

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE  
GENERAL PURPOSE FINANCIAL STATEMENTS WITH SUPPORTING SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2007



ROBBIN R. GRILL, CPA, PC

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ROBBIN R. GRILL, CPA, PC

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### 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, 2007 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, 2007 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 6 and 27 through 28 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 conducted 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.

*Robin L. Grill, CPA, PC*

Concord, New Hampshire  
May 12, 2008

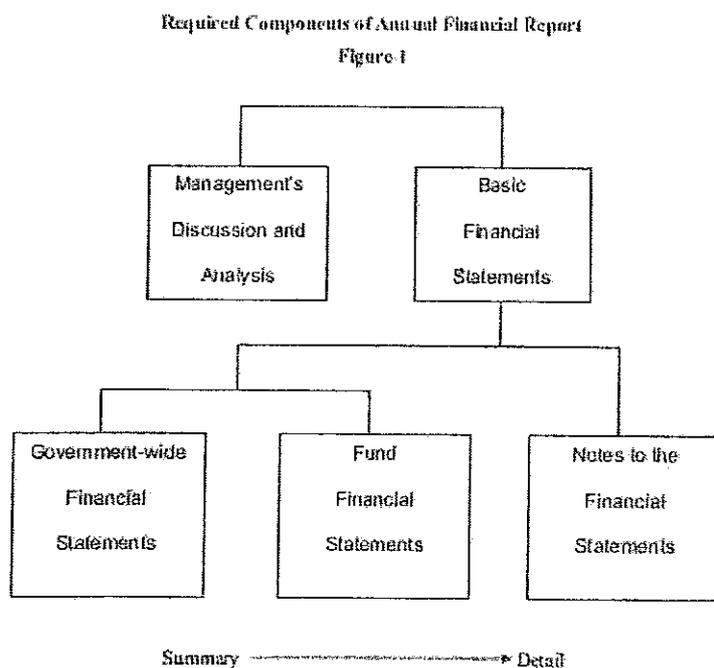
## Rockingham County's Management's Discussion and Analysis for 2007

This report provides readers with a narrative overview and analysis of the financial activities of Rockingham County for the year ended December 31, 2007. 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. This discussion and analysis is required to provide comparisons with the previous year.

### 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 statements presented on pages 8 and 9 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.



### Financial Highlights -Government Wide

- The assets of Rockingham County exceeded its liabilities at the close of the fiscal year by \$54,056,171 (net assets).
- While the government's total net assets reflects minimal a minimal reduction of \$103,000 its long-term liabilities continue to decrease as debt is paid off.

### Financial Highlights-Fund Statements

- As of the close of the year, Rockingham County's reported combined ending fund balances of \$23,277,595 an increase of \$2,299,531 in comparison with the prior year as restated.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$18,626,995 or 25% percent of total general fund appropriations. The amount is 3% or approximately \$2.2 million more as a result of a one time internal transfer.
- The County's total debt decreased by \$ 1,494,723 during the current year.
- The County's retains a Aa2 bond rating for its long-term borrowing and maintained its MIG-1 rating on its short-term borrowing.

### Government-Wide Financial Analysis

The County continues to prepare 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.

The following analysis focuses on net assets (**table 1**) and changes in net assets (**table 2**). Net assets may serve, over time, as one useful indicator of a government's financial condition. Net assets at year end were \$54,056,171 of which \$23,375,339 were unrestricted. Unrestricted net assets can be used to finance day-to-day operations of the County and reduce the effect of property taxes.

*table-1*

*Rockingham County Comparative Net Assets at December 31, 2006 and 2007*

	Activities 2006 As Restated	Activities 2007	% change
Current and other assets	\$43,095,130	\$41,983,171	-3%
Capital Assets	35,760,405	34,826,390	-3%
Total Assets	78,855,535	76,809,561	-3%
Long-term liabilities	13,283,012	11,103,122	-16%
Other Liabilities	11,412,403	11,650,269	2%
Total liabilities	24,695,415	22,753,391	-8%
<b>Net Assets:</b>			
Invested in capital assets net of related debt	25,974,255	26,534,963	2%
Restricted	4,130,629	4,145,869	0%
Unrestricted	24,055,236	23,375,339	-3%
Total net assets	\$54,160,120	\$54,056,171	0%

table-2

*Rockingham County Changes in Net Assets at December 31, 2006 and 2007*

	Activities 2006 As Restated	Activities 2007	% Change
Revenues:			
Program Revenues			
Charges for Services	\$24,934,947	\$24,680,127	-1%
Grants and contributions	291,468	128,607	-56%
General Revenues			
Taxes	37,666,947	38,779,032	3%
Other	1,320,668	1,693,260	28%
Total Revenues	<u>64,214,030</u>	<u>65,281,026</u>	2%
Expenses			
Administration	8,159,769	8,504,505	4%
Law Enforcement	13,625,561	13,858,795	2%
Human Care and Services	34,939,068	38,727,534	11%
Other	3,615,872	3,973,360	10%
Debt interest	360,233	320,782	-11%
Total Expenses	<u>60,700,503</u>	<u>65,384,976</u>	8%
Increase (Decrease) in net assets	3,513,527	(103,949)	-103%
Net Assets at 1/1	<u>50,646,593</u>	<u>54,160,120</u>	7%
Net Assets at 12/31	<u>\$54,160,120</u>	<u>\$54,056,171</u>	0%

*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.

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. At December 31, 2007, unreserved fund balance represents 26 percent of total General Fund appropriations, while total fund balance represents 27 percent of that same amount.

*Capital Asset and Debt Administration*

Assets

At December 31, 2007 the County reported \$35 million in capital assets net of depreciation which does not include work in progress of \$738,534.

