, 2004, \$5,105,000 of the beginning general fund unreserved 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 reservations of 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:

County Attorney	\$35,000
Deeds	9,722
Sheriff	12,839
Maintenance	23,804
Treasurer	8,500
Jail	6,477
Nursing Home	19,868
	<hr/>
	\$116,210
	<hr/>

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

(C) Budgetary Basis

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final budget at December 31, 2004 and includes encumbrances and reserves at December 31, 2003. The breakdown is as follows:

2004 Original Appropriations	\$ 67,150,397
December 2003 encumbrances	234,787
December 2003 Continuing Appropriations	<u>628,874</u>
Final Budgeted Amounts	<u>\$ 68,014,131</u>

(D) 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.

(E) Claims, Judgments and Contingent Liabilities

Grants – Amounts received are subject to later year’s review and adjustment 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, 2004 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.

NOTE 3—CASH AND INVESTMENTS

Deposits and Investments

Deposits

At year end, the carrying amounts and bank balances with financial institutions of the County’s cash deposits are categorized by credit risk as follows:

Category 1 – Deposits that are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the County (or its agent) in the County’s name.

Category 2 – Deposits that are uninsured and collateralized by securities that are held by the pledging institution’s trust department (or agent) in the County’s name.

Category 3 – Deposits that are uninsured and uncollateralized or collateralized by securities that are held by the pledging institution’s trust department (or agent) but not in the County’s name.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 NOTES TO FINANCIAL STATEMENTS

NOTE 3—CASH AND INVESTMENTS (CONTINUED)

	Category			Bank	
	1	2	3	Carrying	Book
				Amount	Balance
Checking Accounts	\$18,214,520		\$ -	\$18,214,520	\$17,367,084
Savings Accounts	25,929		-	25,929	25,929
CD's	<u>11,012,461</u>		-	<u>11,012,461</u>	<u>11,012,461</u>
	<u>\$29,252,910</u>		<u>\$ -</u>	<u>\$29,252,910</u>	<u>\$28,405,474</u>

Investments

Category 1 – Investments that are insured or registered, or securities held by the County (or its agent) in the County's name.

Category 2 – Investments that are uninsured and unregistered, with U.S. government securities that are held by the counterpart's trust department (or agent) in the County's name.

Category 3 – Investments that are uninsured and unregistered, with securities that are held by the counterpart, or by its trust department (or agent) but not in the County's name.

	Category			Carrying	Book
	1	2	3	Amount	Balance
Investments	\$6,674,110		\$ -	\$6,674,110	\$6,671,143

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for governmental activities at the year ended December 31, 2004:

	Balance at 1/1/04	Additions	Reductions	Balance at 12/31/04
Land	\$ 578,857			\$ 578,857
Building and improvements	41,328,334	5,511,563	(268,417)	46,571,480
Moveable equipment	<u>10,419,413</u>	<u>536,281</u>	<u>(389,688)</u>	<u>10,566,007</u>
Subtotal	52,326,604	6,047,844	(658,105)	57,716,344
Less: Accumulated Depreciation	<u>(24,467,266)</u>	<u>(1,790,635)</u>	<u>399,095</u>	<u>(25,858,806)</u>
Total	<u>27,859,338</u>	<u>4,257,210</u>	<u>(259,010)</u>	<u>31,857,538</u>

NOTE 5—PENSION PLAN

Pension 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

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5—PENSION PLAN (CONTINUED)

information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 4 Chenell Drive, Concord, New Hampshire 03301.

Funding Policy

Covered public safety and general employees are required to contribute 9.3% or 5.0% of their covered salary, respectively, and the County is required to contribute at an actuarially determined rate. The County's contribution rates were 7.87% and 5.90% through December 31, 2004. The County contributes 65% of the employer cost for police employed by the County and the State contributes the remaining 35% of the employer cost. The County contributes 100% of the employer cost for general employees of 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, 2004, 2003, 2002, and 2001 were \$1,301,802, \$1,026,971, \$752,705, and \$703,923 respectively, equal to the required contributions for each year.

