

**COUNTY OF
ROCKINGHAM, NEW HAMPSHIRE**

Annual Financial Statements

For the Year Ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Rockingham, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Rockingham, New Hampshire, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of County of Rockingham'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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of County of Rockingham, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis appearing on the following pages, and the supplementary information appearing on page 45 are not required parts of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management

Additional Offices:

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

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.

In addition, the supplementary information appearing on pages 46 - 51, is presented for purposes of additional analysis and is not a required part of the basic financial statements of County of Rockingham. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.
Nashua, New Hampshire
August 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The County of Rockingham's financial management offers readers of these financial statements this narrative, overview, and analysis of the financial activities of the County of Rockingham (County) for the year ended December 31, 2011. This discussion and analysis is designed to assist the readers in focusing on the significant financial issues and activities of the County and to identify any significant change in financial position. Readers are encouraged to review the information presented here in conjunction with additional information furnished in the County's financial statements, which follow this narrative.

A. FINANCIAL HIGHLIGHTS – GOVERNMENT WIDE

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$ 56,373,889 (net assets).
- The County's total net assets reflect an increase of \$ 1,649,281 and its long-term liabilities continue to decrease as debt is paid off.
- Long-term liabilities continue to decrease. There is one final bond payment due in 2012.

B. FINANCIAL HIGHLIGHTS – FUND STATEMENTS

- As of the close of the year, the County's reported combined ending fund balances of \$ 27,704,139 were an increase of \$ 300,317 in comparison to the prior year, as restated. The increase is partially due to favorable results for actual expenditures when compared to actual revenues. While revenues were incurred as expected, expenses were underspent notably with regards to Corrections, Maintenance and Nursing Home expenditures.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 18,818,414, or 25% of total 2011 General Fund (budgeted) appropriations.
- The County's total debt decreased by \$ 836,727 during the current year.
- The County retains an Aa2 bond rating for its long-term borrowing and maintained its MIG-1 rating on its short-term borrowing. This bond rating is a clear indication of the sound financial condition of the County.

C. OVERVIEW OF THE FINANCIAL STATEMENTS

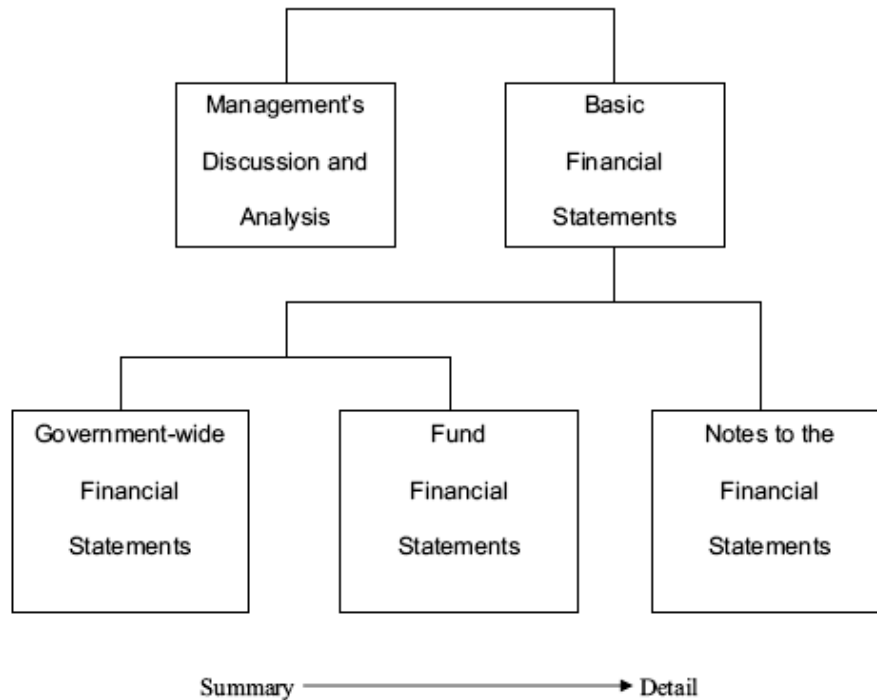
This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements (see Figure 1).

The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

- The statements presented on pages 10 and 11 are the government-wide financial statements. They provide both short and long-term information about the County's financial status.
- The next statements are fund financial statements. These statements focus on the activities of the individual parts of the County's government. They provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: (1) the governmental fund statements, (2) the budgetary comparison statements, (3) the proprietary fund statements, and (4) the fiduciary fund statements.
- The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes, is the required supplemental information that further explains and support the information in the financial statements.

Required Components of Annual Financial Report

Figure 1



D. ANALYSIS OF NET ASSETS

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. Unrestricted net assets can be used to finance day-to-day operations of the County and reduce the effect of property taxes.

Table 1

	<u>NET ASSETS</u>	
	<u>2010*</u>	<u>2011</u>
		Governmental Activities
Current assets	\$ 42,196,151	\$ 41,259,635
Noncurrent assets	<u>31,875,468</u>	<u>33,308,417</u>
Total assets	74,071,619	74,568,052
Current liabilities	15,716,324	14,985,061
Noncurrent liabilities	<u>3,630,687</u>	<u>3,209,102</u>
Total liabilities	19,347,011	18,194,163
Net assets:		
Invested in capital assets, net	27,877,625	30,147,301
Restricted	748,652	797,564
Unrestricted	<u>26,098,331</u>	<u>25,429,024</u>
Total net assets	\$ <u>54,724,608</u>	\$ <u>56,373,889</u>

*=As restated

Table 2

	<u>CHANGES IN NET ASSETS</u>	
	<u>2010*</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services:		
Long-term care services	\$ 21,541,778	\$ 24,341,278
Sheriff's Office	1,059,540	1,181,095
County Attorney	223,566	231,939
Corrections	249,193	190,969
Other functions/programs	<u>3,198,565</u>	<u>3,025,832</u>
Total charges for services	26,272,642	28,971,113
Operating grants and contributions	1,373,055	593,906
Capital grants and contributions	-	2,106,700
General revenues:		
Taxes	42,234,044	41,991,666
Grants and contributions not restricted to specific programs	36,676	-
Interest	73,797	92,315
Miscellaneous	<u>50,064</u>	<u>126,821</u>
Total revenues	70,040,278	73,882,521

*=As restated

(continued)

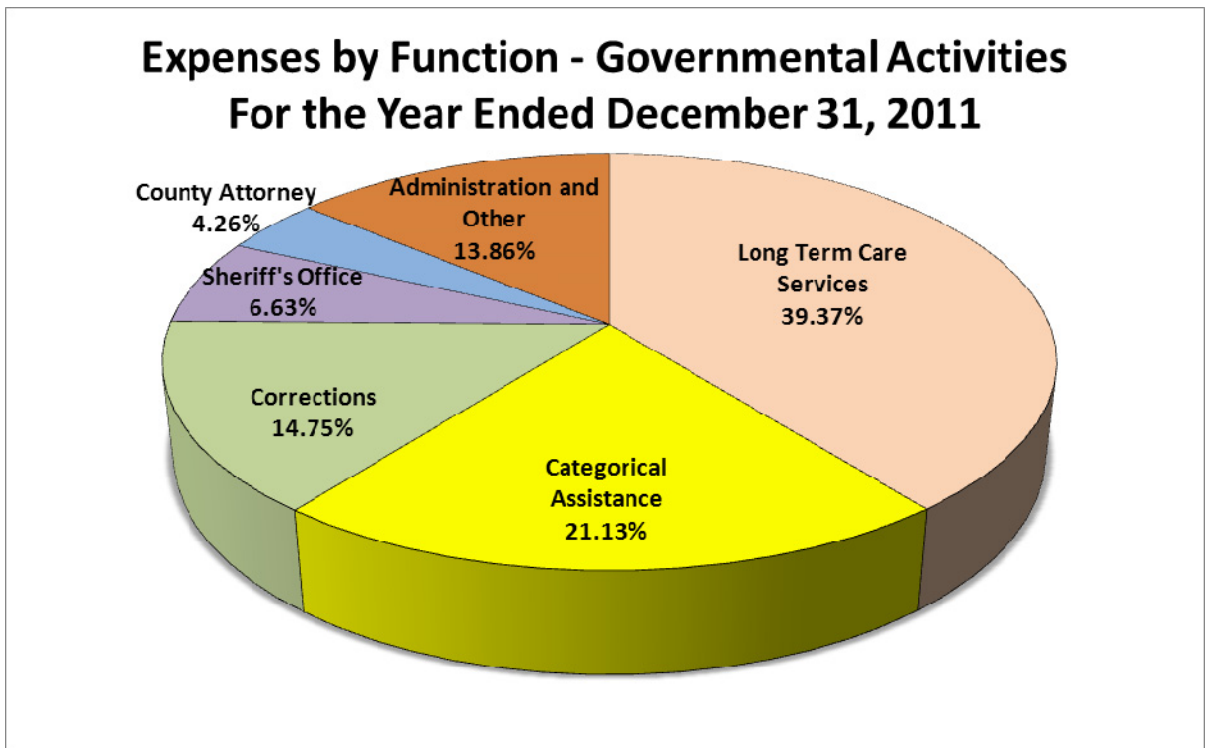
(continued)

