

**COUNTY OF
ROCKINGHAM, NEW HAMPSHIRE**

Annual Financial Statements

For the Year Ended December 31, 2013

County of Rockingham, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Rockingham, New Hampshire

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Rockingham, New Hampshire, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County of Rockingham, New Hampshire's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Rockingham, New Hampshire, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information appearing on pages 46 through 51 is presented for purposes of additional analysis and is not a required part of the basic

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Melanson Heath

September 22, 2014

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, 2013. This discussion and analysis is designed for readers in focusing on the significant financial issues and activities of the County and to identify any significant change in financial position. Readers are encouraged to review the information presented here in conjunction with additional information furnished in the County's financial statements, which follow this narrative.

A. FINANCIAL HIGHLIGHTS – GOVERNMENT WIDE

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$63,463,017 (net position).
- The County's total net position reflects an increase of \$4,116,806. The increase was planned to prepare for self-insured health funding.
- Long-term liabilities increased significantly as a result of bonds issued in July 2013. The bonds will be used to fund a variety of capital improvement projects.

B. FINANCIAL HIGHLIGHTS – FUND STATEMENTS

- As of the close of the year, the County's reported combined ending fund balances of \$42,001,230 were an increase of \$11,479,280 in comparison to the prior year. The increase is mostly due to other financing sources, notably the proceeds and premium from bonds issued in July 2013. The increase is also partially due to specific planning by management to increase reserves for self-insured benefit funding.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$22,544,749, or 29% of total 2013 General Fund (budgeted) appropriations.
- The County's total long-term debt increased by approximately \$9.2 million during the current year, mostly due to the \$8.7 million of general obligation bonds issued in July 2013. \$1.6 million is committed to refunding of an outstanding lease.
- The County retains an Aa1 bond rating for its long-term borrowing and maintained its MIG-1 rating on its short-term borrowing. The consistent level of bond rating is a clear indication of the sound financial condition of the County.

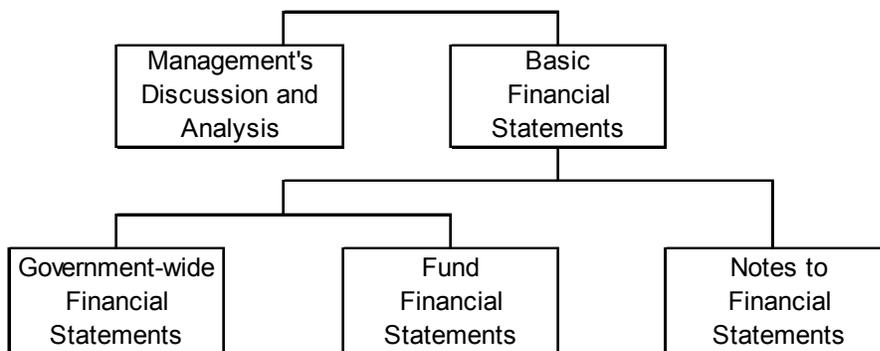
C. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Required Components of Annual Financial Report

Figure 1



D. ANALYSIS OF NET POSITION

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

Table 1

	<u>NET POSITION</u>	
		Governmental <u>Activities</u>
	<u>2012</u>	<u>2013</u>
Current assets	\$ 43,817,616	\$ 58,149,771
Noncurrent assets	<u>32,841,835</u>	<u>32,418,942</u>
Total assets	76,659,451	90,568,713
Current liabilities	13,974,628	16,754,822
Noncurrent liabilities	3,326,409	10,337,202
Deferred inflows of resources	<u>12,203</u>	<u>13,672</u>
Total liabilities and deferred inflows of resources	17,313,240	27,105,696
Net position:		
Net investment in capital assets	30,526,299	30,764,090
Restricted	478,962	499,328
Unrestricted	<u>28,340,950</u>	<u>32,199,599</u>
Total net position	<u>\$ 59,346,211</u>	<u>\$ 63,463,017</u>

Table 2

	<u>CHANGE IN NET POSITION</u>	
		Governmental <u>Activities</u>
	<u>2012</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services:		
Long Term Care Services	\$ 24,820,545	\$ 23,887,394
Corrections	220,345	205,798
Administration and Other	3,630,356	3,676,803
Sheriff's Office	1,172,893	1,208,733
County Attorney	<u>286,216</u>	<u>241,663</u>
Total charges for services	30,130,355	29,220,391
Operating grants and contributions	794,709	691,576
Capital grants and contributions	-	23,552
General revenues:		
Taxes	43,141,885	43,873,563
Investment income	44,376	46,691
Miscellaneous	<u>122,401</u>	<u>183,867</u>
Total revenues	74,233,726	74,039,640

(continued)

(continued)

Table 2

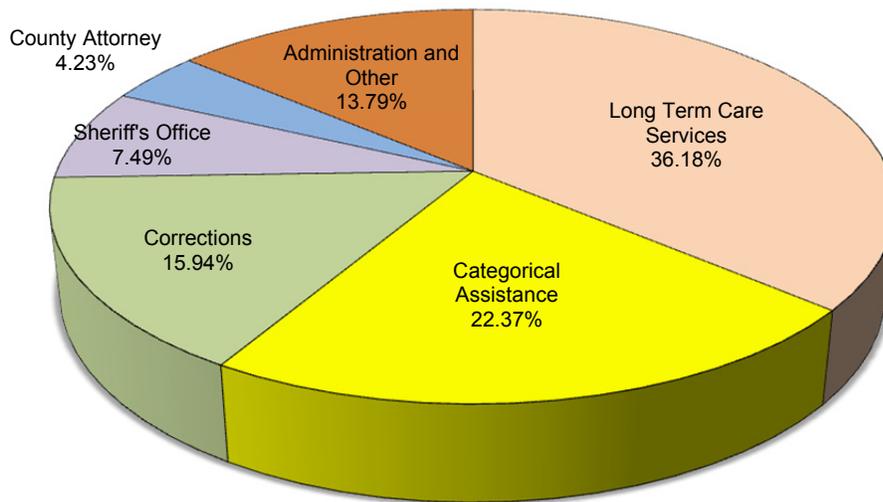
CHANGE IN NET POSITION

	Governmental Activities	
	<u>2012</u>	<u>2013</u>
Expenses:		
Long Term Care Services	26,774,512	25,313,379
Categorical Assistance	15,386,052	15,652,117
Corrections	11,615,159	11,152,313
Administration and Other	9,541,174	9,602,985
Sheriff's Office	4,908,408	5,242,391
County Attorney	<u>3,036,099</u>	<u>2,959,649</u>
Total expenses	<u>71,261,404</u>	<u>69,922,834</u>
Change in net position	2,972,322	4,116,806
Net position - beginning of year	<u>56,373,889</u>	<u>59,346,211</u>
Net position - end of year	<u>\$ 59,346,211</u>	<u>\$ 63,463,017</u>

E. GOVERNMENTAL ACTIVITIES

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

Expenses by Function - Governmental Activities For the Year Ended December 31, 2013