### debt

At December 31, 2007 the County had \$8,291,427 in outstanding long-term debt. \$2.7 million originates from a general obligation bond maturing in 2012. An additional \$2 million of the \$8.2 million is for a general obligation bond maturing in 2010. The final \$3.5 million is for capital leases including an energy management project completed in 2004.

### **Economic Factors and Next Year's Budgets and Rates**

- Uncertainty surrounds future County expenditures due to a formula change in the funding of nursing home care. Since July 1, 2008, counties are liable for 100% of the non-Medicaid portion of intermediate nursing care. Demographics of the aging population would indicate that these expenses will be subject to extraordinary increases.
- Property taxes continue to account for 55% of expected revenues for 2008 and mirrors actual experience of 2006 and 2007.
- Budgeted expenditures in the General Fund are expected to increase by approximately 4.5%

### **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 12/31/07. Questions about this report can be directed to the Finance Office at 119 North Road, Brentwood, New Hampshire, 03833.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE  
Comparative Statement of Net Assets  
December 31, 2007

	2006 As Restated		2007		% Change
	Primary Governmental		Primary Governmental		
	Governmental		Governmental		
	Activities		Activities		
<b>Assets</b>					
Cash and Equivalents	\$	26,697,343	\$	24,749,758	-7.30%
Restricted Cash		636,584		697,982	9.64%
Investments		11,515,219		11,913,974	3.46%
Deposits		-		-	
Accrued Interest Receivable		235,833		1,580	-99.33%
Accounts Receivable, net		800,319		1,559,417	94.85%
Internal Balances		-		-	
Due from Other Governments		2,397,217		2,166,965	-9.60%
Prepaid Items		54,139		73,012	34.86%
Inventory		758,074		815,356	7.56%
Gift Cards		400		5,125	1181.25%
Capital Assets, net		35,760,405		34,826,390	-2.61%
Unamortized Note Issuance Costs		-		-	
<b>Total Assets</b>		<u>78,855,535</u>		<u>76,809,561</u>	-2.59%
<b>Liabilities</b>					
Accounts Payable		1,822,907		2,161,021	18.55%
Accrued Interest Payable		113,343		92,045	-18.79%
Accrued Liabilities		708,046		1,066,057	50.56%
Due to Other Governments		8,571,288		7,572,409	-11.65%
Deferred Revenue		196,818		211,589	7.50%
Long-term Liabilities:					
Due Within One Year		4,570,667		4,817,624	5.40%
Due in More Than One Year		8,712,345		6,832,645	-21.58%
<b>Total Liabilities</b>		<u>24,695,415</u>		<u>22,753,391</u>	-7.86%
<b>Net Assets</b>					
Invested in capital assets, net of related debt		25,974,255		26,534,963	2.16%
Restricted for:					
Capital Projects		3,029,591		2,987,876	-1.38%
Debt Service		323,645		334,972	3.50%
Other Purposes		777,394		823,021	5.87%
Unrestricted		24,055,236		23,375,339	-2.83%
<b>Total Net Assets</b>	\$	<u>54,160,120</u>	\$	<u>54,056,171</u>	-0.19%

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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General Government	\$ 1,173,999	\$ -	\$ -	\$ -	\$ (1,173,999)
Commissioners	172,818	-	-	-	(172,818)
Treasurer	30,248	-	-	-	(30,248)
County Attorney	2,615,785	176,799	30,000	-	(2,408,986)
Medical Examiner	61,218	-	-	-	(61,218)
Deeds	1,290,119	3,994,935	-	-	2,704,816
Sheriff/Dispatch/Radio	4,366,109	999,778	98,607	-	(3,267,724)
Delegation	62,144	-	-	-	(62,144)
Finance	712,622	52	-	-	(712,570)
Maintenance	3,700,869	20,182	-	-	(3,680,687)
Human Services	1,129,286	13,014	-	-	(1,116,272)
Public Assistance	14,498,081	734,194	-	-	(13,763,887)
Human Resources	352,619	91	-	-	(352,528)
Corrections	9,492,686	368,365	-	-	(9,124,321)
Nursing Home	22,705,538	17,232,315	-	-	(5,473,224)
Assisted Living	1,523,915	1,123,300	-	-	(400,616)
Information Technology	347,310	17,102	-	-	(330,207)
UNH Cooperative Extension	556,328	-	-	-	(556,328)
Noncounty Specials	272,500	-	-	-	(272,500)
Interest on Long Term Debt	320,782	-	-	-	(320,782)
<b>Total governmental activities</b>	<b>65,384,976</b>	<b>24,680,127</b>	<b>128,607</b>	<b>-</b>	<b>(40,576,241)</b>
<b>Total Primary Government</b>	<b>65,384,976</b>	<b>24,680,127</b>	<b>128,607</b>	<b>-</b>	<b>(40,576,241)</b>
<b>General Revenues:</b>					
Taxes					38,779,032
Grants Not Restricted to Specific Programs					297,429
Interest Earnings					1,324,224
Miscellaneous					71,607
<b>Total General Revenues</b>					<b>40,472,292</b>
<b>Change in Net Assets</b>					<b>(103,949)</b>
Net Assets - Beginning, as Restated					54,160,120
Net Assets - Ending					<b>\$ 54,056,171</b>