	Governmental Activities	
	<u>2010*</u>	<u>2011</u>
Expenses:		
Long-term care services	27,305,090	28,441,645
Categorical assistance	10,391,465	15,261,369
Corrections	10,362,260	10,650,981
Sheriff's Office	5,046,854	4,792,366
County Attorney	3,185,174	3,074,403
Administration and other	10,379,985	9,860,706
Debt interest	<u>188,123</u>	<u>151,770</u>
Total expenses	<u>66,858,951</u>	<u>72,233,240</u>
Change in net assets	3,181,327	1,649,281
Net assets - beginning of year (as restated)	<u>51,543,281</u>	<u>54,724,608</u>
Net assets - end of year	<u>\$ 54,724,608</u>	<u>\$ 56,373,889</u>

*=As restated

E. GOVERNMENT ACTIVITIES

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



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

Table 3 - Total and Net Cost of Services

Function / Program	2010			2011		
	Total Cost of Services	Revenues	Net Cost of Services	Total Cost of Services	Revenues	Net Cost of Services
Long Term Care Services	\$ 27,305,090	\$ 21,541,778	\$ 5,763,312	\$ 28,441,645	\$ 24,341,278	\$ 4,100,367
Categorical Assistance	10,391,465	-	10,391,465	15,261,369	-	15,261,369
Corrections	10,362,260	249,193	10,113,067	10,650,981	190,969	10,460,012
Sheriff's Office	5,046,854	1,424,553	3,622,301	4,792,366	1,370,000	3,422,366
County Attorney	3,185,174	253,566	2,931,608	3,074,403	274,211	2,800,192
Administration and Other	10,568,108	4,176,607	6,391,501	10,012,476	5,495,261	4,517,215
	<u>\$ 66,858,951</u>	<u>\$ 27,645,697</u>	<u>\$ 39,213,254</u>	<u>\$ 72,233,240</u>	<u>\$ 31,671,719</u>	<u>\$ 40,561,521</u>

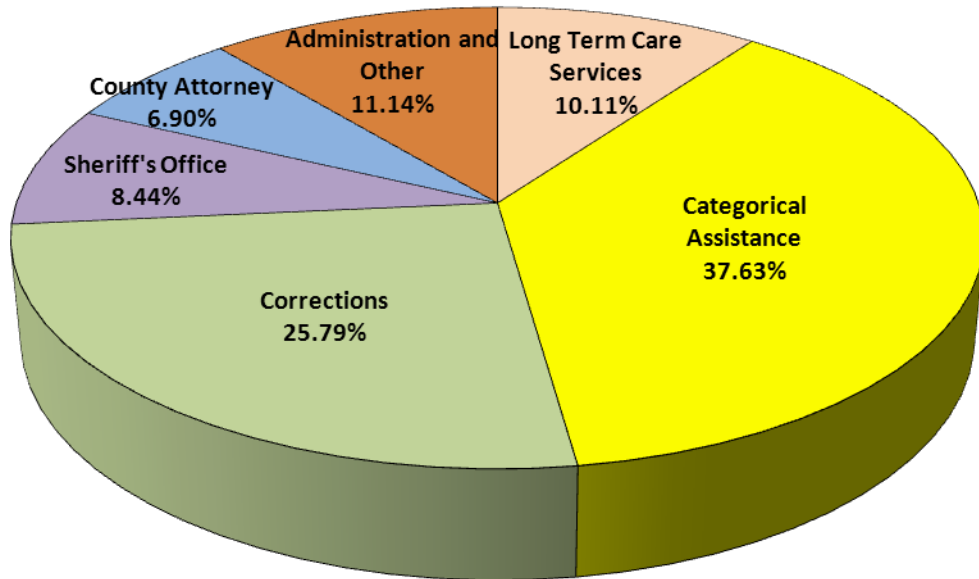
Table 4 - Comparative Net Cost of Services

Function / Program	2010	2011	Change in Net Cost of Services
	Net Cost of Services	Net Cost of Services	
Long Term Care Services	\$ 5,763,312	\$ 4,100,367	\$ (1,662,945)
Categorical Assistance	10,391,465	15,261,369	4,869,904
Corrections	10,113,067	10,460,012	346,945
Sheriff's Office	3,622,301	3,422,366	(199,935)
County Attorney	2,931,608	2,800,192	(131,416)
Administration and Other	6,391,501	4,517,215	(1,874,286)
	<u>\$39,213,254</u>	<u>\$ 40,561,521</u>	<u>\$ 1,348,267</u>

The reduction in net costs for Long-Term Care Services in 2011 was largely due to the therapy services program, resulting in increased revenues and expenses by \$ 2.8 million and \$ 1.1 million, respectively. The increase in net costs for Categorical Assistance was the result of the expiration of abatements received as part of ARRA and increased expenditure caps established by the State of NH.

The following chart is a graphical presentation of the components of the 2011 Net Costs of Services from Table 4. The primary source of funding for Net Costs is tax revenue.

Net Cost of Services - by Function/Program for the Year Ending December 31, 2011



F. COUNTY GOVERNMENT FUNDS

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

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund appropriations. At December 31, 2011, unassigned fund balance represents 25% of total General Fund (budgeted) appropriations, while total fund balance represents 33% of that same amount.

G. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At December 31, 2011 the County reported \$ 33.3 million in capital assets, net of depreciation, which includes construction in progress of \$ 3,079,587. These assets include land, buildings and improvements, machinery, equipment and furnishings, and vehicles.

Long-term debt. At December 31, 2011, the County had \$ 3.2 million in outstanding long-term debt. \$ 550,000 originates from a general obligation bond maturing in 2012. The remaining \$ 2.6 million is for capital leases, including an energy management project completed in 2004 and maturing 2018.

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

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

- A temporary increase in Federal Medical Assistance Percentage (FMAP) for Medicaid expenditures provided through the American Recovery and Reinvestment Act of 2009 expired on June 30, 2011. The County incurred the final effects of this temporary assistance totaling approximately \$ 2.3 million in 2011. This is approximately half the amount reported in 2010.
- Property taxes accounted for 59% of expected resources for 2011 and account for 58% of revenues in the 2012 budget.
- The Long-Term Care (LTC) therapy services program instituted in 2010 is largely responsible for generating a \$ 2 million decrease in the LTC deficit in 2011. Consistency in operations is expected in 2012, enabling LTC to maintain the reduction in deficit during the upcoming year.
- The State of New Hampshire has instituted a Managed Care Program and a Balancing Incentive Program to address Long-Term Care costs effective for late 2012. While both of these programs are meant to slow the cost of Medicaid statewide, the County does not foresee a direct positive effect in the near future. LTC expects to allocate resources to implement the Managed Care Program once it is rolled out and the legislature voted to increase the County's expenditure caps related to the programs addressed by the Balancing Incentive Program.