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	2012			2013		
	Total Cost of Services	Revenues	Net Cost of Services	Total Cost of Services	Revenues	Net Cost of Services
Long Term Care Services	\$ 26,774,512	\$ 24,820,545	\$ 1,953,967	\$ 25,313,379	\$ 23,887,394 *	\$ 1,425,985
Categorical Assistance	15,386,052	-	15,386,052	15,652,117	-	15,652,117
Corrections	11,615,159	220,345	11,394,814	11,152,313	205,798	10,946,515
Administration and Other	9,541,174	4,210,157	5,331,017	9,602,985	4,176,710	5,426,275
Sheriff's Office	4,908,408	1,366,920	3,541,488	5,242,391	1,386,295	3,856,096
County Attorney	3,036,099	307,097	2,729,002	2,959,649	279,322	2,680,327
	<u>\$ 71,261,404</u>	<u>\$ 30,925,064</u>	<u>\$ 40,336,340</u>	<u>\$ 69,922,834</u>	<u>\$ 29,935,519</u>	<u>\$ 39,987,315</u>

**This amount reflects the budgetary net cost; actual net cost of services (a portion of which is reflected in Administration and Other) is \$4,417,645 as cited in the December 31, 2013 Rockingham County Nursing Home Medicaid Cost Report.*

Table 4 - Comparative Net Cost of Services

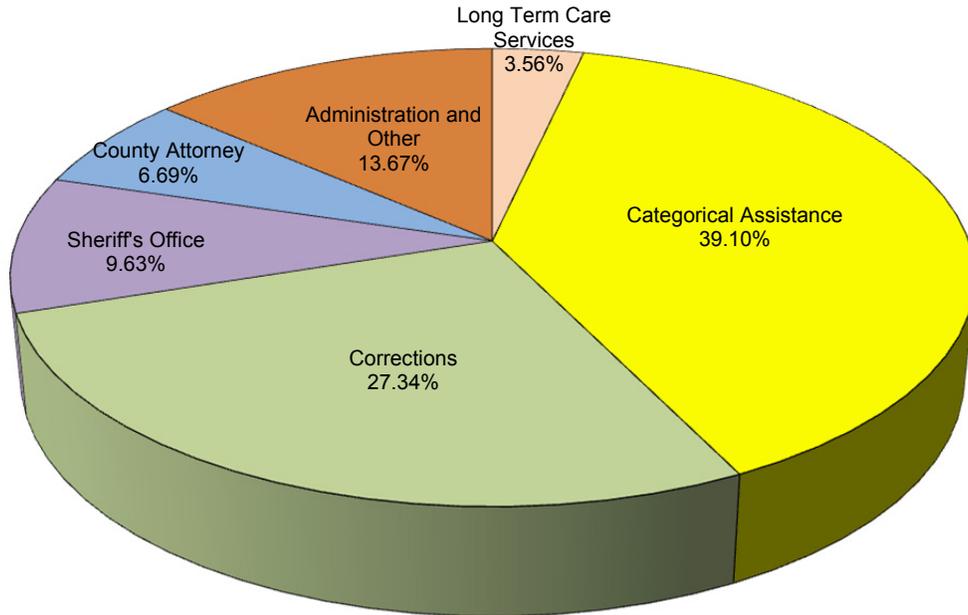
Function / Program	2012	2013	Change in Net Cost of Services
	Net Cost of Services	Net Cost of Services	
Long Term Care Services	\$ 1,953,967	\$ 1,425,985	\$ (527,982)
Categorical Assistance	15,386,052	\$ 15,652,117	266,065
Corrections	11,394,814	\$ 10,946,515	(448,299)
Administration and Other	5,331,017	\$ 5,426,275	95,258
Sheriff's Office	3,541,488	\$ 3,856,096	314,608
County Attorney	2,729,002	\$ 2,680,327	(48,675)
	<u>\$40,336,340</u>	<u>\$ 39,987,315</u>	<u>\$ (349,025)</u>

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

The reduction in net costs for Long Term Care Services in 2013 was largely due to continued cost cutting measures that outpaced the reduction in revenues and management's planning to increase reserves to provide for self-insured benefits. The increase in net costs for Categorical Assistance was the result of the increased expenditure caps established by the State of New Hampshire. The decrease in net costs for Corrections was mostly the result of decreased expenses for contracted medical care (\$249,000) and outside medical care (\$111,000). The increase in net costs for Administration and Other is primarily due to increases in legal expenses (\$100,000) and labor relations (\$52,000). The increase in net costs for the Sheriff's Office was mostly the result of increased payroll and related expenses (\$250,000) and an increase in equipment and vehicle expenses (\$80,000).

The following chart is a graphical presentation of the components of the 2013 Net Costs of Services from Table 4. The primary source of funding for Net Costs is tax revenues.

Net Cost of Services - by Function/Program for the Year Ending December 31, 2013



F. COUNTY GOVERNMENTAL FUNDS

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

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund appropriations. At December 31, 2013, unassigned fund balance represents 29% of total General Fund (budgeted) appropriations, while total fund balance represents 43% of that same amount.

G. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At December 31, 2013 the County reported approximately \$32.4 million in capital assets, net of depreciation, which includes construction in

progress of \$1,027,654. These assets include land, buildings and improvements, machinery, equipment and furnishings, and vehicles.

Long-term debt. At December 31, 2013 the County had approximately \$13.5 million in outstanding long-term debt. Most of this amount is comprised of general obligation bonds of \$8.7 million issued in 2013, with the remaining balance including an energy management lease that was refunded in 2014, compensated absences, and net OPEB obligation.

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

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

- Property taxes accounted for 58% of expected resources for 2013 and account for 57% of revenues in the 2014 budget.
- The reduction in the Long Term Care deficit in 2013 was largely due to the receipt of an additional \$3.2 million in proportionate share revenues. This additional amount is expected in 2014 as well but cannot be predicted.
- The State of New Hampshire planned to institute a Managed Care Program and a Balancing Incentive Program to address long term care costs effective for late 2012. While both of these programs are meant to slow the cost of Medicaid statewide, neither were in place at year end and thus far have not been implemented in 2014. The State has committed to a 2015 date.
- The caps for Categorical Assistance payments are expected to increase as part of the State's new biennial budget proposal. Categorical Assistance will continue to be the largest net County expenditure, followed by Corrections.
- Jail expenditures, including facility maintenance and correctional services, will be an increasing cost to the county. The County's ability to maintain a stable financial position and ample reserves, while continuing to control jail expenditures, will be a key factor in the future.