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

Balance Sheet  
Governmental Funds  
December 31, 2007

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Equivalents	\$ 21,301,163	\$ 3,352,046	\$ 0	\$ 24,653,209
Restricted Cash	436,946	-	261,036	697,982
Investments	-	-	63,973	63,973
Accounts Receivable, net	1,221,157	-	-	1,221,157
Due from Other Funds	2,919,822	-	437,681	3,357,502
Due from Other Governments	2,166,965	-	-	2,166,965
Prepaid Expenses	57,050	-	-	57,050
Inventory	815,356	-	-	815,356
Gift Cards	5,125	-	-	5,125
<b>Total Assets</b>	<b>\$ 28,923,585</b>	<b>\$ 3,352,046</b>	<b>\$ 762,690</b>	<b>\$ 33,038,321</b>
<b>Liabilities</b>				
Accounts Payable	\$ 827,554	\$ 32,823	\$ 1,906	\$ 862,283
Accrued Liabilities	1,066,057	-	-	1,066,057
Due to Other Funds	415,498	324,639	39,737	779,873
Due to Other Governments	6,688,117	-	-	6,688,117
Deferred Revenue	364,396	-	-	364,396
<b>Total Liabilities</b>	<b>9,361,621</b>	<b>357,462</b>	<b>41,643</b>	<b>9,760,726</b>
<b>Fund Balances</b>				
<b>Reserved for:</b>				
Noncurrent Assets	872,407	-	-	872,407
Encumbrances	62,563	6,708	-	69,271
Capital Projects	-	2,987,876	-	2,987,876
Debt Service	-	-	334,972	334,972
Other Purposes	-	-	386,075	386,075
<b>Unreserved, reported in:</b>				
<b>General Fund</b>				
Designated for Continuing Appropriations	568,029	-	-	568,029
Unreserved	18,058,966	-	-	18,058,966
<b>Total Fund Balances</b>	<b>19,561,964</b>	<b>2,994,584</b>	<b>721,047</b>	<b>23,277,595</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 28,923,585</b>	<b>\$ 3,352,046</b>	<b>\$ 762,690</b>	

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.	34,826,390
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.	6,854,770
Certain long term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued interest payable	(92,045)
Due to other governments	(884,292)
Capital lease obligations payable	(3,521,427)
General obligation bonds payable	(4,770,000)
Accrued compensated absences	(1,905,007)
Deferred revenue	270,186
	<u>(10,902,585)</u>
<b>Net assets of governmental activities</b>	<b>\$ 54,056,171</b>

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, 2007

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 38,779,032	\$ -	\$ -	\$ 38,779,032
Charges for Services				
Commissioners	-	-	-	-
County Attorney	171,799	-	35,000	206,799
Deeds	3,853,573	-	141,362	3,994,935
Sheriff/Dispatch/Radio	1,038,020	-	-	1,038,020
Finance	52	-	-	52
Maintenance	1,604	-	-	1,604
County Land Management	18,578	-	-	18,578
Human Services	747,208	-	-	747,208
Human Resources	91	-	-	91
Corrections	346,671	-	21,694	368,365
Nursing Home	17,221,052	-	11,263	17,232,315
Assisted Living	1,122,175	-	1,125	1,123,300
Information Technology	17,102	-	-	17,102
Interest	451,386	147,765	17,678	616,829
Grants	357,794	-	-	357,794
Other	64,657	7,830	-	72,487
<b>Total Revenues</b>	<b>64,190,795</b>	<b>155,595</b>	<b>228,122</b>	<b>64,574,511</b>
<b>Expenditures</b>				
Current				
General Government	876,570	-	-	876,570
Commissioners	164,006	-	-	164,006
Treasurer	30,232	-	-	30,232
County Attorney	2,522,747	-	13,733	2,536,480
Medical Examiner	61,218	-	-	61,218
Deeds	1,274,618	-	-	1,274,618
Sheriff/Dispatch/Radio	4,346,151	-	-	4,346,151
Delegation Office	57,775	-	-	57,775
Finance Office	718,938	-	-	718,938
Maintenance	3,390,766	-	-	3,390,766
Human Services	1,108,973	-	-	1,108,973
Public Assistance	14,479,373	-	-	14,479,373
Human Resources	366,998	-	-	366,998
Jail	8,931,787	-	-	8,931,787
Nursing Home	21,323,568	-	-	21,323,568
Assisted Living	1,301,295	-	-	1,301,295
Information Technology	412,896	-	-	412,896
Extension Service	532,407	-	-	532,407
Non County Specials	272,500	-	-	272,500
Debt Service - Principal	1,225,000	-	156,921	1,381,921
Debt Service - Interest	175,356	-	166,724	342,080
Grants	360,359	-	-	360,359
Capital Outlay	62,259	934,168	-	996,427
<b>Total Expenditures</b>	<b>63,995,792</b>	<b>934,168</b>	<b>337,378</b>	<b>65,267,338</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>195,002</b>	<b>(778,573)</b>	<b>(109,256)</b>	<b>(692,826)</b>
<b>Other Financing Sources (Uses)</b>				
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	185,075	-	-	185,075
Transfers In	2,898,200	500,000	334,972	3,733,172
Transfers Out	(834,972)	-	(148,200)	(983,172)
<b>Total Other Financing Sources (Uses)</b>	<b>2,248,303</b>	<b>500,000</b>	<b>186,772</b>	<b>2,935,075</b>
<b>Net Change in Fund Balance</b>	<b>2,443,305</b>	<b>(278,573)</b>	<b>77,516</b>	<b>2,242,249</b>
Fund Balances, beginning, as restated	17,061,377	3,273,157	643,531	20,978,064
Changes in Reserves (Inventory)	57,282	-	-	57,282
<b>Fund Balances, ending</b>	<b>\$ 19,561,964</b>	<b>\$ 2,994,584</b>	<b>\$ 721,047</b>	<b>\$ 23,277,595</b>

**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, 2007**

Net change in fund balances - total governmental funds	\$	2,242,249
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		1,246,205
Loss on disposal of capital assets		(2,849)
Depreciation expense		(2,177,371)
		<u>(934,015)</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		(185,075)
Capital lease obligation principle payments		454,798
General obligation bond principle payments		1,225,000
		<u>1,494,723</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		(18,708)
Accrued interest payable		21,298
Accrued compensated absences		(10,445)
		<u>(7,856)</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>(2,956,333)</u>
Inventory is recorded as an expenditure when purchased in the funds but is recorded as an expense when used in governmental activities.		<u>57,282</u>
Change in net assets of governmental activities	\$	<u>(103,949)</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, 2007