REQUESTS FOR INFORMATION

This financial report is intended to provide report users with a general overview of the County's finances at December 31, 2011. Questions about this report can be directed to the Finance Office at 119 North Road, Brentwood, New Hampshire, 03833. Additional information about the County of Rockingham can be found at www.co.rockingham.nh.us.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 33,899,592
Investments	72,761
Receivables:	
Accounts, net	1,216,269
Due from other governments, net	5,004,038
Due from fiduciary funds	124,591
Prepaid expenses	98,730
Inventory	843,641
Other assets	13
Noncurrent:	
Capital Assets:	
Land	578,857
Construction in progress	3,079,587
Other assets, net of accumulated depreciation	<u>29,649,973</u>
TOTAL ASSETS	74,568,052
 LIABILITIES	
Current:	
Accounts payable	1,757,148
Accrued payroll and related liabilities	1,453,073
Accrued expenses	5,504
Deferred revenues	11,204
Due to other governments	6,980,458
Incurred but not reported claims liability	1,258,680
Accrued interest payable	8,859
Current portion of long-term liabilities:	
Bonds payable	550,000
Capital leases payable	357,534
Compensated absences	2,602,601
Noncurrent:	
Capital leases payable, net of current portion	2,253,582
Compensated absences, net of current portion	414,653
Net OPEB obligation	<u>540,867</u>
TOTAL LIABILITIES	18,194,163
 NET ASSETS	
Invested in capital assets, net of related debt	30,147,301
Restricted for:	
Grants and other statutory restrictions	770,003
Permanent funds:	
Nonexpendable	27,561
Unrestricted	<u>25,429,024</u>
TOTAL NET ASSETS	\$ <u>56,373,889</u>

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>and Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>
Governmental Activities:					
General government	\$ 1,184,386	\$ -	\$ 362,729	\$ -	\$ (821,657)
Commissioners	189,875	-	-	-	(189,875)
Treasurer	14,628	-	-	-	(14,628)
County attorney	3,074,403	231,939	42,272	-	(2,800,192)
Medical examiner	46,500	-	-	-	(46,500)
Deeds	1,319,526	2,973,054	-	-	1,653,528
Sheriff/dispatch/radio	4,792,366	1,181,095	188,905	-	(3,422,366)
Delegation	79,301	-	-	-	(79,301)
Finance	1,111,840	-	-	-	(1,111,840)
Maintenance	4,217,429	23,840	-	-	(4,193,589)
Human services	222,200	12,933	-	-	(209,267)
Public assistance	15,261,369	-	-	-	(15,261,369)
Human resources	467,024	-	-	-	(467,024)
Corrections	10,650,981	190,969	-	-	(10,460,012)
Nursing home	26,889,379	22,839,500	-	-	(4,049,879)
Assisted living	1,552,266	1,501,778	-	-	(50,488)
Information technology	343,892	16,005	-	-	(327,887)
Extension service	433,355	-	-	-	(433,355)
Non-county specials	230,750	-	-	-	(230,750)
Biomass project	-	-	-	2,106,700	2,106,700
Interest	151,770	-	-	-	(151,770)
Total Governmental Activities	\$ 72,233,240	\$ 28,971,113	\$ 593,906	\$ 2,106,700	(40,561,521)
General Revenues:					
					41,991,666
					92,315
					126,821
					<u>42,210,802</u>
					1,649,281
Net Assets:					
					<u>54,724,608</u>
					<u>\$ 56,373,889</u>

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2011

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 30,598,600	\$ 962,426	\$ 257,930	\$ 31,818,956
Investments	-	-	72,761	72,761
Receivables:				
Accounts, net	1,213,819	-	-	1,213,819
Due from other governments, net	2,990,447	1,966,700	-	4,957,147
Due from other funds	182,241	429	513,703	696,373
Prepaid expenses	42,694	-	-	42,694
Inventory	843,641	-	-	843,641
Other assets	13	-	-	13
TOTAL ASSETS	<u>\$ 35,871,455</u>	<u>\$ 2,929,555</u>	<u>\$ 844,394</u>	<u>\$ 39,645,404</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,030,413	\$ 710,068	\$ -	\$ 1,740,481
Accrued payroll and related liabilities	1,453,073	-	-	1,453,073
Accrued expenses	5,504	-	-	5,504
Deferred revenues	6,854	-	-	6,854
Due to other governments	6,980,458	-	-	6,980,458
Due to other funds	558,313	-	46,830	605,143
Compensated absences	1,149,752	-	-	1,149,752
TOTAL LIABILITIES	11,184,367	710,068	46,830	11,941,265
Fund Balances:				
Nonspendable:				
Prepaid expenses	42,694	-	-	42,694
Inventory	843,641	-	-	843,641
Nonexpendable permanent funds	-	-	27,561	27,561
Total Nonspendable	886,335	-	27,561	913,896
Restricted:				
Long term care (RSA 24:13)	438,620	-	-	438,620
Capital projects funded with grants	-	851,517	-	851,517
Special revenue funds	-	-	385,615	385,615
Total Restricted	438,620	851,517	385,615	1,675,752
Committed:				
Compensated absences	747,752	-	-	747,752
Total Committed	747,752	-	-	747,752
Assigned:				
Debt service	-	-	384,388	384,388
Subsequent year budget	3,726,000	-	-	3,726,000
Encumbrances	69,967	1,367,970	-	1,437,937
Total Assigned	3,795,967	1,367,970	384,388	5,548,325
Unassigned	18,818,414	-	-	18,818,414
TOTAL FUND BALANCES	<u>24,687,088</u>	<u>2,219,487</u>	<u>797,564</u>	<u>27,704,139</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 35,871,455</u>	<u>\$ 2,929,555</u>	<u>\$ 844,394</u>	<u>\$ 39,645,404</u>

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND
 BALANCES TO NET ASSETS OF GOVERNMENTAL
 ACTIVITIES IN THE STATEMENT OF NET ASSETS

DECEMBER 31, 2011

TOTAL GOVERNMENTAL FUND BALANCES	\$ 27,704,139
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 	33,308,418
<ul style="list-style-type: none"> • Internal service funds are used by management to account for certain activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets. 	939,676
<ul style="list-style-type: none"> • Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: <ul style="list-style-type: none"> Accrued interest payable Bonds payable Capital leases payable Compensated absences (unfunded) Net OPEB obligation 	(8,859) (550,000) (2,611,116) (1,867,502) <u>(540,867)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>56,373,889</u>