NOTE 6—POST-RETIREMENT HEALTH CARE BENEFITS

The County provides post-retirement health care benefits to all eligible employees as provided in statute. The NHRS subsidizes the monthly premium for eligible retirees. If the subsidy does not fully cover the cost, the retiree is responsible for the balance. At December 31, 2004 there were 104 retirees with a single, two-person or family health plan participating. Sixty-nine were over the age of 65.

NOTE 7 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Individual interfund balances at year end are as follows:

Fund	Due From	Due To
General	\$146,359	\$429,285
Special Revenue:		
Expendable Trusts		13,495
ALF Donations	1,975	
Drug Task Force		25
Commissary	23,627	513
Nursing Home Special		1,421
Capital	174,852	
Internal Services:		
Health	107,683	455
Dental	1,768	
Worker's Comp	779	30,759
Compensated Abs	909	91,199
Fiduciary:		
Inmate		10,370
Residents		896
Assisted Living		6,807
Debt Service Fund	302,125	174,852
Totals	760,077	760,077

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 NOTES TO FINANCIAL STATEMENTS

NOTE 8—LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of debt transactions for the year:

	<u>Payable</u> <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable</u> <u>December</u> <u>31</u>
General Obligation Debt:				
General Fund	\$6,610,000	0	(2,600,000)	\$4,010,000
Capital Lease Obligations	<u>4,281,314</u>	<u>489,094</u>	<u>(695,980)</u>	<u>4,074,428</u>
	<u>\$10,891,314</u>	<u>489,094</u>	<u>(\$3,295,980)</u>	<u>\$8,084,428</u>

General Obligation Debt

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. General obligation debt instruments currently outstanding and reported in the general long-term debt account group are as follows:

<u>Long-Term Debt</u>	<u>Interest</u>	<u>Balance</u>
2003 - \$4,685,000 Improvement Bond maturing in 2010	2.00% to 4.00%	4,010,000
Total General Obligation Long-Term Debt		<u>\$4,010,000</u>

Annual debt service requirements to maturity for general obligation debt, including interest are as follows:

Debt Service

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	670,000	90,162	760,162
2006	670,000	76,763	746,763
2007	670,000	62,525	732,525
2008	670,000	46,613	716,613
2009	665,000	29,094	694,094
2010	<u>665,000</u>	<u>9,975</u>	<u>674,975</u>
Totals	<u>\$4,010,000</u>	<u>\$315,132</u>	<u>\$4,325,131</u>

On February 18, 2004 a General Obligation Bond for complex improvements of an amount not to exceed \$4 million was authorized. No borrowing was completed as of December 31, 2004.

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.

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS**

NOTE 8—LONG-TERM DEBT (CONTINUED)

In August 2004, the County refinanced a balance of \$308,401 in outstanding capital lease obligations with varying rates and maturity dates in order to consolidate debt and obtain lower interest rates. Interest rates decreased from 3.65%-31.0% to 3.55%.

Following are the capital leases balances at year end:

Equipment, due in semi-annual installments the next of which is \$58,753 including interest at 3.55%	331,616
Equipment, due in semi- annual installments the next of which is \$1,638 including interest at 3.37%	9,274
Equipment, due in semi- annual installments the next of which is \$2,272 including interest at 5.05%	12,505
Equipment, due in variable annual installments the next of which is \$302,126 including interest, through June, 2018 at 4.73%	<u>3,721,033</u>
	<u>\$4,074,428</u>

Annual debt service requirements to maturity for capital leases, including interest are as follows

<u>Year Ended December 31</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2005	236,396	191,057	427,453
2006	257,012	181,015	438,027
2007	278,945	170,027	448,972
2008	175,812	159,160	334,972
2009	196,010	150,686	346,696
2009-2018	<u>2,930,254</u>	<u>553,684</u>	<u>3,483,938</u>
	<u>4,074,428</u>	<u>1,405,630</u>	<u>5,480,058</u>

NOTE 9—OPERATING LEASES

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

Year	Office Space	Equipment Rental	Total
2005	86,700	11,062	97,762
2006	850	488	1,338
2007		425	425

NOTE 10—DESIGNATED FUND BALANCE

General Fund

Appropriations for certain projects and specific items not fully expended at year end are carried forward as continuing appropriations to the next year in which they supplement the appropriations of that year. \$529,747 and \$8,000 in continuing appropriations for human services and the sheriff's departments are reported at December 31, 2004.