		Governmental Activities- Internal Service Funds
		<u>                    </u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$	96,549
Investments		11,850,000
Accrued Interest Receivable		1,580
Accounts Receivable, net		198,991
Due from Other Funds		4,001
Deposits		15,962
<b>Total Current Assets</b>		<u>12,167,084</u>
<b>Noncurrent Assets</b>		
Other receivables		-
<b>Total Noncurrent Assets</b>		<u>-</u>
<b>Total Assets</b>		<u>12,167,084</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable		1,298,738
Due to Other Funds		2,442,361
Deferred Revenue		117,380
Compensated Absences Payable		754,989
<b>Total Current Liabilities</b>		<u>4,613,468</u>
<b>Noncurrent Liabilities</b>		
Compensated Absences Payable		698,846
<b>Total Noncurrent Liabilities</b>		<u>698,846</u>
<b>Total Liabilities</b>		<u>5,312,314</u>
<b>Net Assets</b>		
Unrestricted		6,854,770
<b>Total Net Assets</b>	<b>\$</b>	<u><u>6,854,770</u></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, 2007**

	Governmental Activities- Internal Service Funds
Operating Revenues	
Charges for Services	\$ 6,973,677
<b>Total Operating Revenues</b>	<b>6,973,677</b>
Operating Expenses	
Claims and Premiums	7,221,978
Compensated Absences	630,382
<b>Total Operating Expenses</b>	<b>7,852,360</b>
<b>Operating Income (Loss)</b>	<b>(878,683)</b>
Non-Operating Revenues (Expenses)	
Investment Income	707,395
Miscellaneous	(35,046)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>672,349</b>
<b>Net Income (Loss)</b>	<b>(206,333)</b>
Transfers In	-
Transfers Out	(2,750,000)
<b>Change in Net Assets</b>	<b>(2,956,333)</b>
<b>Total Net Assets - Beginning, As Restated</b>	<b>9,811,104</b>
<b>Total Net Assets - Ending</b>	<b>\$ 6,854,770</b>

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, 2007

	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities	
Receipts from Users	\$ 6,973,677
Payments to Providers	(7,221,978)
Payments to Employees	(630,382)
Other Receipts (Payments)	2,793,425
Net Cash Provided by (Used in) Operating Activities	1,914,742
Net Cash Provided by (Used in) Noncapital Financing Activities	(2,750,000)
Cash Flows from Investing Activities	
Purchase of Investments	(13,382,086)
Sale of Investments	12,987,973
Interest	707,395
Net Cash Provided by (Used in) Investing Activities	313,282
Net Increase (Decrease) in Cash and Cash Equivalents	(521,976)
Balances - Beginning of Year	618,526
Balances - End of Year	\$ 96,550
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (Loss)	\$ (878,683)
Adjustments to Reconcile Operating Income to Net Cash Provided	
Non-operating revenue	(35,046)
Change in Assets and Liabilities:	
Deposits	-
Accrued Interest	234,253
Receivables, net	(14,537)
Deferred Revenue	15,170
Prepaid Expenses	(11,683)
Due from Other Funds	(486,276)
Accounts Payable	(15,023)
Due to Other Funds	2,943,166
Accrued Liabilities	163,399
Accrued Compensated Absences	-
Net Cash Provided By (Used in) Operating Activities	\$ 1,914,742

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, 2007**

	Agency Funds			Totals
	Inmates	Nursing Home Residents	Assisted Living Security Deposits	
<b>Assets</b>				
Cash and Equivalents	\$ 182,351	\$ 205,734	\$ 60,062	\$ 448,148
Accounts Receivable	-	3,500	-	3,500
<b>Total Assets</b>	<b>182,351</b>	<b>209,234</b>	<b>60,062</b>	<b>451,648</b>
<b>Liabilities</b>				
Accounts Payable	7,201	197	-	7,398
Due to Other Funds	134,828	-	7,941	142,769
Due to Specific Individuals	40,323	209,037	52,121	301,481
<b>Total Liabilities</b>	<b>\$ 182,351</b>	<b>\$ 209,234</b>	<b>\$ 60,062</b>	<b>\$ 451,648</b>

## 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 non-fiduciary activities of the primary government. The effect of inter-fund 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. 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. 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 \$707,395 in interest and dividends for 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.

***(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.

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

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 small amount of capital asset projects in process at December 31, 2007 totaling \$738,534. The projects in process are included in the reporting of \$34,826,390 net Capital Assets in the related statements. Once a project is completed it is reported in the asset category (see note 4).

***(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, 2007 is \$3,358,842.

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, 2007 is \$1,453,835. 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 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.

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

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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, 2007, \$4,075,000 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:

Deeds	\$4,253
Jail	32,925
Maintenance	7,722
Nursing Home	17,663
	<u>\$62,563</u>

**(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, 2007 and includes encumbrances and reserves at December 31, 2006. The breakdown is as follows:

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

2007 Appropriations	\$ 669,008,591
December 2006 encumbrances	148,389
December 2006 Continuing Appropriations	666,345
Final Budgeted Amounts	<u>\$ 69,796,105</u>

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

***(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, 2007 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.

Category	Category			Bank	Book
	1	2	3	Carrying Amount	Balance
Checking Accounts	\$ 22,232,828	\$-	\$-	\$ 22,706,390	\$ 22,232,828
Savings Accounts	64,955			64,955	64,955
CD's	152,572			152,081	152,572
	<u>\$22,450,355</u>	<u>\$-</u>	<u>\$-</u>	<u>\$22,923,426</u>	<u>\$22,450,355</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.