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	Capital Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 41,991,666	\$ -	\$ -	\$ 41,991,666
Charges for services	28,855,463	-	179,735	29,035,198
Intergovernmental	529,822	2,106,700	-	2,636,522
Investment income	82,827	4,102	2,275	89,204
Miscellaneous	126,823	-	-	126,823
	<u>71,586,601</u>	<u>2,110,802</u>	<u>182,010</u>	<u>73,879,413</u>
Total Revenues				
Expenditures:				
Current:				
General government	821,704	-	-	821,704
Commissioners	167,696	-	-	167,696
Treasurer	14,612	-	-	14,612
County attorney	3,021,466	-	2,618	3,024,084
Medical examiner	46,500	-	-	46,500
Deeds	1,310,319	-	-	1,310,319
Sheriff/dispatch/radio	4,700,670	-	10,046	4,710,716
Delegation	76,137	-	-	76,137
Finance	1,054,005	-	-	1,054,005
Maintenance	3,919,411	-	-	3,919,411
Human services	208,919	-	-	208,919
Public assistance	15,261,369	-	-	15,261,369
Human resources	454,482	-	-	454,482
Corrections	10,130,802	-	-	10,130,802
Nursing home	25,860,638	-	-	25,860,638
Assisted living	1,379,372	-	-	1,379,372
Information technology	344,249	-	-	344,249
Extension service	406,885	-	-	406,885
Non-county specials	230,750	-	-	230,750
Grants	529,775	-	-	529,775
Capital outlay	27,781	3,241,908	-	3,269,689
Debt service:				
Principal	555,000	-	240,640	795,640
Interest	38,600	-	130,750	169,350
	<u>70,561,142</u>	<u>3,241,908</u>	<u>384,054</u>	<u>74,187,104</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	1,025,459	(1,131,106)	(202,044)	(307,691)
Other Financing Sources (Uses):				
Proceeds of capital lease	140,665	-	-	140,665
Transfers in	600,775	574,500	384,388	1,559,663
Transfers out	(958,888)	-	(133,432)	(1,092,320)
	<u>(217,448)</u>	<u>574,500</u>	<u>250,956</u>	<u>608,008</u>
Total Other Financing Sources (Uses)				
Change in fund balance	808,011	(556,606)	48,912	300,317
Fund Equity, at Beginning of Year, as restated	<u>23,879,077</u>	<u>2,776,093</u>	<u>748,652</u>	<u>27,403,822</u>
Fund Equity, at End of Year	<u>\$ 24,687,088</u>	<u>\$ 2,219,487</u>	<u>\$ 797,564</u>	<u>\$ 27,704,139</u>

See 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, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 300,317																				
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital asset purchases</td> <td style="text-align: right;">3,689,187</td> </tr> <tr> <td>Disposal of capital assets</td> <td style="text-align: right;">(10,194)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,246,044)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Proceeds of capital lease</td> <td style="text-align: right;">(140,665)</td> </tr> <tr> <td>Repayments of debt - bonds</td> <td style="text-align: right;">555,000</td> </tr> <tr> <td>Repayments of debt - capital leases</td> <td style="text-align: right;">422,392</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">17,580</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences - change in unfunded liability</td> <td style="text-align: right;">(85,939)</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;">(169,128)</td> </tr> </table> • Internal service funds are used by management to account for certain activities. The net activity of internal service funds is reported with Governmental Activities. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(683,225)</u></td> </tr> </table> 		Capital asset purchases	3,689,187	Disposal of capital assets	(10,194)	Depreciation	(2,246,044)	Proceeds of capital lease	(140,665)	Repayments of debt - bonds	555,000	Repayments of debt - capital leases	422,392		17,580	Compensated absences - change in unfunded liability	(85,939)	Net OPEB obligation	(169,128)		<u>(683,225)</u>
Capital asset purchases	3,689,187																				
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	17,580																				
Compensated absences - change in unfunded liability	(85,939)																				
Net OPEB obligation	(169,128)																				
	<u>(683,225)</u>																				
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>1,649,281</u>																				

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	\$ 3,467,006	\$ 3,467,006	\$ 3,467,006	\$ -
Revenues (Inflows):				
Taxes	41,991,666	41,991,666	41,991,666	-
Charges for services:				
County attorney	260,405	260,405	273,812	13,407
Deeds	2,825,000	2,825,000	2,858,554	33,554
Sheriff/dispatch/radio	1,305,700	1,305,700	1,191,094	(114,606)
Maintenance	-	-	3,140	3,140
Information technology	17,100	17,100	16,005	(1,095)
Property management	21,520	21,520	20,700	(820)
Human services	-	-	12,933	12,933
Corrections	220,000	220,000	157,111	(62,889)
Long term care services:				
Nursing home	21,336,615	21,336,615	22,820,599	1,483,984
Assisted living	1,433,148	1,433,148	1,501,515	68,367
Intergovernmental	1,650,000	1,650,000	529,822	(1,120,178)
Investment income	75,000	75,000	82,827	7,827
Miscellaneous	-	-	126,823	126,823
Transfers from other funds	100,000	100,000	600,775	500,775
Amounts Available for Appropriation	74,703,160	74,703,160	75,654,382	951,222
Charges to Appropriations (Outflows):				
Delegation	91,313	95,759	76,137	19,622
Treasurer	15,605	15,605	14,612	993
County attorney	3,055,556	3,150,966	3,021,466	129,500
Medical examiner	40,504	47,104	46,500	604
Sheriff/dispatch/radio	4,861,490	4,905,387	4,618,334	287,053
Deeds	1,460,237	1,476,602	1,310,319	166,283
Commissioners	182,652	182,652	167,696	14,956
General government	1,369,627	954,627	821,704	132,923
Debt service - principal	555,000	555,000	555,000	-
Debt service - interest	38,000	38,000	38,600	(600)
Projects (Capital outlay)	640,500	640,500	27,781	612,719
Grants	1,750,000	1,750,000	529,775	1,220,225
Finance	1,169,153	1,169,153	1,054,005	115,148
Maintenance	4,349,577	4,382,638	3,919,411	463,227
Information technology	325,613	327,689	315,144	12,545
Human services	144,694	223,724	208,919	14,805
Public assistance	13,336,496	14,959,251	15,261,369	(302,118)
Corrections	10,675,951	10,756,803	10,101,578	655,225
Extension service	423,045	423,045	406,885	16,160
Human resources	448,299	468,521	454,482	14,039
Non-county specials	230,751	230,751	230,750	1
Long Term Care Services				
Nursing home	27,916,811	26,428,097	25,860,638	567,459
Assisted living	1,622,286	1,521,286	1,379,372	141,914
Transfers to other funds	-	-	958,888	(958,888)
Total Charges to Appropriations	74,703,160	74,703,160	71,379,365	3,323,795
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 4,275,017	\$ 4,275,017

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

	Governmental Activities <u>Internal Service Funds</u>
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 2,080,636
Receivables:	
Accounts	2,450
Due from other governments	46,891
Due from other funds	44,610
Prepaid expenses	<u>56,036</u>
Total current assets	<u>2,230,623</u>
TOTAL ASSETS	2,230,623
<u>LIABILITIES</u>	
Current:	
Accounts payable	16,667
Due to other funds	11,249
Deferred revenue	4,350
Incurred but not reported claims liability	<u>1,258,681</u>
Total current liabilities	<u>1,290,947</u>
TOTAL LIABILITIES	1,290,947
<u>NET ASSETS</u>	
Unrestricted	<u>939,676</u>
TOTAL NET ASSETS	<u>\$ 939,676</u>

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental <u>Activities</u> Internal Service <u>Fund</u>
Operating Revenues:	
Employee and employer contributions	\$ <u>1,555,789</u>
Total Operating Revenues	1,555,789
Operating Expenses:	
Employee benefits	<u>1,765,363</u>
Total Operating Expenses	<u>1,765,363</u>
Operating Income (Loss)	(209,574)
Nonoperating Revenues (Expenses):	
Investment income	3,111
Miscellaneous	<u>(9,418)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(6,307)</u>
Income (Loss) Before Transfers	(215,881)
Transfers:	
Transfers out	<u>(467,344)</u>
Change in Net Assets	(683,225)
Net Assets at Beginning of Year	<u>1,622,901</u>
Net Assets at End of Year	\$ <u><u>939,676</u></u>

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from users	\$ 1,555,788
Payments to providers	(1,580,572)
Payments to employees	(184,791)
Other receipts (payments)	<u>(1,356,699)</u>
Net Cash Used In Operating Activities	(1,566,274)
<u>Cash Flows From Noncapital Financing Activities:</u>	
Net change in due to/from other funds	848,700
Transfers to other funds	<u>(467,344)</u>
Net Cash Provided By Noncapital Financing Activities	381,356
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>3,111</u>
Net Cash Provided By Investing Activities	<u>3,111</u>
Net Change in Cash and Short-Term Investments	(1,181,807)
Cash and Short-Term Investments, Beginning of Year	<u>3,262,443</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,080,636</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ (209,574)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Nonoperating revenues (expenses)	(9,418)
Changes in assets and liabilities:	
Accounts receivable	15,374
Other assets/prepaid expenses	(56,036)
Accounts payable	(33,005)
Incurred but not reported claims liability	3,381
Deferred revenue	(3,385)
Compensated absences liability	<u>(1,273,611)</u>
Net Cash Used In Operating Activities	<u>\$ (1,566,274)</u>