REQUESTS FOR INFORMATION

This financial report is intended to provide report users with a general overview of the County's finances at December 31, 2013. Questions about this report can be directed to the Finance Office at 119 North Road, Brentwood, New Hampshire, 03833. Additional information about the County of Rockingham can be found at www.co.rockingham.nh.us.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2013

	Governmental Activities
ASSETS	
Current:	
Cash and short-term investments	\$ 50,930,752
Restricted cash	1,043,062
Investments	73,222
Receivables:	
Accounts, net	1,358,306
Due from other governments, net	3,383,787
Due from fiduciary funds	388,267
Prepaid expenses	139,802
Inventory	832,560
Other assets	13
Total current assets	<u>58,149,771</u>
Noncurrent:	
Capital Assets:	
Land	578,857
Construction in progress	1,027,654
Other assets, net of accumulated depreciation	<u>30,812,431</u>
Total noncurrent assets	<u>32,418,942</u>
TOTAL ASSETS	90,568,713
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Liabilities	
Current:	
Accounts payable	1,333,287
Accrued payroll and related liabilities	1,754,924
Due to other governments	8,799,452
Incurred but not reported claims liability	1,533,006
Security deposits	14,483
Accrued interest payable	145,091
Current portion of long-term liabilities:	
Bonds payable	682,238
Capital leases payable	410,259
Compensated absences	<u>2,082,082</u>
Total current liabilities	<u>16,754,822</u>
Noncurrent:	
Bonds payable, net of current portion	8,549,577
Capital leases payable, net of current portion	63,258
Compensated absences, net of current portion	923,711
Net OPEB obligation	<u>800,656</u>
Total noncurrent liabilities	<u>10,337,202</u>
TOTAL LIABILITIES	27,092,024
Deferred Inflows of Resources	<u>13,672</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	27,105,696
NET POSITION	
Net investment in capital assets	30,764,090
Restricted for:	
Grants and other statutory restrictions	471,499
Permanent funds:	
Nonexpendable	27,829
Unrestricted	<u>32,199,599</u>
TOTAL NET POSITION	\$ <u>63,463,017</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>	
Governmental Activities:					
Long Term Care Services:					
Nursing home	\$ 23,772,825	\$ 22,386,951	\$ -	\$ -	\$ (1,385,874)
Assisted living	1,540,554	1,500,443	-	-	(40,111)
Categorical Assistance:					
Public assistance	15,652,117	-	-	-	(15,652,117)
Corrections	11,152,313	205,798	-	-	(10,946,515)
Administration and Other:					
Maintenance	3,941,026	21,045	-	-	(3,919,981)
General government	1,907,548	-	499,907	-	(1,407,641)
Deeds	1,251,564	3,621,831	-	-	2,370,267
Finance	950,525	-	-	-	(950,525)
Information technology	308,323	14,055	-	-	(294,268)
Human resources	297,271	-	-	-	(297,271)
Interest	251,458	-	-	-	(251,458)
Non-county specials	239,750	-	-	-	(239,750)
Commissioners	184,840	-	-	-	(184,840)
Human services	112,005	19,872	-	-	(92,133)
Delegation	85,951	-	-	-	(85,951)
Medical examiner	58,029	-	-	-	(58,029)
Treasurer	14,695	-	-	-	(14,695)
Sheriff's Office:					
Sheriff/dispatch/radio	5,242,391	1,208,733	154,010	23,552	(3,856,096)
County Attorney	<u>2,959,649</u>	<u>241,663</u>	<u>37,659</u>	<u>-</u>	<u>(2,680,327)</u>
Total Governmental Activities	<u>\$ 69,922,834</u>	<u>\$ 29,220,391</u>	<u>\$ 691,576</u>	<u>\$ 23,552</u>	<u>(39,987,315)</u>
General Revenues:					
					43,873,563
					46,691
					183,867
					<u>44,104,121</u>
					4,116,806
Net Position:					
					59,346,211
					<u>\$ 63,463,017</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2013

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 39,738,388	\$ 8,196,657	\$ 43,807	\$ 47,978,852
Restricted cash	746,748	-	296,314	1,043,062
Investments	-	-	73,222	73,222
Receivables:				
Accounts, net	1,343,829	-	45	1,343,874
Due from other governments, net	3,314,209	-	-	3,314,209
Due from other funds	1,106,339	422,368	154,413	1,683,120
Prepaid expenses	134,927	-	-	134,927
Inventory	832,560	-	-	832,560
Other assets	13	-	-	13
TOTAL ASSETS	\$ 47,217,013	\$ 8,619,025	\$ 567,801	\$ 56,403,839
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,196,283	\$ 90,672	\$ -	\$ 1,286,955
Accrued payroll and related liabilities	1,754,924	-	-	1,754,924
Due to other funds	842,131	477,873	68,473	1,388,477
Due to other governments	8,799,452	-	-	8,799,452
Security deposits	14,483	-	-	14,483
Compensated absences	1,149,752	-	-	1,149,752
TOTAL LIABILITIES	13,757,025	568,545	68,473	14,394,043
DEFERRED INFLOWS OF RESOURCES	8,566	-	-	8,566
Fund Balances:				
Nonspendable:				
Prepaid expenses	134,927	-	-	134,927
Inventory	832,560	-	-	832,560
Nonexpendable permanent funds	-	-	27,829	27,829
Total Nonspendable	967,487	-	27,829	995,316
Restricted:				
Long term care (RSA 24:13)	440,270	-	-	440,270
Capital projects	-	6,444,350	-	6,444,350
Special revenue funds	-	-	471,499	471,499
Total Restricted	440,270	6,444,350	471,499	7,356,119
Committed:				
Compensated absences	1,958,818	-	-	1,958,818
Health fund funding	2,804,174	-	-	2,804,174
Total Committed	4,762,992	-	-	4,762,992
Assigned:				
Subsequent year budget	4,578,000	-	-	4,578,000
Encumbrances	157,924	1,606,130	-	1,764,054
Total Assigned	4,735,924	1,606,130	-	6,342,054
Unassigned	22,544,749	-	-	22,544,749
TOTAL FUND BALANCES	33,451,422	8,050,480	499,328	42,001,230
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 47,217,013	\$ 8,619,025	\$ 567,801	\$ 56,403,839