Capital Projects

Any Capital Projects fund balance would be designated for specific capital project expenditures in future years by the Capital Projects fund.

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS**

NOTE 11—CONTINGENCY

There are some outstanding lawsuits pending against the County. 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.

In July 2004, the Supreme Court affirmed the County Commissioners fiscal authority over the Sheriff's department.

NOTE 12—PRIOR PERIOD ADJUSTMENTS

The following Fund Balances and Retained Earnings have been restated at January 1, 2004. Adjustments for both the General Fund and the Internal Service Funds were reported late. The single adjustment for the Capital Fund is the result of removing long term liability from the fund and reporting it as long term debt. The adjustments are as follows:

	General Fund Fund Balance	Capital Fund Fund Balance	Internal Service Total Net Assets
As Previously Reported	\$14,329,703	\$(1,291,188)	\$6,221,598
Adjustments in Accruals and Reserves	<u>90,594</u>	<u>4,012,942</u>	<u>32,105</u>
Restated Amount	<u>14,420,297</u>	<u>\$2,721,754</u>	<u>\$6,253,703</u>

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	\$ 5,943,683	\$ 5,943,683	\$ 5,943,683	
Resources (Inflows)				
Taxes	35,935,492	35,935,492	35,935,492	\$ -
Charges for Services				
County Attorney	294,320	294,320	321,825	27,505
Deeds	5,430,000	5,430,000	5,548,461	118,461
Sheriff/Dispatch/Radio	1,146,167	1,146,167	950,692	(195,475)
Airport Security	2,241,833	2,241,833	1,811,778	(430,055)
Finance	-	-	150	150
Maintenance	-	-	4,950	4,950
County Land Management	21,520	21,520	17,196	(4,324)
Human Services	675,838	675,838	679,184	3,346
Human Resources	-	-	76	76
Corrections	578,800	578,800	444,000	(134,800)
Nursing Home	13,438,858	13,438,858	16,591,958	3,153,100
Assisted Living	455,200	455,200	465,976	10,776
Information Technology	9,000	9,000	6,250	(2,750)
Interest	250,000	250,000	312,966	62,966
Grants	1,531,000	1,531,000	1,016,874	(514,127)
Other	-	-	42,247	42,247
Transfers from Other Funds	37,369	37,369	297,956	260,587
Amounts Available for Appropriation	67,989,080	67,989,080	70,391,711	2,402,631
Charges to Appropriations (Outflows)				
General Government	1,673,694	1,578,694	1,035,073	543,621
Grants	1,631,000	1,618,000	1,020,426	597,574
Commissioners	165,406	165,406	142,801	22,605
Treasurer	61,479	61,479	57,554	3,925
County Attorney	2,400,086	2,420,095	2,326,959	93,136
Medical Examiner	75,350	60,350	49,795	10,555
Deeds	1,406,062	1,415,842	1,188,644	227,198
Sheriff/Dispatch/Radio	3,951,210	3,823,691	3,553,998	269,693
Airport Security	2,050,455	2,179,455	1,609,599	569,856
Delegation Office	83,332	83,332	51,673	31,659
Finance Office	697,886	702,020	622,800	79,220
Maintenance	2,841,590	2,855,278	2,685,697	169,581
Human Services	1,683,884	1,688,541	982,665	705,876
Public Assistance	14,328,600	14,283,544	11,865,199	2,418,345
Human Resources	334,023	336,701	310,142	26,559
Corrections	7,971,400	8,097,056	7,560,657	536,399
Nursing Home	21,383,818	21,384,522	20,053,934	1,330,588
Assisted Living	734,513	735,513	673,561	61,952
Information Technology	319,382	319,382	266,739	52,643
Extension Service	524,038	529,358	509,319	20,039
Non County Specials	258,180	258,180	258,180	-
Debt Service - Principal	2,600,000	2,600,000	2,600,000	-
Debt Service - Interest	177,613	177,613	177,613	1
Capital Outlay	636,079	640,079	99,544	540,535
Transfers to Other Funds	-	-	847,261	(847,261)
Total Charges to Appropriations	67,989,080	68,014,131	60,549,831	7,464,300
Ending Budgetary Fund Balance	\$ -	\$ (25,051)	\$ 9,841,880	\$ (5,061,669)