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Agency <u>Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ 319,990
Accounts receivable	<u>26</u>
Total Assets	320,016
 <u>LIABILITIES</u>	
Accounts payable	39
Due to other funds	124,591
Due to residents	<u>195,386</u>
Total Liabilities	<u>\$ 320,016</u>

See notes to financial statements.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

A *component unit* is defined by the GASB as a legally separate organization for which the elected officials of the primary government are "financially accountable". The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is "fiscally dependent" on the primary government. *Fiscal independency* is defined by the GASB as the ability to complete certain essential fiscal events without substantive approval by a primary government, (a) determine its budget without another government's having the authority to approve and modify that budget, (b) levy taxes or set rates or charges without approval by another government, and (c) issue bonded debt without approval by another 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 Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a great degree on external fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as well as the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period and available to pay current liabilities.

Generally, all other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, claims and judgment expenditures are recorded only when payment is due.

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

The County reports the following major governmental funds:

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

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

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

Fiduciary Funds are generally used to account for assets that the government holds on behalf of others. The County currently has the following individual agency funds: (1) Inmates Funds - To account for various funds held by the County for individuals incarcerated at the County Corrections Facility, (2) Assisted Living Trust Funds - To account for funds designated for subsequent year's expenditures of the Long-Term Care facilities as appropriated and (3) Nursing Home Residents Funds - To account for funds held by the County for individuals living in the Long-Term Care facility.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain capital project and special revenue funds, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income. Proprietary fund investment income is comprised of \$ 3,111 in interest for the year.

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

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

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

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

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

Investments, if any, are stated at fair value, in accordance with GASB Statement #31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". The fair value of investments is determined annually and is based on current market prices. Fair value fluctuates with

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

F. Interfund Receivables and Payables

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed. Any residual balances outstanding between the funds are reported in the government-wide financial statements as internal balances. However, the government-wide Statement of Activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

G. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. Significant inventory balances on hand in governmental funds at year-end are reported as assets of the respective fund, with an offsetting nonspendable fund balance.

H. Capital Assets

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

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

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

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

The County has a sizeable amount of capital asset projects in process at December 31, 2011 totaling \$ 3,079,587. The projects in process are included in the reporting of \$ 33,308,417 net capital assets in the related statements. Once a project is completed it is reported in the asset category (see note 8).

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

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

I. Compensated Absences

County employees are sometimes entitled to certain compensated absences based, in part, on their length of employment. In accordance with GASB Statement #16, “*Accounting for Compensated Absences*”, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a liability of the fund that will pay it. The total liability at December 31, 2011 is \$ 3,017,254.

In 2011, the County maintained a Compensated Absences Fund; a proprietary fund that has provided funding for known separations and long-term absences. 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. Pursuant to GASB Statement #34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”, the fund was closed effective December 31, 2011. Since the County switched to a fully insured short-term disability insurance carrier for 2012, the fund no longer qualified as an internal service fund. The funded portion of the total compensated absences liability at December 31, 2011 is \$ 1,149,752. 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.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Assets.

K. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (\$ 843,641 and \$ 42,694 for inventory and prepaid expenses, respectively, as of December 31, 2011) or can never be spent (\$ 27,561 principal portion of permanent fund as of December 31, 2011).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds and the capital projects fund, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Board of Commissioners). The County’s amount committed for compensated absences, \$ 747,752, falls under this category.
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. The amount of fund balance designated for use in the next year to reduce the tax burden is categorized as assigned. For 2012, \$ 3,324,000 of fund balance is reserved for this purpose and another \$ 402,000 designated for compensated absences. The Debt Service Fund balance falls under the assigned category.

5) Unassigned funds are available to be spent in future periods.

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

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

Governmental revenues and expenditures are controlled by a formal integrated budgetary system which is substantially consistent with both generally accepted accounting principles (GAAP) and applicable State finance-related laws and regulations which govern the County's operations. The County budget is formally acted upon at the County Convention. During the year, appropriations may be transferred between line items, but total expenditures may not exceed the total approved budget (with the exception of emergency items, which require approval by the New Hampshire Department of Revenue Administration under RSA 32). At year-end, all unencumbered annual appropriations lapse. Other appropriations, which have a longer than annual authority may carry over at year-end if the governing body intends to continue or complete the special purpose for which the funds were established. State legislation also requires balanced budgets. For the County year ended December 31, 2011, \$ 3,467,006 of the beginning General Fund unassigned fund balance was used to reduce taxes.

B. Encumbrances

Encumbrance accounting is utilized in the governmental funds to account for commitments relating to unperformed contracts for goods and services. Encumbrances outstanding at year-end are reported as 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:

General Government	\$ 2,201
Finance Office	18,689
Maintenance	12,242
Information Technology	3,948
Long-Term Care	30,580
Sheriff/Dispatch/Radio	<u>2,307</u>
Total Encumbrances	\$ <u>69,967</u>

C. Budgetary Basis

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all transfers and supplemental appropriations.

D. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 71,586,601	\$ 70,561,142
Other financing sources/uses (GAAP Basis)	<u>741,440</u>	<u>958,888</u>
Subtotal (GAAP Basis)	72,328,041	71,520,030
Reverse proceeds of capital lease	(140,665)	(140,665)
Recognize use of fund balance as funding source	<u>3,467,006</u>	<u>-</u>
Budgetary Basis	<u>\$ 75,654,382</u>	<u>\$ 71,379,365</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus." The County does not have a deposit policy for custodial credit risk.

As of December 31, 2011, the County's bank balance was fully insured or collateralized.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
Mutual funds	\$ <u>72,761</u>	N/A	\$ <u>72,761</u>	\$ -	\$ -	\$ -
Total investments	\$ <u>72,761</u>		\$ <u>72,761</u>	\$ -	\$ -	\$ -

B. Custodial Credit Risk

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

Of the County's investment of \$ 72,761, the government has a custodial credit risk exposure of \$ 72,761 because the related securities are uninsured, unregistered, and held by the County's brokerage firm, which is also the counterparty to these securities. The County manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. At December 31, 2011, no investments in any one issuer (other than Federal agency securities) represent 5% or more of total investments.

D. Foreign Currency Risk

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

5. Accounts Receivable, Net

Accounts receivable consist of the following at December 31, 2011:

	General Fund	Internal Service Fund	Total
Nursing home	\$ 1,162,797	\$ -	\$ 1,162,797
Assisted living	54,988	-	54,988
Phone commissions	8,872	-	8,872
Civil services	30,452	-	30,452
Health premiums	26,686	-	26,686
Outside detail	17,238	-	17,238
Deeds	2,452	-	2,452
Other	53,856	2,450	56,306
Total	<u>1,357,341</u>	<u>2,450</u>	<u>1,359,791</u>
Less: allowance for doubtful accounts	<u>(143,522)</u>	<u>-</u>	<u>(143,522)</u>
Total intergovernmental receivables, net	<u>\$ 1,213,819</u>	<u>\$ 2,450</u>	<u>\$ 1,216,269</u>

6. Due From Other Governments, Net

Due from other governments consist of the following at December 31, 2011:

	General Fund	Capital Projects Fund	Internal Service Fund	Total
State of New Hampshire	\$ 1,962,888	\$ -	\$ 46,891	\$ 2,009,779
U.S. Treasury	1,156,385	1,966,700	-	3,123,085
Other	33,689	-	-	33,689
Total	<u>3,152,962</u>	<u>1,966,700</u>	<u>46,891</u>	<u>5,166,553</u>
Less: allowance for doubtful accounts	<u>(162,515)</u>	<u>-</u>	<u>-</u>	<u>(162,515)</u>
Total due from other governments, net	<u>\$ 2,990,447</u>	<u>\$ 1,966,700</u>	<u>\$ 46,891</u>	<u>\$ 5,004,038</u>

7. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2011 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 182,241	\$ 558,313
Special Revenue Funds:		
Expendable Trust	-	27,646
Nursing Home Special Account	-	1,630
Assisted Living Donations	762	-
Inmate Commissary	117,991	-
Inmate Chapel	7,972	-
Deeds Equipment	2,590	-
Debt Service	384,388	-
Capital Projects Fund	429	-
Internal Service Funds:		
Dental	43,813	2,355
Workers' Compensation	797	8,894
Permanent Trust Fund	-	17,554
Agency Funds:		
Inmates	-	120,750
Nursing Home Residents	-	594
Assisted Living Security Deposits	-	3,247
	<u> </u>	<u> </u>
Total	<u>\$ 740,983</u>	<u>\$ 740,983</u>

8. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 54,205	\$ 706	\$ (146)	\$ 54,765
Machinery, equipment, and furnishings	10,844	919	(2,200)	9,563
Vehicles	1,394	93	(114)	1,373
	<u>66,443</u>	<u>1,718</u>	<u>(2,460)</u>	<u>65,701</u>
Total capital assets, being depreciated	66,443	1,718	(2,460)	65,701
Less accumulated depreciation for:				
Buildings and improvements	(26,104)	(1,714)	146	(27,672)
Machinery, equipment, and furnishings	(9,027)	(399)	2,190	(7,236)
Vehicles	(1,124)	(133)	114	(1,143)
	<u>(36,255)</u>	<u>(2,246)</u>	<u>2,450</u>	<u>(36,051)</u>
Total accumulated depreciation	(36,255)	(2,246)	2,450	(36,051)
Total capital assets, being depreciated, net	30,188	(528)	(10)	29,650
Capital assets, not being depreciated:				
Land	579	-	-	579
Construction in progress	1,108	1,971	-	3,079
	<u>1,687</u>	<u>1,971</u>	<u>-</u>	<u>3,658</u>
Total capital assets, not being depreciated	1,687	1,971	-	3,658
Governmental activities capital assets, net	<u>\$ 31,875</u>	<u>\$ 1,443</u>	<u>\$ (10)</u>	<u>\$ 33,308</u>

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

Governmental Activities:

Commissioners	\$ 20,864
Treasurer	15
County attorney	11,032
Deeds	41,136
Sheriff/dispatch/radio	121,322
Delegation	604
Finance	2,347
Maintenance	279,123
Human services	7,419
Human resources	7,802
Corrections	515,873
Nursing home	1,049,520
Assisted living	156,660
Information technology	9,286
Extension service	<u>23,041</u>
Total depreciation expense - governmental activities	<u>\$ 2,246,044</u>

9. Accounts Payable

Accounts payable represent 2011 expenditures paid after December 31, 2011.

10. Due To Other Governments

Due to other governments consist of the following at December 31, 2011:

	<u>General Fund</u>
State of New Hampshire	\$ 6,911,107 *
County of Strafford	63,020
Other	<u>6,331</u>
Total	<u>\$ 6,980,458</u>

* = Includes approximately \$ 2.4 million of transfer taxes and \$ 4.2 million related to human services liabilities.

11. Deferred Revenue

Governmental funds report deferred revenue in connection with revenues that are not considered to be available to liquidate liabilities of the current period.

12. Tax Anticipation Notes Payable

The County issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. These notes are necessary because property taxes are a major source of funding for appropriations, but the tax collections are not received until shortly before their December 17, 2011 due date. The annual interest rate for the notes was 1.00% with a net interest cost of 0.206% after taking into account the premium paid by the purchaser.

The following summarizes activity of tax anticipation notes payable during fiscal year 2011:

	Balance Beginning of Year	7/29/2011 Proceeds	12/22/2011 Repayment	Balance End of Year
Tax anticipation	\$ <u>-</u>	\$ <u>18,000,000</u>	\$ <u>(18,000,000)</u>	\$ <u>-</u>

13. Long-Term Debt

A. Changes in General Long-Term Liabilities

During the year ended December 31, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/11	Additions	Reductions	Total Balance 12/31/11	Less Current Portion	Equals Long-Term Portion 12/31/11
<u>Governmental Activities</u>						
Bonds payable	\$ 1,105	\$ -	\$ (555)	\$ 550	\$ (550)	\$ -
Other:						
Capital leases payable	2,893	140	(422)	2,611	(357)	2,254
Compensated absences	3,055	-	(38)	3,017	(2,603)	414
Net OPEB obligation	372	339	(170)	541	-	541
Totals	\$ <u>7,425</u>	\$ <u>479</u>	\$ <u>(1,185)</u>	\$ <u>6,719</u>	\$ <u>(3,510)</u>	\$ <u>3,209</u>

B. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/11</u>
2005 - \$ 3,887,000 Improvement Bond	6/15/12	3.25% - 5.00%	\$ <u>550,000</u>

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ <u>550,000</u>	\$ <u>13,750</u>	\$ <u>563,750</u>
Total	\$ <u>550,000</u>	\$ <u>13,750</u>	\$ <u>563,750</u>

C. Capital Lease Obligations

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

Following are the capital lease balances at year-end:

Equipment, due in variable annual installments the next of which is \$ 384,388 including interest, through June, 2018 at 4.73%	\$ 2,472,022
Equipment, due in monthly installments the next of which is \$ 34,681 including interest, through July, 2012 at 5.25%	32,951
Equipment, due in annual installments the next of which is \$ 14,997 including interest, through August, 2012 at 0%	14,997
Equipment, due in annual installments the next of which is \$ 28,750 including interest, through June, 2013 at 4.99%	53,586
Equipment, due in annual installments the next of which is \$ 10,408 including interest, through November, 2013 at 7.47%	18,697
Equipment, due in semi-annual installments the next of which is \$ 10,361 including interest, through August 2013 at 6.50%	<u>18,863</u>
Totals	<u>\$ 2,611,116</u>

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

Year Ended <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 357,534	\$ 126,052	\$ 483,586
2013	338,272	109,089	447,361
2014	319,449	92,318	411,767
2015	349,258	76,921	426,179
2016	381,008	60,086	441,094
2017 and thereafter	<u>865,595</u>	<u>63,449</u>	<u>929,044</u>
Totals	<u>\$ 2,611,116</u>	<u>\$ 527,915</u>	<u>\$ 3,139,031</u>

14. Operating Leases

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

<u>Year Ended</u> <u>December 31</u>	<u>Office</u> <u>Space</u>	<u>Equipment</u> <u>Rental</u>	<u>Total</u>
2012	\$ 175,836	\$ 27,664	\$ 203,500
2013	-	19,679	19,679
2014	-	<u>10,309</u>	<u>10,309</u>
Totals	<u>\$ 175,836</u>	<u>\$ 57,652</u>	<u>\$ 233,488</u>

15. Restricted Net Assets

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

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

16. Commitments and Contingencies

Outstanding Legal Matters - There are several pending legal matters in which the County is involved. The County follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. It is County management's opinion that the County is not liable in these suits, and the County intends to contest the cases. The County's management is also of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants – Amounts received are subject to later year's review and adjustments by grantor agencies, principally the federal and state governments. At such time, any disallowed claims, including amounts already collected, may constitute a liability of the County and the applicable funds. At December 31, 2011, the County believes that disallowed expenditures, if any, based on subsequent review will not have a material effect on any individual funds or the overall financial position of the County.

17. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an

actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

The New Hampshire retirement system (Title VI, Medical Benefits Chapter 100-A:50) requires that political subdivisions in New Hampshire extend the same health insurance coverage to retirees as those offered to active employees, including spousal, and family coverage. Premium rates must be rated on a group basis including both employees and retirees. Premium charges payable by employees and by retirees are at the discretion of the subdivision. As of December 31, 2011 (the actuarial valuation date), approximately 34 retirees and 380 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The County of Rockingham's fiscal 2011 annual OPEB expense is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the Normal Cost (NC) per year and amortize any unfunded actuarial liability (UAAL), or funding excess, over a period of thirty years. This calculation is performed using an open amortization and level service. The following table shows the components of the County's annual OPEB cost for the year ending December 31, 2011, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of December 31, 2011.

Annual Required Contribution (ARC)	\$ 345,753
Interest on net OPEB obligation	14,870
Adjustment to ARC	<u>(21,498)</u>
Annual OPEB cost	339,125
Contributions made*	<u>(169,997)</u>
Increase in net OPEB obligation	169,128
Net OPEB obligation - beginning of year	<u>371,739</u>
Net OPEB obligation - end of year	<u><u>\$ 540,867</u></u>

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

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 339,125	50.1%	\$ 540,867
2010	\$ 258,837	53.6%	\$ 371,739
2009	\$ 251,548	0.0%	\$ 251,548

E. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,931,545
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 2,931,545</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions

of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the December 31, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial value of assets was not determined as the County has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), the anticipated long-term investment return on the County's invested funds. Healthcare inflation is calculated based upon a secular trend of 9.0% grading to down to 4.5% over 10 years. In addition, healthcare costs are projected to advance age by age at approximately 4%. UAAL is being amortized over a 30-year period (level dollar method, on an open basis) using a 4.0% interest rate discount factor.

18. Pension Plan

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

A. Plan Description

The County contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

B. Funding Policy

Covered public safety (Group II) and general employees (Group I) are required to contribute 11.55% or 7.0% of their covered salary, respectively, and the County is required to contribute at an actuarially determined rate. The County's contribution rates were 19.95% (Group II) and 8.80% (Group I) at December 31, 2011. Effective July 1, 2011, the County contributes 75% of the employer cost for police employed by the County and the State contributes the remaining 25% of the employer cost. The County contributes 100% of the employer cost for general employees employed by the County.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The County's contributions to the NHRS for the years ending December 31, 2011, 2010, 2009, and 2008 were \$ 2,886,088, \$ 2,530,973, \$ 2,261,544, and \$ 2,129,089, respectively, which were equal to the required contributions for each year.

19. Self-Insurance

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

Workers Compensation

The County contracts with an insurance consultant for claims processing of the County's workers compensation policy, which has no excess liability coverage for any employees. The Workers Compensation claims liability represents an estimate of future costs based on a historical analysis of similar claims for all employees excluding public safety. The County is unable to make any reasonable estimate of its liability for public safety employees.

Dental Insurance

The County does not contract with an insurance carrier for excess liability coverage. Under the terms of its dental insurance coverage, the County is liable for all dental claims up to an annual maximum of \$ 1,000 per covered individual. Any claim amounts exceeding \$ 1,000 maximum, are the responsibility of the covered plan participants. The claims liability represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended December 31, 2011 are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Dental</u> <u>Coverage</u>	<u>Total</u>
Claims liability, beginning of year, as restated	\$ 1,243,027	\$ 12,273	\$ 1,255,300
Claims incurred/recognized in fiscal year 2011	684,781	415,803	1,100,584
Claims paid in fiscal year 2011	<u>(684,781)</u>	<u>(412,423)</u>	<u>(1,097,204)</u>
Claims liability, end of year	<u>\$ 1,243,027</u>	<u>\$ 15,653</u>	<u>\$ 1,258,680</u>

20. **Risk Management**

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

21. **Federal Medical Assistance Percentage (FMAP)**

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

During 2011, the State did receive an additional FMAP allowance quarterly in addition to the regular FMAP payment. As a result, the monthly amount due from the County was reduced. However, the State continued billing the County the normal 50% monthly and later abated the amounts paid by the County by providing a check for each quarter of the year. The abatement totaled \$ 1.2 million during 2011 and materially reduced the County payments due the State. The FMAP allowances as a result of ARRA were extended by the United States Congress through June 30, 2011.

22. **Beginning Fund Balance and Net Assets Restatement**

The beginning (January 1, 2011) fund balances of the County have been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 55,253,386
Accrual adjustments	(557,860)
Revenue recognition adjustment	<u>29,082</u>
As restated	<u><u>\$ 54,724,608</u></u>

Fund Basis Financial Statements:

	<u>General Fund</u>
As previously reported	\$ 24,407,855
Accrual adjustments	(557,860)
Revenue recognition adjustment	<u>29,082</u>
As restated	<u><u>\$ 23,879,077</u></u>

ROCKINGHAM COUNTY, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011
(Unaudited)
(Amounts Expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
12/31/11	\$ -	\$ 2,932	\$ 2,932	0.0%	n/a	n/a
12/31/09	\$ -	\$ 2,184	\$ 2,184	0.0%	n/a	n/a

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2011

	Drug Task <u>Force</u>	Expendable <u>Trust</u>	Nursing Home <u>Special Account</u>	Assisted Living <u>Donations</u>	Inmate <u>Commissary</u>	Inmate <u>Chapel</u>	Deeds <u>Equipment</u>	WF Sturtevant <u>Memorial</u>	Debt <u>Service</u>	Permanent <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS											
Cash and short-term investments	\$ 12,019	\$ -	\$ 77,281	\$ -	\$ -	\$ -	\$ 163,464	\$ 5,166	\$ -	\$ -	\$ 257,930
Investments	-	27,646	-	-	-	-	-	-	-	45,115	72,761
Due from other funds	-	-	-	762	117,991	7,972	2,590	-	384,388	-	513,703
TOTAL ASSETS	\$ 12,019	\$ 27,646	\$ 77,281	\$ 762	\$ 117,991	\$ 7,972	\$ 166,054	\$ 5,166	\$ 384,388	\$ 45,115	\$ 844,394
LIABILITIES AND FUND BALANCES											
Liabilities:											
Due to other funds	\$ -	\$ 27,646	\$ 1,630	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,554	\$ 46,830
Due to residents	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	27,646	1,630	-	-	-	-	-	-	17,554	46,830
Fund Balances:											
Nonspendable	-	-	-	-	-	-	-	-	-	27,561	27,561
Restricted	12,019	-	75,651	762	117,991	7,972	166,054	5,166	-	-	385,615
Assigned	-	-	-	-	-	-	-	-	384,388	-	384,388
TOTAL FUND BALANCES	12,019	-	75,651	762	117,991	7,972	166,054	5,166	384,388	27,561	797,564
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,019	\$ 27,646	\$ 77,281	\$ 762	\$ 117,991	\$ 7,972	\$ 166,054	\$ 5,166	\$ 384,388	\$ 45,115	\$ 844,394