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

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

DECEMBER 31, 2013

Total governmental fund balances	\$ 42,001,230
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,418,942
• Internal service funds are used by management to account for certain activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	1,549,965
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(145,091)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(9,231,815)
Capital leases payable	(473,517)
Compensated absences (unfunded)	(1,856,041)
Net OPEB obligation	<u>(800,656)</u>
Net position of governmental activities	<u>\$ 63,463,017</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 43,873,563	\$ -	\$ -	\$ 43,873,563
Charges for services	29,072,260	-	214,017	29,286,277
Intergovernmental	625,690	-	-	625,690
Investment income	37,736	7,930	694	46,360
Miscellaneous	261,780	-	-	261,780
Total Revenues	73,871,029	7,930	214,711	74,093,670
Expenditures:				
Current:				
Long Term Care Services:				
Nursing home	23,085,271	-	-	23,085,271
Assisted living	1,415,944	-	-	1,415,944
Categorical Assistance:				
Public assistance	15,652,117	-	-	15,652,117
Corrections	10,688,140	-	-	10,688,140
Administration and Other:				
Maintenance	3,597,356	-	-	3,597,356
General government	1,369,547	-	-	1,369,547
Deeds	1,269,367	-	-	1,269,367
Finance	949,636	-	-	949,636
Grants	599,186	-	-	599,186
Information technology	311,053	-	-	311,053
Human resources	297,779	-	-	297,779
Non-county specials	239,750	-	-	239,750
Commissioners	155,147	-	-	155,147
Human services	145,359	-	-	145,359
Delegation	84,670	-	-	84,670
Medical examiner	58,029	-	-	58,029
Treasurer	14,689	-	-	14,689
Sheriff's Office:				
Sheriff/dispatch/radio	5,226,805	-	18,357	5,245,162
County Attorney	2,917,239	-	6,962	2,924,201
Capital outlay	39,688	1,816,634	-	1,856,322
Debt service:				
Principal	-	291,475	-	291,475
Interest	-	106,367	-	106,367
Total Expenditures	68,116,772	2,214,476	25,319	70,356,567
Excess (deficiency) of revenues over expenditures	5,754,257	(2,206,546)	189,392	3,737,103
Other Financing Sources (Uses):				
Proceeds of bonds	-	7,090,000	-	7,090,000
Premium on bonds issued	-	455,797	-	455,797
Refunding bonds issued	1,605,000	-	-	1,605,000
Refunding bond premium	151,019	-	-	151,019
Payment to refunded bond escrow agent	(1,743,774)	-	-	(1,743,774)
Proceeds of capital lease	184,135	-	-	184,135
Transfers in	169,026	914,000	-	1,083,026
Transfers out	(914,000)	-	(169,026)	(1,083,026)
Total Other Financing Sources (Uses)	(548,594)	8,459,797	(169,026)	7,742,177
Change in fund balance	5,205,663	6,253,251	20,366	11,479,280
Fund Equity, at Beginning of Year	28,245,759	1,797,229	478,962	30,521,950
Fund Equity, at End of Year	\$ 33,451,422	\$ 8,050,480	\$ 499,328	\$ 42,001,230

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

Net changes in fund balances - Total governmental funds	\$ 11,479,280																										
<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;">2,019,173</td> </tr> <tr> <td>Capital asset donations</td> <td style="text-align: right;">23,552</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,465,615)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Proceeds of bonds</td> <td style="text-align: right;">(7,090,000)</td> </tr> <tr> <td>Proceeds of bond premium</td> <td style="text-align: right;">(455,797)</td> </tr> <tr> <td>Refunding of capital lease using bond proceeds, net</td> <td style="text-align: right;">(160,158)</td> </tr> <tr> <td>Proceeds of capital lease</td> <td style="text-align: right;">(184,135)</td> </tr> <tr> <td>Repayments of debt - capital leases</td> <td style="text-align: right;">430,292</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">70,000</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;">(145,091)</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;">103,409</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;">(121,478)</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>613,374</u></td> </tr> </table> 		Capital asset purchases	2,019,173	Capital asset donations	23,552	Depreciation	(2,465,615)	Proceeds of bonds	(7,090,000)	Proceeds of bond premium	(455,797)	Refunding of capital lease using bond proceeds, net	(160,158)	Proceeds of capital lease	(184,135)	Repayments of debt - capital leases	430,292	Amortization of bond premium	70,000		(145,091)	Compensated absences - change in unfunded liability	103,409	Net OPEB obligation	(121,478)		<u>613,374</u>
Capital asset purchases	2,019,173																										
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Compensated absences - change in unfunded liability	103,409																										
Net OPEB obligation	(121,478)																										
	<u>613,374</u>																										
Change in net position of governmental activities	\$ <u>4,116,806</u>																										

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2013

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Beginning Budgetary Fund Balance	\$ 4,454,323	\$ 4,454,323	\$ 4,454,323	\$ -
Revenues (Inflows):				
Taxes	43,873,563	43,873,563	43,873,563	-
Charges for services:				
Long Term Care Services:				
Nursing home	21,164,389	21,164,389	22,379,205	1,214,816
Assisted living	1,524,818	1,524,818	1,500,118	(24,700)
Corrections	157,001	157,001	168,680	11,679
Administration and Other:				
Deeds	3,110,000	3,110,000	3,488,605	378,605
Property management	22,920	22,920	20,170	(2,750)
Human services	16,000	16,000	19,872	3,872
Information technology	15,000	15,000	14,055	(945)
Maintenance	-	-	875	875
Sheriff's Office:				
Sheriff/dispatch/radio	1,241,701	1,241,701	1,204,883	(36,818)
County Attorney	265,679	265,679	275,797	10,118
Intergovernmental	1,824,000	1,824,000	625,690	(1,198,310)
Investment income	50,000	50,000	37,736	(12,264)
Miscellaneous	-	-	261,780	261,780
Transfers from other funds	182,613	182,613	169,026	(13,587)
Amounts Available for Appropriation	<u>77,902,007</u>	<u>77,902,007</u>	<u>78,494,378</u>	<u>592,371</u>
Charges to Appropriations (Outflows):				
Long Term Care Services:				
Nursing home	27,224,900	27,175,096	23,110,608	4,064,488
Assisted living	1,702,521	1,714,618	1,417,841	296,777
Categorical Assistance:				
Public assistance	16,217,170	16,217,170	15,652,117	565,053
Corrections	12,295,242	12,288,800	10,688,140	1,600,660
Administration and Other:				
Maintenance	3,774,040	3,829,108	3,585,606	243,502
General government	1,466,583	1,491,583	1,369,546	122,037
Deeds	1,339,350	1,339,350	1,256,072	83,278
Finance	1,142,489	1,142,489	949,636	192,853
Grants	1,924,000	1,849,000	599,186	1,249,814
Information technology	322,283	317,214	311,054	6,160
Human resources	435,375	431,905	297,779	134,126
Non-county specials	247,750	247,750	239,750	8,000
Commissioners	168,794	168,794	155,147	13,647
Human services	130,484	174,634	145,359	29,275
Delegation	91,741	95,211	84,670	10,541
Medical examiner	40,504	40,504	58,029	(17,525)
Projects (capital outlay)	52,400	52,400	39,689	12,711
Treasurer	15,606	15,606	14,689	917
Sheriff's Office:				
Sheriff/dispatch/radio	5,301,596	5,301,596	5,099,459	202,137
County Attorney	3,095,179	3,095,179	2,917,239	177,940
Transfers to other funds	914,000	914,000	914,000	-
Total Charges to Appropriations	<u>77,902,007</u>	<u>77,902,007</u>	<u>68,905,616</u>	<u>8,996,391</u>
Ending Budgetary Fund Balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>9,588,762</u>	\$ <u>9,588,762</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2013

	Governmental Activities <u>Internal Service Funds</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 2,951,900
Receivables:	
Accounts	14,432
Due from other governments	69,578
Due from other funds	292,876
Prepaid expenses	4,875
Total current assets	<u>3,333,661</u>
TOTAL ASSETS	3,333,661
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Liabilities	
Current:	
Accounts payable	46,332
Due to other funds	199,252
Incurred but not reported claims liability	1,533,006
Total current liabilities	<u>1,778,590</u>
Deferred Inflows of Resources	<u>5,106</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,783,696
NET POSITION	
Unrestricted	<u>1,549,965</u>
TOTAL NET POSITION	<u>\$ 1,549,965</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2013