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

**NOTE 3—CASH AND INVESTMENTS (CONTINUED)**

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.

	<u>Category</u>			Bank	Book
	<u>1</u>	<u>2</u>	<u>3</u>	Carrying <u>Amount</u>	<u>Balance</u>
Investments	\$15,237,177		\$ -	\$15,237,177	\$15,237,177

**NOTE 4 CAPITAL ASSETS**

The following is a summary of changes in capital assets for governmental activities at the year ended December 31, 2007:

	Balance at 1/1/07 as Restated	Additions	Reductions	Balance at 12/31/07
Land	\$578,857			\$578,857
Building and improvements	51,431,259	997,672		52,428,931
Moveable equipment	11,498,275	286,533	-293,302	11,491,506
Subtotal	63,508,391	1,284,205	-293,302	64,499,294
Less: Accumulated Depreciation	-28,524,520	-2,177,371	288,361	-30,413,530
Total	\$34,983,871	-893,166	4,941	\$34,085,764

**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 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 11.84% and 8.74% at December 31, 2007. 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

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

**NOTE 5—PENSION PLAN (CONTINUED)**

December 31, 2007, 2006, 2005, and 2004, were \$1,791,643, \$1,574,349, \$1,460,183, and \$1,301,802, 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, 2007 there were 85 retirees with a single, two-person or family health plan participating. Fifty-six 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
	\$	
<b>General</b>	3,533,648.96	\$ 1,029,324.80
<b>Permanent</b>		
Non-Expendable		17,554
<b>Special Revenue:</b>		
Expendable Trusts	-	22,183
Special Account	3,259	1,878
ALF Donations	2,686	-
Commissary	92,284	-
Chapel	4,451	-
<b>Capital</b>	1,659	326,297
<b>Internal Services:</b>		
Health	543,091	842,497
Dental	4,001	366
Worker's Comp	34,353	2,000,768
Compensated Abs	3,988	180,162
<b>Fiduciary:</b>		
Inmate	-	134,828
Assisted Living		7,941
Residents	3,500	
<b>Debt Service Fund</b>	336,878	
Non-Expendable		17,554
<b>Totals</b>	<b>4,563,801.35</b>	<b>4,563,801.35</b>

**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 January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable December 31</u>
General Obligation Debt:				
General Fund	5,995,000		(1,225,000)	\$4,770,000
Capital Lease Obligations	<u>3,791,150</u>	<u>185,075.28</u>	<u>(454,798.01)</u>	<u>3,521,427</u>
	<u>9,786,150</u>	<u>185,075</u>	<u>(1,679,798)</u>	<u>\$11,236,477</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%	2,000,000
2005 - \$3,887,000 Improvement Bond maturing in 2012	3.25% to 5.00%	2,770,000
Total General Obligation Long-Term Debt		<u>\$4,770,000</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>
2008	1,225,000	141,406	1,366,406
2009	1,220,000	105,850	1,325,850
2010	1,220,000	68,694	1,288,694
2011	555,000	38,600	593,600
2012	<u>550,000</u>	<u>13,750</u>	<u>563,750</u>
Totals	<u>\$4,770,000</u>	<u>\$368,300</u>	<u>\$5,138,350</u>

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

**NOTE 8—LONG-TERM DEBT (CONTINUED)**

*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 \$334,972 including interest, through June, 2018 at 4.73%	\$3,302,076
Equipment, due in semi-annual installments the next of which is \$18,248 including interest, through July, 2008 at 4.31%	35,351
Equipment, due in monthly installments the next of which is \$845 including interest, through June, 2009 at 3.621%	14,790
Equipment, due in annual installments the next of which is \$42,801 including interest, through Aug, 2008 at 3.925%	41,184
Equipment, due in annual installments the next of which is \$50,362 including interest, through May, 2009 at 3.42%	95,784
Equipment, due in semi-annual installments the next of which is \$6,687 including interest, through June, 2010 at 2.445%	<u>32,242</u>
	<u>\$3,521,427</u>

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

Year Ended December 31	Principle	Interest	Total
2008	321,866	166,285	488,151
2009	262,701	152,804	415,505
2010	224,199	141,319	365,518
2011	240,640	119,151	359,791
2012	265,236	130,750	395,986
2013	2,206,785	162,544	2,369,329
	<u>3,521,427</u>	<u>872,853</u>	<u>4,394,280</u>

**NOTE 9—OPERATING LEASES**

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

Year Ended December 31	Office Space	Equipment Rental	Total
2008	181,613	11,363	192,976
2009	187,119	5,238	192,357
2010	192,806	1,650	194,456
2011	97,847		97,847
	<u>659,385</u>	<u>18,251</u>	<u>677,636</u>

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

**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. \$568,029 in continuing appropriations for the human services department are reported at December 31, 2007.

*Capital Projects*

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

**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.

**NOTE 12—PRIOR PERIOD ADJUSTMENTS**

The following Fund Balances and Retained Earnings have been restated at January 1, 2007. The adjustments are as follows:

	General Fund Fund Balance	Other Governmental Fund Balance	Internal Service Total Net Assets
As Previously Reported	\$16,967,282	\$664,092	\$9,890,838
Adjustments in Accruals and Reserves	<u>94,095</u>	<u>(20,561)</u>	<u>(79,734)</u>
Restated Amount	<u>\$17,061,377</u>	<u>\$643,531</u>	<u>\$9,811,104</u>