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

NONMAJOR GOVERNMENTAL FUNDS

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

FOR THE YEAR ENDED DECEMBER 31, 2011

	Drug Task Force	Expendable Trust	Nursing Home Special Account	Assisted Living Donations	Inmate Commissary	Inmate Chapel	Deeds Equipment	WF Sturtevant Memorial	Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:											
Charges for services:											
County attorney	\$ 399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399
Deeds	-	-	-	-	-	-	114,500	-	-	-	114,500
Sheriff/dispatch/radio	11,813	-	-	-	-	-	-	-	-	-	11,813
Corrections	-	-	-	-	32,682	1,177	-	-	-	-	33,859
Nursing home	-	-	18,901	-	-	-	-	-	-	-	18,901
Assisted living	-	-	-	263	-	-	-	-	-	-	263
Investment income	1	619	93	-	209	13	335	9	-	996	2,275
Total Revenues	12,213	619	18,994	263	32,891	1,190	114,835	9	-	996	182,010
Expenditures:											
Current:											
County attorney	2,618	-	-	-	-	-	-	-	-	-	2,618
Sheriff/dispatch/radio	10,046	-	-	-	-	-	-	-	-	-	10,046
Debt service:											
Principal	-	-	-	-	-	-	-	-	240,640	-	240,640
Interest	-	-	-	-	-	-	-	-	130,750	-	130,750
Total Expenditures	12,664	-	-	-	-	-	-	-	371,390	-	384,054
Excess (deficiency) of revenues over expenditures	(451)	619	18,994	263	32,891	1,190	114,835	9	(371,390)	996	(202,044)
Other Financing Sources (Uses):											
Transfers in	-	-	-	-	-	-	-	-	384,388	-	384,388
Transfers out	-	(3,453)	(6,160)	(2,487)	(21,332)	-	(100,000)	-	-	-	(133,432)
Total Other Financing Sources (Uses)	-	(3,453)	(6,160)	(2,487)	(21,332)	-	(100,000)	-	384,388	-	250,956
Change in fund balance	(451)	(2,834)	12,834	(2,224)	11,559	1,190	14,835	9	12,998	996	48,912
Fund Equity, at Beginning of Year	12,470	2,834	62,817	2,986	106,432	6,782	151,219	5,157	371,390	26,565	748,652
Fund Equity, at End of Year	\$ 12,019	\$ -	\$ 75,651	\$ 762	\$ 117,991	\$ 7,972	\$ 166,054	\$ 5,166	\$ 384,388	\$ 27,561	\$ 797,564

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

COMBINING STATEMENT OF NET ASSETS

DECEMBER 31, 2011

	<u>Dental Fund</u>	<u>Workers' Compensation Fund</u>	<u>Governmental Activities Total Internal Service Funds</u>
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 261,086	\$ 1,819,550	\$ 2,080,636
Receivables:			
Accounts	903	1,547	2,450
Due from other governments	-	46,891	46,891
Due from other funds	43,813	797	44,610
Prepaid expenses	<u>-</u>	<u>56,036</u>	<u>56,036</u>
Total current assets	<u>305,802</u>	<u>1,924,821</u>	<u>2,230,623</u>
TOTAL ASSETS	305,802	1,924,821	2,230,623
<u>LIABILITIES</u>			
Current:			
Accounts payable	-	16,667	16,667
Due to other funds	2,355	8,894	11,249
Deferred revenue	4,350	-	4,350
Incurred but not reported claims liability	<u>15,654</u>	<u>1,243,027</u>	<u>1,258,681</u>
Total current liabilities	<u>22,359</u>	<u>1,268,588</u>	<u>1,290,947</u>
TOTAL LIABILITIES	22,359	1,268,588	1,290,947
<u>NET ASSETS</u>			
Unrestricted	<u>283,443</u>	<u>656,233</u>	<u>939,676</u>
TOTAL NET ASSETS	<u>\$ 283,443</u>	<u>\$ 656,233</u>	<u>\$ 939,676</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

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

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Dental Fund</u>	<u>Workers' Compensation Fund</u>	<u>Compensated Absences Fund</u>	<u>Governmental Activities Total Internal Service Fund</u>
Operating Revenues:				
Employee and employer contributions	\$ <u>505,554</u>	\$ <u>673,002</u>	\$ <u>377,233</u>	\$ <u>1,555,789</u>
Total Operating Revenues	505,554	673,002	377,233	1,555,789
Operating Expenses:				
Employee benefits	<u>452,759</u>	<u>935,371</u>	<u>377,233</u>	<u>1,765,363</u>
Total Operating Expenses	<u>452,759</u>	<u>935,371</u>	<u>377,233</u>	<u>1,765,363</u>
Operating Income (Loss)	52,795	(262,369)	-	(209,574)
Nonoperating Revenues (Expenses):				
Investment income	198	1,483	1,430	3,111
Miscellaneous	<u>-</u>	<u>(9,418)</u>	<u>-</u>	<u>(9,418)</u>
Total Nonoperating Revenues (Expenses), Net	<u>198</u>	<u>(7,935)</u>	<u>1,430</u>	<u>(6,307)</u>
Income (Loss) Before Transfers	52,993	(270,304)	1,430	(215,881)
Transfers:				
Transfers out	<u>-</u>	<u>-</u>	<u>(467,344)</u>	<u>(467,344)</u>
Change in Net Assets	52,993	(270,304)	(465,914)	(683,225)
Net Assets at Beginning of Year	<u>230,450</u>	<u>926,537</u>	<u>465,914</u>	<u>1,622,901</u>
Net Assets at End of Year	<u>\$ 283,443</u>	<u>\$ 656,233</u>	<u>\$ -</u>	<u>\$ 939,676</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Dental Fund	Workers' Compensation Fund	Compensated Absences Fund	Governmental Activities Total Internal Service Fund
<u>Cash Flows From Operating Activities:</u>				
Receipts from users	\$ 505,554	\$ 673,001	\$ 377,233	\$ 1,555,788
Payments to providers	(452,759)	(935,371)	(192,442)	(1,580,572)
Payments to employees	-	-	(184,791)	(184,791)
Other receipts (payments)	<u>(12,572)</u>	<u>(66,981)</u>	<u>(1,277,146)</u>	<u>(1,356,699)</u>
Net Cash Provided by (Used In) Operating Activities	40,223	(329,351)	(1,277,146)	(1,566,274)
<u>Cash Flows From Noncapital Financing Activities:</u>				
Net change in due to/from other funds	(30,350)	998,657	(119,607)	848,700
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(467,344)</u>	<u>(467,344)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	(30,350)	998,657	(586,951)	381,356
<u>Cash Flows From Investing Activities:</u>				
Investment income	<u>198</u>	<u>1,483</u>	<u>1,430</u>	<u>3,111</u>
Net Cash Provided By Investing Activities	<u>198</u>	<u>1,483</u>	<u>1,430</u>	<u>3,111</u>
Net Change in Cash and Short-Term Investments	10,071	670,789	(1,862,667)	(1,181,807)
Cash and Short-Term Investments, Beginning of Year	<u>251,015</u>	<u>1,148,761</u>	<u>1,862,667</u>	<u>3,262,443</u>
Cash and Short-Term Investments, End of Year	<u>\$ 261,086</u>	<u>\$ 1,819,550</u>	<u>\$ -</u>	<u>\$ 2,080,636</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income (loss)	\$ 52,795	\$ (262,369)	\$ -	\$ (209,574)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Nonoperating revenues (expenses)	-	(9,418)	-	(9,418)
Changes in assets and liabilities:				
Accounts receivable	675	14,301	398	15,374
Other assets/prepaid expenses	-	(56,036)	-	(56,036)
Accounts payable	(13,979)	(15,829)	(3,197)	(33,005)
Incurred but not reported claims liability	3,381	-	-	3,381
Deferred revenue	(2,649)	-	(736)	(3,385)
Compensated absences liability	<u>-</u>	<u>-</u>	<u>(1,273,611)</u>	<u>(1,273,611)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 40,223</u>	<u>\$ (329,351)</u>	<u>\$ (1,277,146)</u>	<u>\$ (1,566,274)</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2011

	<u>Inmates</u>	<u>Nursing Home Residents</u>	<u>Assisted Living Security Deposits</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 146,616	\$ 104,543	\$ 68,831	\$ 319,990
Accounts receivable	<u>-</u>	<u>26</u>	<u>-</u>	<u>26</u>
Total Assets	146,616	104,569	68,831	320,016
 <u>LIABILITIES</u>				
Accounts payable	5	34	-	39
Due to other funds	120,750	594	3,247	124,591
Due to specific individuals	<u>25,861</u>	<u>103,941</u>	<u>65,584</u>	<u>195,386</u>
Total Liabilities	<u>\$ 146,616</u>	<u>\$ 104,569</u>	<u>\$ 68,831</u>	<u>\$ 320,016</u>
 <u>NET ASSETS</u>				
Net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report.