	Governmental Activities <u>Internal Service Fund</u>
Operating Revenues:	
Employee and employer contributions	\$ <u>1,793,350</u>
Total Operating Revenues	1,793,350
Operating Expenses:	
Employee benefits	<u>1,164,697</u>
Total Operating Expenses	<u>1,164,697</u>
Operating Income (Loss)	628,653
Nonoperating Revenues (Expenses):	
Investment income	331
Miscellaneous	<u>(15,610)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(15,279)</u>
Change in Net Position	613,374
Net Position at Beginning of Year	<u>936,591</u>
Net Position at End of Year	<u><u>\$ 1,549,965</u></u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Governmental Activities</u>
	Internal Service <u>Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from users	\$ 1,947,534
Payments to providers	(1,162,449)
Other receipts (payments)	<u>(4,554)</u>
Net Cash Provided By Operating Activities	780,531
<u>Cash Flows From Noncapital Financing Activities:</u>	
Net change in due to/from other funds	<u>(15,371)</u>
Net Cash Used In Noncapital Financing Activities	(15,371)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>331</u>
Net Cash Provided By Investing Activities	<u>331</u>
Net Change in Cash and Short-Term Investments	765,491
Cash and Short-Term Investments, Beginning of Year	<u>2,186,409</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,951,900</u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u>	
Operating income (loss)	\$ 628,653
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Nonoperating revenues (expenses)	(15,610)
Changes in assets and liabilities:	
Accounts receivable	(12,595)
Due from other governments	97,921
Prepaid expenses	2,247
Accounts payable	37,532
Incurred but not reported claims liability	41,626
Deferred inflows of resources	<u>757</u>
Net Cash Provided By Operating Activities	<u>\$ 780,531</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ 622,451
Accounts receivable	<u>25</u>
Total Assets	<u>\$ 622,476</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 518
Due to other funds	388,267
Due to specific individuals	<u>233,691</u>
Total Liabilities	<u>\$ 622,476</u>

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

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or

privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period and available to pay current liabilities. Generally, all other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, claims and judgment expenditures are recorded only when payment is due.

The County reports the following major governmental funds:

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

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

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

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

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the financial statements under the caption “cash and short-term investments”. The interest earnings attributable to each fund type are included under investment income.

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

E. Investments

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

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

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

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

Investments are stated at fair value, in accordance with GASB Statement 31, *“Accounting and Financial Reporting for Certain Investments and for External Investment Pools”*. The fair value of investments is based on current market prices. Fair value fluctuates with interest rates and increasing rates could cause fair value to decline below original cost. Management of the County believes that liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

F. Interfund Receivables and Payables

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

G. Inventory

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

H. Capital Assets

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

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

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

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

The County has a sizable amount of capital asset projects in process at December 31, 2013 totaling \$1,027,654. The projects in process are included in the reporting of \$32,418,942 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

Certain County employees are entitled to compensated absences based, in part, on their length of employment. In accordance with GASB Statement 16, "Accounting for Compensated Absences", compensated absences

that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a liability of the fund that will pay it. The total liability at December 31, 2013 is \$3,005,793.

The funded portion of the compensated absences liability reported in the General Fund at December 31, 2013 is \$1,149,752. Any liability for which no funding is currently available is reported in the government wide Statement of Net Position long term liabilities.

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

J. Long-Term Obligations

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

K. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (\$134,927 and \$832,560 for prepaid expenses and inventory, respectively, as of December 31, 2013) or can never be spent (\$27,829 principal portion of permanent fund as of December 31, 2013).

- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of amounts restricted for Long Term Care, these funds are created by statute or otherwise have external constraints on how the funds can be expended. The County's special revenue funds fall under this category.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the County (i.e., the Board of County Commissioners). Amounts committed for compensated absences and for health fund funding fall under this category.
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. The amount of fund balance designated for use in the next year to reduce the tax burden is categorized as assigned.
- 5) Unassigned funds are available to be spent in future periods. The County has made it a goal to maintain fund balance reserves (currently part of unassigned funds) equivalent to at least three months of current year appropriations. The County has continually been able to meet and exceed this measure, with three months of reserves being equivalent to \$19,450,988 for 2013, with an ending unassigned balance amount of \$24,488,523. The intent of the County was for these reserves to be part of committed fund balance for 2013.

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

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

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and

expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Governmental revenues and expenditures are controlled by a formal integrated budgetary system which is substantially consistent with both generally accepted accounting principles (GAAP) and applicable State finance-related laws and regulations which govern the County’s operations. The County budget is formally acted upon at the County Convention. During the year, appropriations may be transferred between line items, but total expenditures may not exceed the total approved budget (with the exception of emergency items, which require approval by the New Hampshire Department of Revenue Administration under RSA 32). At year end, all unencumbered annual appropriations lapse. Other appropriations, which have a longer than annual authority may carry over at year end if the governing body intends to continue or complete the special purpose for which the funds were established. State legislation also requires balanced budgets. For the County year ended December 31, 2013, \$4,356,267 of the beginning General Fund unassigned fund balance was used to reduce taxes.

B. Encumbrances

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

Long Term Care Services	\$ 31,192
Corrections	1,141
Administration and Other:	
Maintenance	15,452
General government	72,881
Deeds	12,521
Finance	22,836
Information technology	<u>1,901</u>
Total Encumbrances	<u>\$ 157,924</u>

C. Budgetary Basis

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

D. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 73,871,029	\$ 68,116,772
Other financing sources/uses (GAAP Basis)	<u>353,161</u>	<u>914,000</u>
Subtotal (GAAP Basis)	74,224,190	69,030,772
Adjustment for inventory budgeted on the cash basis	-	58,979
Reverse proceeds of capital lease	(184,135)	(184,135)
Recognize use of fund balance as funding source	<u>4,454,323</u>	<u>-</u>
Budgetary Basis	\$ <u><u>78,494,378</u></u>	\$ <u><u>68,905,616</u></u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. RSA 48:16 limits “deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus.” The County’s deposit policy for custodial credit risk is that all deposits with banks are to be fully insured and collateralized.

As of December 31, 2013, the County's bank balance of \$52,255,509 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>73,222</u>	N/A	\$ <u>73,222</u>	\$ -	\$ -	\$ -
Total investments	\$ <u>73,222</u>		\$ <u>73,222</u>	\$ -	\$ -	\$ -

B. Custodial Credit Risk

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

The County has a custodial credit risk exposure of \$73,222 because the related securities are uninsured, unregistered and held by the County's brokerage firm, which is also the counterparty to these securities. The County manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The County places no limit on the amount that may be invested in any one issuer. At December 31, 2013, no investments in any one issuer represent 5% or more of total investments.