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflow of Resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 70,391,711
Differences - Budget to GAAP	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(5,943,683)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting services	(297,956)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 64,150,072</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 60,549,831
Differences - Budget to GAAP	
The County budgets for purchases of inventories on the cash basis, rather than on the modified accrual basis.	
Encumbrances for certain contract expenditures ordered but not received are reported in the year the order is placed for budgetary purposes and in the year the resources are received for financial reporting purposes.	184,726
Capital Leases executed during a year are not reported as expenditures for budgetary purposes, but are reported as program expenditures for financial reporting purposes.	180,693
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(847,261)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund	<u>\$ 60,067,989</u>

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2004

Assets	Drug Task Force	Expendable Trusts	Special Revenue					Inmate Chapel	Deeds Equipment	Debt Service		Permanent Funds	Total Nonmajor Governmental Funds
			Nursing Home Special Account	Assisted Living Donations	Inmate Commissary	Inmate Chapel	Energy Mgmt Project			Nonexpendable Trust			
Cash and Equivalents	25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 226	\$ -	\$ -	\$ 251	
Restricted Cash	-	-	44,066	-	93,875	-	997	182,910	-	-	-	321,848	
Investments	-	21,314	-	-	-	-	-	-	174,625	34,867	-	230,807	
Due from Other Funds	-	-	-	1,975	23,115	-	-	-	302,126	-	-	327,215	
Total Assets	25	\$ 21,314	\$ 44,066	\$ 1,975	\$ 116,989	\$ 997	\$ 182,910	\$ 476,978	\$ 34,867	\$ 880,122			
Liabilities													
Accounts Payable	-	\$ -	-	\$ -	\$ 8,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,589	
Leases Payable	-	-	-	-	-	-	-	-	-	-	-	-	
Due to Other Funds	25	13,495	1,421	-	-	-	-	-	174,852	-	-	189,793	
Total Liabilities	25	13,495	1,421	-	8,589	-	-	174,852	-	198,381			
Fund Balances													
Reserved for:													
Debt Service	-	-	-	-	-	-	-	-	302,126	-	-	302,126	
Other Purposes	-	7,820	42,645	1,975	108,400	997	182,910	-	-	34,867	-	379,615	
Total Fund Balances	-	7,820	42,645	1,975	108,400	997	182,910	302,126	34,867	681,741			
Total Liabilities and Fund Balances	25	\$ 21,314	\$ 44,066	\$ 1,975	\$ 116,989	\$ 997	\$ 182,910	\$ 476,978	\$ 34,867	\$ 880,122			