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 4,889,734	\$ 4,889,734	\$ 4,889,734	\$ -
Resources (Inflows)				
Taxes	38,778,613	38,778,613	38,779,032	419
Charges for Services				
Commissioners	-	-	-	-
County Attorney	153,744	153,744	171,799	18,055
Deeds	3,616,000	3,616,000	3,853,573	237,573
Sheriff/Dispatch/Radio	1,226,759	1,226,759	1,038,020	(188,739)
Finance	-	-	52	52
Maintenance	1	1	1,604	1,603
Information Technology	12,000	12,000	17,102	5,102
Property Management	21,520	21,520	18,578	(2,942)
Human Services	796,177	796,177	747,208	(48,969)
Human Resources	-	-	91	91
Corrections	321,564	321,564	346,671	25,107
Long Term Care Services				
Nursing Home	17,028,537	17,028,537	17,221,052	192,515
Assisted Living	1,074,400	1,074,400	1,122,175	47,775
Interest	400,001	400,001	451,386	51,385
Grants	1,400,000	1,400,000	357,794	(1,042,206)
Other	-	-	64,657	64,657
Transfers from Other Funds	77,055	77,055	2,898,200	2,821,145
Amounts Available for Appropriation	69,796,105	69,796,105	71,978,729	2,182,624
Charges to Appropriations (Outflows)				
Delegation Office	75,924	75,924	57,775	18,149
Treasurer	33,954	33,954	30,232	3,722
County Attorney/District Court	2,674,020	2,674,020	2,522,657	151,363
Medical Examiner	56,100	56,100	61,218	(5,118)
Sheriff/Dispatch/Radio	4,645,799	4,645,799	4,219,111	426,688
Registry of Deeds	1,443,916	1,443,916	1,249,952	193,964
Commissioners	170,149	170,149	164,006	6,143
General Government	1,364,726	1,266,726	876,570	390,156
Debt Service - Principle	1,225,000	1,225,000	1,225,000	-
Debt Service - Interest	175,356	175,356	175,356	(0)
Projects (Capital Outlay)	591,285	661,285	45,974	615,311
Grants	1,500,000	1,456,101	360,359	1,095,742
Finance Office	726,945	729,945	709,470	20,475
Maintenance	3,808,679	3,833,679	3,388,305	445,374
Information Technology	358,767	358,767	316,442	42,325
Human Services	1,735,185	1,735,185	1,077,351	657,834
Public Assistance	15,307,134	15,307,134	14,477,619	829,515
Jail	9,245,779	9,289,678	8,943,718	345,960
UNH Cooperative Extention	540,579	540,579	530,219	10,360
Human Resources	377,552	384,552	366,998	17,554
Non County Specials	272,501	272,501	272,500	1
Long Term Care Services				
Nursing Home	22,147,991	22,140,991	21,282,568	858,424
Assisted Living	1,318,764	1,318,764	1,300,395	18,369
Transfers to Other Funds	-	-	834,972	(834,972)
Total Charges to Appropriations	69,796,105	69,796,105	64,488,767	5,307,338
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 7,489,962	\$ 7,489,962

**Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditure**

**Sources/Inflow of Resources:**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule \$ 71,163,995

**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. (4,075,000)

Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting services (2,898,200)

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$ 64,190,795

**Uses/Outflows of Resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 64,488,767

**Differences - Budget to GAAP**

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. 156,922

Capital Leases executed during a year are not reported as expenditures for budgetary purposes, but are reported as program expenditures for financial reporting purposes. 185,075

Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. (834,972)

balances-governmental funds \$ 63,995,792

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2007

Assets	Special Revenue										Total	
	Drug Task Force	Expendable Trusts	Nursing Home Special Account	Assisted Living Donations	Inmate Commissary	Inmate Chapel	Deeds Equipment	WFSurtivant Memorial	Energy Mgmt Project	Debt Service		Permanent Funds Nonexpendable Trust
Cash and Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ 0
Restricted Cash	51,333	-	52,238	-	-	-	152,572	4,893	-	-	-	261,036
Investments	-	24,250	-	-	-	-	-	-	-	-	39,723	63,973
Due from Other Funds	-	-	1,381	2,686	92,284	4,451	-	-	336,878	-	-	437,681
<b>Total Assets</b>	<b>\$ 51,333</b>	<b>\$ 24,250</b>	<b>\$ 53,619</b>	<b>\$ 2,686</b>	<b>\$ 92,284</b>	<b>\$ 4,451</b>	<b>\$ 152,572</b>	<b>\$ 4,893</b>	<b>\$ 336,878</b>	<b>\$ 39,723</b>	<b>\$ 762,690</b>	
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,906	\$ -	\$ -	\$ 1,906
Accounts Payable	-	-	-	-	-	-	-	-	-	-	-	-
Leases Payable	-	22,183	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-	17,554	-	17,554
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 22,183</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,906</b>	<b>\$ 17,554</b>	<b>\$ 39,737</b>	<b>\$ 41,643</b>
Fund Balances Reserved for:												
Debt Service	-	-	-	-	-	-	-	-	334,972	-	-	334,972
Other Purposes	51,333	2,067	53,619	2,686	92,284	4,451	152,572	4,893	-	22,170	-	386,075
<b>Total Fund Balances</b>	<b>\$ 51,333</b>	<b>\$ 2,067</b>	<b>\$ 53,619</b>	<b>\$ 2,686</b>	<b>\$ 92,284</b>	<b>\$ 4,451</b>	<b>\$ 152,572</b>	<b>\$ 4,893</b>	<b>\$ 334,972</b>	<b>\$ 22,170</b>	<b>\$ 721,047</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 51,333</b>	<b>\$ 24,250</b>	<b>\$ 53,619</b>	<b>\$ 2,686</b>	<b>\$ 92,284</b>	<b>\$ 4,451</b>	<b>\$ 152,572</b>	<b>\$ 4,893</b>	<b>\$ 336,878</b>	<b>\$ 39,723</b>	<b>\$ 762,690</b>	