D. Foreign Currency Risk

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

5. Accounts Receivable, Net

Accounts receivable consist of the following at December 31, 2013:

	General Fund	Nonmajor Governmental Funds	Internal Service Fund	Total
Nursing home	\$ 1,735,058	\$ -	\$ -	\$ 1,735,058
Assisted living	14,112	-	-	14,112
Grant monies	20,907	-	-	20,907
Phone commissions	9,227	-	-	9,227
Civil services	18,014	-	-	18,014
Health premiums	27,911	-	-	27,911
Outside detail	18,258	-	-	18,258
Deeds	3,900	-	-	3,900
Adult Diversion Program	3,765	-	-	3,765
Vendor credits	1,825	-	1,501	3,326
Other	3,343	45	12,931	16,319
Total	<u>1,856,320</u>	<u>45</u>	<u>14,432</u>	<u>1,870,797</u>
Less: allowance for doubtful accounts	<u>(512,491)</u>	<u>-</u>	<u>-</u>	<u>(512,491)</u>
Total accounts receivable, net	<u>\$ 1,343,829</u>	<u>\$ 45</u>	<u>\$ 14,432</u>	<u>\$ 1,358,306</u>

6. Due From Other Governments, Net

Due from other governments consist of the following at December 31, 2013:

	General Fund	Internal Service Fund	Total
State of New Hampshire	\$ 3,190,788	\$ 69,578	\$ 3,260,366
U.S. Treasury	689,301	-	689,301
Other	9,332	-	9,332
Total	<u>3,889,421</u>	<u>69,578</u>	<u>3,958,999</u>
Less: allowance for doubtful accounts	<u>(575,212)</u>	<u>-</u>	<u>(575,212)</u>
Total due from other governments, net	<u>\$ 3,314,209</u>	<u>\$ 69,578</u>	<u>\$ 3,383,787</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, 2013 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,106,339	\$ 842,131
Special Revenue Funds:		
Expendable Trust	-	27,869
Nursing Home Special Account	-	23,050
Assisted Living Donations	6,971	-
Inmate Commissary	136,690	-
Inmate Chapel	9,256	-
Deeds Equipment	1,496	-
Capital Projects Fund	422,368	477,873
Internal Service Funds:		
Dental	239,541	90,301
Workers' Compensation	53,335	108,951
Permanent Trust Fund	-	17,554
Agency Funds:		
Inmates	-	338,732
Nursing Home Residents	-	8,614
Assisted Living Security Deposits	-	40,921
Total	<u>\$ 1,975,996</u>	<u>\$ 1,975,996</u>

8. Capital Assets

Capital asset activity for the year ended December 31, 2013 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	\$ 54,677	\$ 1,012	\$ -	\$ 55,689
Machinery, equipment, and furnishings	12,343	613	(18)	12,938
Vehicles	1,440	177	(134)	1,483
Total capital assets, being depreciated	68,460	1,802	(152)	70,110
Less accumulated depreciation for:				
Buildings and improvements	(29,259)	(1,723)	-	(30,982)
Machinery, equipment, and furnishings	(6,478)	(620)	18	(7,080)
Vehicles	(1,247)	(123)	134	(1,236)
Total accumulated depreciation	(36,984)	(2,466)	152	(39,298)
Total capital assets, being depreciated, net	31,476	(664)	-	30,812
Capital assets, not being depreciated:				
Land	579	-	-	579
Construction in progress	786	1,021	(779)	1,028
Total capital assets, not being depreciated	1,365	1,021	(779)	1,607
Governmental activities capital assets, net	<u>\$ 32,841</u>	<u>\$ 357</u>	<u>\$ (779)</u>	<u>\$ 32,419</u>

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

Governmental Activities:	
Long Term Care Services:	
Nursing home	\$ 1,174,107
Assisted living	159,873
Corrections	549,643
Administration and Other:	
Maintenance	355,127
General government	21,101
Deeds	9,230
Finance	569
Information technology	4,275
Human resources	7,803
Commissioners	24,055
Human services	7,419
Delegation	604
Treasurer	8
Sheriff's Office:	
Sheriff/dispatch/radio	142,423
County Attorney	<u>9,378</u>
Total	<u>\$ 2,465,615</u>

9. Accounts Payable

Accounts payable represent 2013 expenditures paid after December 31, 2013.

10. Due To Other Governments

Due to other governments consist of the following at December 31, 2013:

	<u>General Fund</u>
State of New Hampshire	\$ 8,698,522 *
Hillsborough County	79,265
Other	<u>21,665</u>
Total	<u>\$ 8,799,452</u>

* = Includes approximately \$2.4 million of transfer taxes and \$5.5 million related to human services liabilities.

11. Tax Anticipation Notes Payable

In 2013, the County issued tax anticipation notes in advance of property tax collections, depositing the proceeds in the General Fund. These notes were

necessary because property taxes are a major source of funding for appropriations but the tax collections are not received until shortly before their December 17, 2013 due date. The annual interest rate for the notes was 1.00%, with a net interest cost of 0.2577% after taking into account the premium paid by the purchaser.

The following summarizes activity of tax anticipation notes payable during 2013:

	Balance Beginning of Year	9/13/2013 Proceeds	12/20/2013 Repayment	Balance End of Year
Tax anticipation	\$ -	\$ 6,500,000	\$ (6,500,000)	\$ -

12. Long-Term Debt

A. Changes in General Long-Term Liabilities

During the year ended December 31, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/13	Additions	Reductions	Total Balance 12/31/13	Less Current Portion	Equals Long-Term Portion 12/31/13
<u>Governmental Activities</u>						
Bonds payable	\$ -	\$ 8,695	\$ -	\$ 8,695	\$ (525)	\$ 8,170
Bond premium	-	607	(70)	537	(157)	380
Subtotal	-	9,302	(70)	9,232	(682)	8,550
Other:						
Capital leases payable	2,316	184	(2,027)	473	(410)	63
Compensated absences	3,109	-	(103)	3,006	(2,082)	924
Net OPEB obligation	679	329	(207)	801	-	801
Totals	\$ 6,104	\$ 9,815	\$ (2,407)	\$ 13,512	\$ (3,174)	\$ 10,338

B. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/13</u>
General Obligation Municipal Purpose Loan of 2013 Bonds	5/15/23	3.0 - 4.0%	\$ <u>8,695,000</u>

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 525,000	\$ 399,651	\$ 924,651
2015	985,000	268,200	1,253,200
2016	1,040,000	227,700	1,267,700
2017	1,095,000	185,000	1,280,000
2018	1,160,000	139,900	1,299,900
2019 - 2023	<u>3,890,000</u>	<u>298,200</u>	<u>4,188,200</u>
Total	<u>\$ 8,695,000</u>	<u>\$ 1,518,651</u>	<u>\$ 10,213,651</u>

C. Advance Refundings

A portion of the County's general obligation bonds were used to advance refund \$1,595,861 of its April 14, 2013 energy management lease with an interest rate of 4.73%. The lease matures on June 14, 2018 and was scheduled to callable on June 14, 2014.

The refunding met the requirements of an in-substance debt defeasance, and the energy management lease, non-refunded portion, was removed from the County's financial statements.

As a result of the advance refunding, the County reduced its total debt service cash flow requirements by \$56,617, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$52,759.

Defeased debt for the energy management lease still outstanding at December 31, 2013 was \$319,449 (paid on June 14, 2014).