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

	Special Revenue										Debt Service Energy Mgmt Project	Nonexpendable Trust	Permanent Funds	Total Nonmajor Governmental Funds
	Drug Task Force	Expendable Trusts	Nursing Home Special Account	Assisted Living Donations	Inmate Commissary	Inmate Chapel	Deeds Equipment	Deeds Equipment	Deeds Equipment	Deeds Equipment				
Revenues														
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services														
Deeds	-	-	-	-	-	-	-	213,562	-	-	-	-	-	213,562
Corrections	-	-	-	-	276,295	1,144	-	-	-	-	-	-	-	277,439
Nursing Home	-	-	18,667	-	-	-	-	-	-	-	-	-	-	18,667
Assisted Living	-	-	-	605	-	-	-	-	-	-	-	-	-	605
Interest	-	225	281	-	603	6	1,971	-	-	-	2,703	356	-	6,145
Total Revenues	-	225	18,947	605	276,898	1,150	215,533	2,703	2,703	356	356	-	-	516,418
Expenditures														
Current														
Corrections	-	-	-	-	255,281	931	-	-	-	-	-	-	-	256,212
Nursing Home	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-	-	-	291,909	291,909	-	-	-	-	291,909
Total Expenditures	-	-	-	-	255,281	931	-	-	291,909	-	-	-	-	548,121
Excess (Deficiency) of Revenues Over Expenditures	-	225	18,947	605	21,617	219	215,533	(289,206)	356	(31,703)	-	-	-	(31,703)
Other Financing Sources (Uses)														
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	(2,840)	(21,792)	-	(23,324)	-	(250,000)	302,126	(13,094)	-	-	-	-	302,126
Total Other Financing Sources (Uses)	-	(2,840)	(21,792)	-	(23,324)	-	(250,000)	289,032	-	-	-	-	-	(8,924)
Net Change in Fund Balance	-	(2,615)	(2,845)	605	(1,706)	219	(34,467)	(174)	356	(40,627)	-	-	-	(40,627)
Fund Balances, beginning	-	10,435	45,489	1,370	110,107	779	217,377	302,299	34,512	722,368	-	-	-	722,368
Fund Balances, ending	\$ -	\$ 7,820	\$ 42,645	\$ 1,975	\$ 108,400	\$ 997	\$ 182,910	\$ 302,126	\$ 34,867	\$ 681,741	\$ -	\$ -	\$ -	\$ 681,741

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 Combining Statement of Net Assets
 Internal Services Proprietary Funds
 December 31, 2004

	Total				Governmental Activities- Internal Service Funds
	Health Fund	Dental Fund	Worker's Compensation Fund	Unemployment Fund	
Assets					
Current Assets					
Investments	\$ 3,565,908	\$ 277,919	\$ 3,048,447	\$ 39,329	\$ 1,462,861
Accounts Receivable, net	24,390	57	377	9,651	16
Due from Other Funds	107,227	1,769	-	-	-
Deposits	27,633	-	20,000	-	-
Prepaid Expenses	-	-	2,250	2,335	-
Total Current Assets	3,725,158	279,745	3,071,074	51,315	1,462,877
Noncurrent Assets	0	0	0	0	0
Total Assets	3,725,158	279,745	3,071,074	51,315	1,462,877
Liabilities					
Current Liabilities					
Accounts Payable	793,559	25,857	383,146	-	1,671
Due to Other Funds	-	-	29,980	-	90,290
Deferred Revenue	73,124	5,286	-	-	457
Compensated Absences Payable	-	-	-	-	95,725
Total Current Liabilities	866,683	31,142	413,127	-	188,143
Noncurrent Liabilities					
Compensated Absences Payable	-	-	-	-	1,187,497
Total Noncurrent Liabilities	-	-	-	-	1,187,497
Total Liabilities	866,683	31,142	413,127	-	1,375,640
Net Assets					
Unrestricted	2,858,475	248,602	2,657,947	51,315	87,236
Total Net Assets	\$ 2,858,475	\$ 248,602	\$ 2,657,947	\$ 51,315	\$ 87,236

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Services Proprietary Funds
For the Year Ended December 31, 2004