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

	Special Revenue										Debt Service		Permanent Funds		Total Nonmajor Governmental Funds
	Drug Task Force	Expendable Trusts	Nursing Home Special Account	Assisted Living Donations	Inmate Commissary	Inmate Chapel	Deeds Equipment	WFS (relevant Memorial)	Energy Mgmt Project	Nonexpendable Trust	Funds	Funds			
Revenues															
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services															
County Attorney	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	35,000
Deeds	-	-	-	-	-	-	141,362	-	-	-	-	-	-	-	141,362
Corrections	-	-	-	-	21,194	500	-	-	-	-	-	-	-	-	21,694
Nursing Home	-	-	11,188	-	-	-	-	75	-	-	-	-	-	-	11,263
Assisted Living	-	-	-	1,125	-	-	-	-	-	-	-	-	-	-	1,125
Interest	-	1,738	674	-	4,705	198	7,227	233	-	-	-	2,903	-	-	17,678
Total Revenues	35,000	1,738	11,862	1,125	25,899	698	148,589	308	-	-	2,903	-	-	-	228,122
Expenditures															
Current															
County Attorney	13,733	-	-	-	-	-	-	-	-	-	-	-	-	-	13,733
Debt Service - Principal	-	-	-	-	-	-	-	-	156,921	-	-	-	-	-	156,921
Debt Service - Interest	-	-	-	-	-	-	-	-	166,724	-	-	-	-	-	166,724
Total Expenditures	13,733	-	-	-	-	-	-	-	323,645	-	-	-	-	-	337,378
Excess (Deficiency) of Revenues Over Expenditures	21,267	1,738	11,862	1,125	25,899	698	148,589	308	(323,645)	2,903	(109,256)	-	-	-	(109,256)
Other Financing Sources (Uses)															
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	(1,621)	(6,506)	-	(23,242)	(330)	(116,000)	-	334,972	(500)	(148,200)	-	-	-	334,972
Total Other Financing Sources (Uses)	-	(1,621)	(6,506)	-	(23,242)	(330)	(116,000)	-	334,972	(500)	(148,200)	-	-	-	186,772
Net Change in Fund Balance	21,267	116	5,356	1,125	2,657	367	32,589	308	11,328	2,403	77,516	-	-	-	77,516
Fund Balances, beginning, as restated	30,066	1,950	48,264	1,561	89,628	4,084	119,982	4,585	323,645	19,766	643,531	-	-	-	643,531
Fund Balances, ending	\$ 51,333	\$ 2,067	\$ 53,619	\$ 2,686	\$ 92,284	\$ 4,451	\$ 152,572	\$ 4,893	\$ 334,972	\$ 22,170	\$ 721,047	-	-	-	721,047

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE  
 Combining Statement of Net Assets  
 Internal Services Proprietary Funds  
 December 31, 2007

	Worker's				Total	
	Health Fund	Dental Fund	Compensation Fund	Unemployment Fund		Compensated Absences Fund
<b>Assets</b>						
<b>Current Assets</b>						
Cash	\$ 76,494	\$ 3,639	\$ 15,534	\$ -	\$ 882	96,549
Investments	5,773,082	402,100	3,604,250	57,089	2,013,479	11,850,000
Accrued Interest Receivable	733	-	440	-	407	1,580
Accounts Receivable, net	130,603	139	68,200	-	50	198,991
Due from Other Funds	366	3,635	-	-	-	4,001
Deposits	15,962	-	-	-	-	15,962
<b>Total Current Assets</b>	<b>5,997,240</b>	<b>409,514</b>	<b>3,688,425</b>	<b>57,089</b>	<b>2,014,817</b>	<b>12,167,084</b>
<b>Noncurrent Assets</b>	-	-	-	-	-	-
<b>Total Assets</b>	<b>5,997,240</b>	<b>409,514</b>	<b>3,688,425</b>	<b>57,089</b>	<b>2,014,817</b>	<b>12,167,084</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts Payable	742,240	30,885	521,142	-	4,471	1,298,738
Due to Other Funds	299,772	-	1,966,415	-	176,174	2,442,361
Deferred Revenue	107,321	9,393	-	-	665	117,380
Compensated Absences Payable	-	-	-	-	754,989	754,989
<b>Total Current Liabilities</b>	<b>1,149,333</b>	<b>40,278</b>	<b>2,487,558</b>	<b>-</b>	<b>936,299</b>	<b>4,613,468</b>
<b>Noncurrent Liabilities</b>						
Compensated Absences Payable	-	-	-	-	698,846	698,846
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>698,846</b>	<b>698,846</b>
<b>Total Liabilities</b>	<b>1,149,333</b>	<b>40,278</b>	<b>2,487,558</b>	<b>-</b>	<b>1,635,145</b>	<b>5,312,314</b>
<b>Net Assets</b>						
Unrestricted	4,847,907	369,236	1,200,867	57,089	379,672	6,854,770
<b>Total Net Assets</b>	<b>\$ 4,847,907</b>	<b>\$ 369,236</b>	<b>\$ 1,200,867</b>	<b>\$ 57,089</b>	<b>\$ 379,672</b>	<b>\$ 6,854,770</b>