D. 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 \$319,449 including interest, through June, 2014 at 4.73%	\$ 319,449
Equipment, due in annual installments the next of which is \$32,026 including interest, through December 2014 at 2.25%	31,321
Equipment, due in annual installments the next of which is \$56,260 including interest, through November 2015 at 2.28%	108,785
Equipment, due in monthly installments the next of which is \$129 including interest, through July 2017 at 3.14%	5,219
Equipment, due in annual installments the next of which is \$4,552 including interest, through November 2015 at 2.75%	<u>8,743</u>
Totals	<u>\$ 473,517</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>
2014	\$ 410,259	\$ 95,887	\$ 506,146
2015	60,879	1,475	62,354
2016	1,489	53	1,542
2017	<u>890</u>	<u>9</u>	<u>899</u>
Totals	<u>\$ 473,517</u>	<u>\$ 97,424</u>	<u>\$ 570,941</u>

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets by the County that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. For 2013, deferred inflows of resources are comprised of revenues received in advance.

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>
2014	\$ 177,636	\$ 21,402	\$ 199,038
2015	<u>179,448</u>	<u>7,418</u>	<u>186,866</u>
Totals	<u>\$ 357,084</u>	<u>\$ 28,820</u>	<u>\$ 385,904</u>

15. Restricted Net Position

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

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

16. Stabilization Reserves

The County has established a goal of maintaining stabilization reserves equivalent to three months of current year budgeted appropriations. Usage of reserves can only be authorized if certain conditions are met. The intention was for such reserve funds to be classified as committed fund balance within the general fund, but the current technical classification under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* is for the stabilization reserves to be included under unassigned funds. The 2013 reserve amount, \$19,450,988, comprises 79% of the unassigned fund balance total. If this amount was deemed to be committed fund balance, \$5,037,535 would have been the ending unassigned funds total for 2013.

17. Commitments and Contingencies

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

Grants - Amounts received are subject to later year's review and adjustments by grantor agencies, principally the federal and state governments. At such

time, any disallowed claims, including amounts already collected, may constitute a liability of the County and the applicable funds. At December 31, 2013, 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.

18. Post-Employment Healthcare Insurance Benefits

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

A. Plan Description

The New Hampshire retirement system (Title VI, Medical Benefits Chapter 100-A:50) requires that political subdivisions in New Hampshire extend the same health insurance coverage to retirees as those offered to active employees, including spousal, and family coverage. Premium rates must be rated on a group basis including both employees and retirees. Premium charges payable by employees and by retirees are at the discretion of the subdivision. As of December 31, 2013 (the actuarial valuation date), 78 retirees and 472 active employees met the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The County of Rockingham’s fiscal 2013 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, 2013, 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, 2013.

Annual Required Contribution (ARC)	\$ 302,054
Interest on net OPEB obligation	27,167
Adjustment to ARC	<u>(39,277)</u>
Annual OPEB cost	289,944
Contributions made*	<u>(168,468)</u>
Increase in net OPEB obligation	121,476
Net OPEB obligation - beginning of year	<u>679,180</u>
Net OPEB obligation - end of year	<u>\$ 800,656</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>
2013	\$ 289,944	58.1%	\$ 800,656
2012	\$ 323,608	57.3%	\$ 679,180
2011	\$ 339,125	50.1%	\$ 540,869
2010	\$ 258,837	53.6%	\$ 371,739
2009	\$ 251,548	0.0%	\$ 251,548

E. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,877,684
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,877,684</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 19,269,747</u>
UAAL as a percentage of covered payroll	<u>14.9%</u>

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

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the County and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2013 actuarial valuation, the entry age normal level dollar method was used. The actuarial value of assets was not determined as the County has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), the anticipated long-term investment return on the County's invested funds. Healthcare inflation is calculated based upon a secular trend of 9.0% grading to down to 5.0% over 9 years. UAAL is being amortized over a 30-year period (level dollar method, on an open basis) using a 4.0% interest rate discount factor.

19. **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 25.30% (Group II) and 10.77% (Group I) at December 31, 2013. Effective July 1, 2011, the County contributes 100% of the employer cost for general employees and police employed by the County.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The County's contributions to the NHRS for the years ending December 31, 2013, 2012, 2011, and 2010 were \$2,642,349, \$2,675,847, \$2,886,088, and \$2,530,973, respectively, which were equal to the required contributions for each year.

20. **Self-Insurance**

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

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.

Workers Compensation

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

Changes in the aggregate liability for claims for the year ended December 31, 2013 are as follows:

	<u>Dental</u>	<u>Workers' Compensation</u>	<u>Total</u>
Claims liability, beginning of year	\$ 21,380	\$ 1,470,000	\$ 1,491,380
Claims incurred/recognized in 2013	405,270	473,274	878,544
Claims paid in 2013	<u>(409,644)</u>	<u>(427,274)</u>	<u>(836,918)</u>
Claims liability, end of year	<u>\$ 17,006</u>	<u>\$ 1,516,000</u>	<u>\$ 1,533,006</u>

21. 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.

22. Implementation of New GASB Standards

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

ity and expense, the County's applicable portion of the New Hampshire Retirement System's actuarially accrued liability.

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

December 31, 2013

(Unaudited)

(Amounts Expressed in Thousands)

Other Post-Employment Benefits

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

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2013

	Drug Task Force	Expendable Trust	Nursing Home Special Account	Assisted Living Donations	Inmate Commissary	Inmate Chapel	Deeds Equipment	WF Sturtevant Memorial	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS										
Cash and short-term investments	\$ 38,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,188	\$ -	\$ 43,807
Restricted cash	-	-	92,680	-	-	-	203,634	-	-	296,314
Investments	-	27,839	-	-	-	-	-	-	45,383	73,222
Receivables:										
Accounts, net	-	-	45	-	-	-	-	-	-	45
Due from other funds	-	-	-	6,971	136,690	9,256	1,496	-	-	154,413
TOTAL ASSETS	\$ 38,619	\$ 27,839	\$ 92,725	\$ 6,971	\$ 136,690	\$ 9,256	\$ 205,130	\$ 5,188	\$ 45,383	\$ 567,801
LIABILITIES AND FUND BALANCES										
Liabilities:										
Due to other funds	\$ -	\$ 27,869	\$ 23,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,554	\$ 68,473
TOTAL LIABILITIES	-	27,869	23,050	-	-	-	-	-	17,554	68,473
Fund Balances:										
Nonspendable	-	-	-	-	-	-	-	-	27,829	27,829
Restricted	38,619	(30)	69,675	6,971	136,690	9,256	205,130	5,188	-	471,499
TOTAL FUND BALANCES	38,619	(30)	69,675	6,971	136,690	9,256	205,130	5,188	27,829	499,328
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,619	\$ 27,839	\$ 92,725	\$ 6,971	\$ 136,690	\$ 9,256	\$ 205,130	\$ 5,188	\$ 45,383	\$ 567,801