	Health Fund	Dental Fund	Worker's Compensation Fund		Unemployment Fund	Compensated Absences Fund	Total Governmental Activities-Internal Service Funds
			Fund	Fund			
Operating Revenues	\$ 5,234,421	\$ 397,707	\$ 534,621	\$ 16,156	\$ 425,796	\$ 6,608,701	
Charges for Services	5,234,421	397,707	534,621	16,156	425,796	6,608,701	
Total Operating Revenues							
Operating Expenses	5,772,888	373,569	518,423	1,440	173,531	6,839,851	
Claims and Premiums	-	-	-	-	251,318	251,318	
Compensated Absences	5,772,888	373,569	518,423	1,440	424,849	7,091,169	
Total Operating Expenses	(538,468)	24,138	16,198	14,716	947	(482,468)	
Operating Income (Loss)							
Non-Operating Revenues (Expenses)	79,125	6,097	40,994	582	19,198	145,996	
Investment Income	(6,636)	(72)	(6,885)	-	(62)	(13,655)	
Miscellaneous	72,489	6,025	34,109	582	19,136	132,341	
Total Non-Operating Revenues (Expenses)	(465,979)	30,162	50,308	15,298	20,083	(350,127)	
Change in Net Assets	3,324,453	218,440	2,607,640	36,017	67,153	6,253,703	
Total Net Assets - Beginning, as Restated	\$ 2,858,475	\$ 248,602	\$ 2,657,947	\$ 51,315	\$ 87,236	\$ 5,903,576	
Total Net Assets - Ending							

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 Statement of Cash Flows
 Internal Services Proprietary Funds
 For the Year Ended December 31, 2004

	Health Fund	Dental Fund	Worker's Compensation Fund	Unemployment Fund	Compensated Absences Fund	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities						
Receipts from Users	\$ 5,234,421	\$ 397,707	\$ 534,621	\$ 16,156	\$ 425,796	\$ 6,608,701
Payments to Providers	(5,772,888)	(373,569)	(518,423)	(1,440)	(173,531)	(6,839,851)
Payments to Employees	-	-	-	-	(251,318)	(251,318)
Other Receipts (Payments)	418,787	(9,881)	93,717	(12,812)	189,863	679,674
Net Cash Provided by (Used in) Operating Activities	(119,681)	14,257	109,916	1,904	190,810	197,206
Net Cash Provided by (Used in) Noncapital Financing Activities	0	0	0	0	0	0
Cash Flows from Investing Activities						
Purchase of Investments	(3,691,793)	(216,996)	(4,643,430)	(30,220)	(2,090,910)	(10,673,350)
Sale of Investments	3,732,349	196,643	4,492,520	27,733	1,880,902	10,330,148
Interest	79,125	6,097	40,994	582	19,198	145,996
Net Cash Provided by (Used in) Investing Activities	119,681	(14,257)	(109,916)	(1,904)	(190,810)	(197,206)
Net Increase (Decrease) in Cash and Cash Equivalents	0	0	0	0	0	0
Balances - Beginning of Year	0	0	0	0	0	0
Balances - End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating Income (Loss)	\$ (538,468)	\$ 24,138	\$ 16,198	\$ 14,716	\$ 947	\$ (482,468)
Miscellaneous Non Operating Revenues (Expenses)	(6,636)	(72)	(6,885)	-	(62)	(13,655)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Change in Assets and Liabilities:						
Deposits	85,146	-	864	-	-	86,010
Receivables, net	3,381	277	337	(9,651)	(16)	(5,671)
Deferred Revenue	12,547	527	-	-	84	13,159
Prepaid Expenses	528	72	(2,250)	(2,335)	-	(3,985)
Due from Other Funds	(39,711)	1,620	4,565	44	(536)	(34,018)
Accounts Payable	(10,153)	(4,508)	4,942	(870)	(4,633)	(15,222)
Due to Other Funds	(1,161)	-	30,759	-	78,762	108,361
Accrued Liabilities	374,845	(7,797)	61,385	-	-	428,433
Accrued Compensated Absences	-	-	-	-	116,263	116,263
Net Cash Provided By (Used in) Operating Activities	\$ (119,681)	\$ 14,257	\$ 109,916	\$ 1,904	\$ 190,810	\$ 197,206