**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, 2007**

	Worker's					Unemployment Fund	Compensated Absences Fund	Total Governmental Activities- Internal Service Funds
	Health Fund	Dental Fund	Compensation Fund	Unemployment Fund	Compensated Absences Fund			
<b>Operating Revenues</b>								
Charges for Services	\$ 5,391,035	\$ 382,841	\$ 438,810	\$ 3,586	\$ 757,405	\$ 6,973,677		
<b>Total Operating Revenues</b>	<b>5,391,035</b>	<b>382,841</b>	<b>438,810</b>	<b>3,586</b>	<b>757,405</b>	<b>6,973,677</b>		
<b>Operating Expenses</b>								
Claims and Premiums	5,970,903	387,783	728,971	7,298	127,023	7,221,978		
Compensated Absences	-	-	-	-	630,382	630,382		
<b>Total Operating Expenses</b>	<b>5,970,903</b>	<b>387,783</b>	<b>728,971</b>	<b>7,298</b>	<b>757,405</b>	<b>7,852,360</b>		
<b>Operating Income (Loss)</b>	<b>(579,868)</b>	<b>(4,942)</b>	<b>(290,161)</b>	<b>(3,712)</b>	<b>0</b>	<b>(878,683)</b>		
<b>Non-Operating Revenues (Expenses)</b>								
Investment Income	344,232	1,788	219,838	2,686	138,852	707,395		
Miscellaneous	(25,765)	-	(9,611)	330	-	(35,046)		
<b>Total Non-Operating Revenues (Expenses)</b>	<b>318,467</b>	<b>1,788</b>	<b>210,227</b>	<b>3,016</b>	<b>138,852</b>	<b>672,349</b>		
<b>Net Income (Loss) before Transfers</b>	<b>(261,401)</b>	<b>(3,154)</b>	<b>(79,934)</b>	<b>(696)</b>	<b>138,852</b>	<b>(206,333)</b>		
Transfers In	-	-	-	-	-	-		
Transfers Out	(750,000)	-	(2,000,000)	-	-	(2,750,000)		
<b>Change in Net Assets</b>	<b>(1,011,401)</b>	<b>(3,154)</b>	<b>(2,079,934)</b>	<b>(696)</b>	<b>138,852</b>	<b>(2,956,333)</b>		
<b>Total Net Assets - Beginning, as Restated</b>	<b>5,859,308</b>	<b>372,390</b>	<b>3,280,801</b>	<b>57,785</b>	<b>240,820</b>	<b>9,811,104</b>		
<b>Total Net Assets - Ending</b>	<b>\$ 4,847,907</b>	<b>\$ 369,236</b>	<b>\$ 1,200,867</b>	<b>\$ 57,089</b>	<b>\$ 379,672</b>	<b>\$ 6,854,770</b>		

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE  
 Statement of Cash Flows  
 Internal Services Proprietary Funds  
 For the Year Ended December 31, 2007

	Health Fund	Dental Fund	Worker's Compensation Fund	Unemployment Fund	Compensated Absences Fund	Governmental Activities- Internal Service Funds
<b>Cash Flows from Operating Activities</b>						
Receipts from Users	\$ 5,391,035	\$ 382,841	\$ 438,810	\$ 3,586	\$ 757,405	\$ 6,973,677
Payments to Providers	(5,970,903)	(387,783)	(728,971)	(7,298)	(127,023)	(7,221,978)
Payments to Employees	-	-	-	-	(630,382)	(630,382)
Other Receipts (Payments)	597,282	12,779	2,184,642	1,321	(2,599)	2,793,425
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>17,414</b>	<b>7,836</b>	<b>1,894,481</b>	<b>(2,391)</b>	<b>(2,599)</b>	<b>1,914,742</b>
<b>Cash Flows from Noncapital Financing Activities</b>						
Transfers from Other Funds	-	-	-	-	-	-
Transfers to Other Funds	(750,000)	-	(2,000,000)	-	-	(2,750,000)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(750,000)</b>	<b>-</b>	<b>(2,000,000)</b>	<b>-</b>	<b>-</b>	<b>(2,750,000)</b>
<b>Cash Flows from Investing Activities</b>						
Purchase of Investments	(8,192,832)	(430,175)	(3,711,830)	(14,261)	(1,032,988)	(13,382,086)
Sale of Investments	8,207,809	386,326	3,573,408	13,966	806,464	12,987,973
Interest	344,232	1,788	219,838	2,686	138,852	707,395
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>359,209</b>	<b>(42,061)</b>	<b>81,416</b>	<b>2,391</b>	<b>(87,672)</b>	<b>313,282</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(373,377)</b>	<b>(34,225)</b>	<b>(24,103)</b>	<b>-</b>	<b>(90,271)</b>	<b>(521,976)</b>
Balances - Beginning of Year	449,871	37,864	39,637	-	91,153	618,526
<b>Balances - End of Year</b>	<b>\$ 76,494</b>	<b>\$ 3,639</b>	<b>\$ 15,534</b>	<b>\$ -</b>	<b>\$ 882</b>	<b>\$ 96,549</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating Income (Loss)	\$ (579,868)	\$ (4,942)	\$ (290,161)	\$ (3,712)	\$ 0	\$ (878,683)
Miscellaneous Non Operating Revenues (Expenses)	(25,765)	-	(9,611)	330	-	(35,046)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Change in Assets and Liabilities:						
Deposits	-	-	-	-	-	-
Accrued Interest	135,328	8,544	51,174	991	38,216	234,253
Receivables, net	(47,496)	187	32,799	-	(27)	(14,537)
Deferred Revenue	9,691	5,449	-	-	29	15,170
Prepaid Expenses	(15,962)	-	4,279	-	-	(11,683)
Due from Other Funds	(447,538)	(3,264)	(32,160)	-	(3,313)	(486,276)
Accounts Payable	(22,752)	4,460	6,060	-	(2,790)	(15,023)
Due to Other Funds	833,088	145	1,996,180	-	113,752	2,943,166
Accrued Liabilities	178,687	(2,742)	135,920	-	(148,466)	163,399
Accrued Compensated Absences	-	-	-	-	-	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 17,414</b>	<b>\$ 7,836</b>	<b>\$ 1,894,481</b>	<b>\$ (2,391)</b>	<b>\$ (2,599)</b>	<b>\$ 1,914,742</b>