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, 2013

	Drug Task <u>Force</u>	Expendable <u>Trust</u>	Nursing Home <u>Special Account</u>	Assisted Living <u>Donations</u>	Inmate <u>Commissary</u>	Inmate <u>Chapel</u>	Deeds <u>Equipment</u>	WF Sturtevant <u>Memorial</u>	Permanent <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:										
Charges for services:										
County attorney	\$ 3,525	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,525
Deeds	-	-	-	-	-	-	133,226	-	-	133,226
Sheriff/dispatch/radio	32,077	-	-	-	-	-	-	-	-	32,077
Corrections	-	-	-	-	36,568	550	-	-	-	37,118
Nursing home	-	-	7,746	-	-	-	-	-	-	7,746
Assisted living	-	-	-	325	-	-	-	-	-	325
Investment income	14	(30)	78	-	337	23	303	13	(44)	694
Total Revenues	35,616	(30)	7,824	325	36,905	573	133,529	13	(44)	214,711
Expenditures:										
Current:										
County attorney	6,962	-	-	-	-	-	-	-	-	6,962
Sheriff/dispatch/radio	18,357	-	-	-	-	-	-	-	-	18,357
Total Expenditures	25,319	-	-	-	-	-	-	-	-	25,319
Excess (deficiency) of revenues over expenditures	10,297	(30)	7,824	325	36,905	573	133,529	13	(44)	189,392
Other Financing Sources (Uses):										
Transfers out	-	-	(14,159)	(1,487)	(23,380)	-	(130,000)	-	-	(169,026)
Total Other Financing Sources (Uses)	-	-	(14,159)	(1,487)	(23,380)	-	(130,000)	-	-	(169,026)
Change in fund balance	10,297	(30)	(6,335)	(1,162)	13,525	573	3,529	13	(44)	20,366
Fund Equity, at Beginning of Year	28,322	-	76,010	8,133	123,165	8,683	201,601	5,175	27,873	478,962
Fund Equity, at End of Year	\$ 38,619	\$ (30)	\$ 69,675	\$ 6,971	\$ 136,690	\$ 9,256	\$ 205,130	\$ 5,188	\$ 27,829	\$ 499,328

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

COMBINING STATEMENT OF NET POSITION

DECEMBER 31, 2013

	<u>Dental Fund</u>	<u>Workers' Compensation Fund</u>	<u>Governmental Activities Total Internal Service Funds</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 183,016	\$ 2,768,884	\$ 2,951,900
Receivables:			
Accounts	4,794	9,638	14,432
Due from other governments	-	69,578	69,578
Due from other funds	239,541	53,335	292,876
Prepaid expenses	4,875	-	4,875
Total current assets	<u>432,226</u>	<u>2,901,435</u>	<u>3,333,661</u>
TOTAL ASSETS	432,226	2,901,435	3,333,661
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities			
Current:			
Accounts payable	27,488	18,844	46,332
Due to other funds	90,301	108,951	199,252
Incurred but not reported claims liability	17,006	1,516,000	1,533,006
Total current liabilities	<u>134,795</u>	<u>1,643,795</u>	<u>1,778,590</u>
Deferred Inflows of Resources	<u>5,106</u>	<u>-</u>	<u>5,106</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	139,901	1,643,795	1,783,696
NET POSITION			
Unrestricted	<u>292,325</u>	<u>1,257,640</u>	<u>1,549,965</u>
TOTAL NET POSITION	<u>\$ 292,325</u>	<u>\$ 1,257,640</u>	<u>\$ 1,549,965</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

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

FOR THE YEAR ENDED DECEMBER 31, 2013

	Dental Fund	Workers' Compensation Fund	Governmental Activities <u>Total</u> Internal Service Fund
Operating Revenues:			
Employee and employer contributions	\$ 427,752	\$ 1,365,598	\$ 1,793,350
Total Operating Revenues	427,752	1,365,598	1,793,350
Operating Expenses:			
Employee benefits	438,856	725,841	1,164,697
Total Operating Expenses	438,856	725,841	1,164,697
Operating Income (Loss)	(11,104)	639,757	628,653
Nonoperating Revenues (Expenses):			
Investment income	26	305	331
Miscellaneous	-	(15,610)	(15,610)
Total Nonoperating Revenues (Expenses), Net	26	(15,305)	(15,279)
Change in Net Position	(11,078)	624,452	613,374
Net Position at Beginning of Year	303,403	633,188	936,591
Net Position at End of Year	\$ 292,325	\$ 1,257,640	\$ 1,549,965

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

PROPRIETARY FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Dental Fund	Workers' Compensation Fund	Governmental Activities Total Internal Service Fund
<u>Cash Flows From Operating Activities:</u>			
Receipts from users	\$ 424,075	\$ 1,523,459	\$ 1,947,534
Payments to providers	(439,595)	(722,854)	(1,162,449)
Other receipts (payments)	23,871	(28,425)	(4,554)
Net Cash Provided By Operating Activities	<u>8,351</u>	<u>772,180</u>	<u>780,531</u>
<u>Cash Flows From Noncapital Financing Activities:</u>			
Net change in due to/from other funds	<u>(60,266)</u>	<u>44,895</u>	<u>(15,371)</u>
Net Cash Provided by (Used In) Noncapital Financing Activities	(60,266)	44,895	(15,371)
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>26</u>	<u>305</u>	<u>331</u>
Net Cash Provided By Investing Activities	<u>26</u>	<u>305</u>	<u>331</u>
Net Change in Cash and Short-Term Investments	(51,889)	817,380	765,491
Cash and Short-Term Investments, Beginning of Year	<u>234,905</u>	<u>1,951,504</u>	<u>2,186,409</u>
Cash and Short-Term Investments, End of Year	<u>\$ 183,016</u>	<u>\$ 2,768,884</u>	<u>\$ 2,951,900</u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating income (loss)	\$ (11,104)	\$ 639,757	\$ 628,653
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Nonoperating revenues (expenses)	-	(15,610)	(15,610)
Changes in assets and liabilities:			
Accounts receivable	(3,676)	(8,919)	(12,595)
Due from other governments	-	97,921	97,921
Prepaid expenses	(740)	2,987	2,247
Accounts payable	27,488	10,044	37,532
Incurred but not reported claims liability	(4,374)	46,000	41,626
Deferred revenue	<u>757</u>	<u>-</u>	<u>757</u>
Net Cash Provided By Operating Activities	<u>\$ 8,351</u>	<u>\$ 772,180</u>	<u>\$ 780,531</u>

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2013

	<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	\$ 378,306	\$ 135,955	\$ 108,190	\$ 622,451
Accounts receivable	<u>-</u>	<u>25</u>	<u>-</u>	<u>25</u>
Total Assets	<u>\$ 378,306</u>	<u>\$ 135,980</u>	<u>\$ 108,190</u>	<u>\$ 622,476</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 121	\$ 397	\$ -	\$ 518
Due to other funds	338,732	8,614	40,921	388,267
Due to specific individuals	<u>39,453</u>	<u>126,969</u>	<u>67,269</u>	<u>233,691</u>
Total Liabilities	<u>\$ 378,306</u>	<u>\$ 135,980</u>	<u>\$ 108,190</u>	<u>\$ 622,476</u>

See Independent Auditors' Report.