

**COUNTY OF  
ROCKINGHAM, NEW HAMPSHIRE**

Annual Financial Statements

For the Year Ended December 31, 2017

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**Additional Offices:**

Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
County of Rockingham, New Hampshire

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Rockingham, New Hampshire, as of and for the year ended December 31, 2017, 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.

### **Auditors' 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. 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 auditors' 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, 2017, 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 the Management's Discussion and Analysis, the Schedule of OPEB Funding Progress, the Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Pension Contributions 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 53 through 58 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.

*Melanson Heath*

July 24, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The County of Rockingham, New Hampshire's (County) financial management offers readers of these financial statements this narrative, overview, and analysis of the financial activities of the County of Rockingham for the year ended December 31, 2017. 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 and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$40,542,379 (net position).
- The County's total net position reflects an increase of \$1,634,161, which is primarily a result of the decrease in net pension liability and significant capital improvements.
- The County's general obligation bonds, issued in July 2013, and capital lease obligations decreased in total by approximately \$1,004,000.
- Total compensated absences (including both funded and unfunded) decreased by approximately \$346,000.
- The net OPEB obligation for retiree health benefits increased by almost \$61,000 and the net pension liability related to the New Hampshire Retirement System decreased by approximately \$(7,500,000). The decrease in the net pension liability is due to several factors, two of them being that the County has contributed payments to the retirement system to reduce its portion of the unfunded liability and that the fund overall has performed well in the past year.

### **B. FINANCIAL HIGHLIGHTS – FUND STATEMENTS**

- As of the close of the year, the County's reported combined ending fund balances of \$36,841,918 which was a decrease of \$(8,348,969) in comparison to the prior year. Almost seven million of the decrease was due to monies spent on capital projects in 2017, notably the rehabilitation and nursing center renovations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,231,804, or 5.2% of total 2017 General Fund (budgeted) appropriations. A goal of the County has been to maintain reserves equivalent to three months of budgeted appropriations. However, the County has assigned \$28,000,000 with the passage of the 2018-2019 budget to fund the transition

to a June 30 fiscal year, while keeping borrowing and tax increases to a minimum. If this figure was added back to the unassigned total, then it would be equivalent to 39.7% of 2017 General Fund (budgeted) appropriations.

- 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.

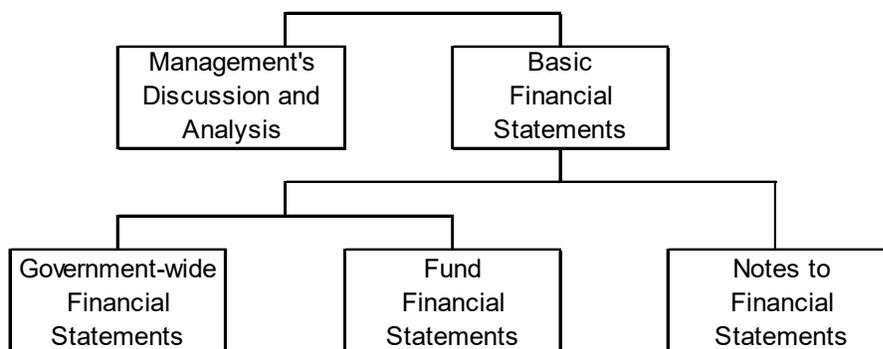
### **C. OVERVIEW OF THE FINANCIAL STATEMENTS**

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 Financial Statements and Fund Financial Statements. In addition to the basic financial statements, this report contains supplementary information that will enhance the reader's understanding of the financial condition of the County.

- The statements presented on pages 12 and 13 are the Government-wide Financial Statements. They provide both short-term and long-term information about the County's financial status.
- The next statements are the Fund Financial Statements. These statements focus on the individual activities of the County. They provide more detail than the Government-wide Financial Statements. There are four parts to the Fund Financial Statements: (1) the governmental fund statements, (2) the budgetary comparison statement, (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 supplementary 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 change in net position (Table 2). Net position may serve, over time, as one useful indicator of the County'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**

	<b><u>NET POSITION</u></b>	
	Governmental Activities	
	<u>2016</u>	<u>2017</u>
Current assets	\$ 66,105,871	\$ 60,855,620
Noncurrent assets	<u>32,157,273</u>	<u>39,911,895</u>
Total assets	98,263,144	100,767,515
Deferred outflows of resources	10,481,899	5,719,435
Current liabilities	11,971,822	14,063,138
Noncurrent liabilities	<u>56,450,638</u>	<u>47,644,315</u>
Total liabilities	68,422,460	61,707,453
Deferred inflows of resources	1,414,365	4,237,118
Net position:		
Net investment in capital assets	35,093,830	36,868,963
Restricted	1,365,714	1,360,023
Unrestricted	<u>2,448,674</u>	<u>2,313,393</u>
Total net position	\$ <u>38,908,218</u>	\$ <u>40,542,379</u>

**Table 2**

**CHANGE IN NET POSITION**

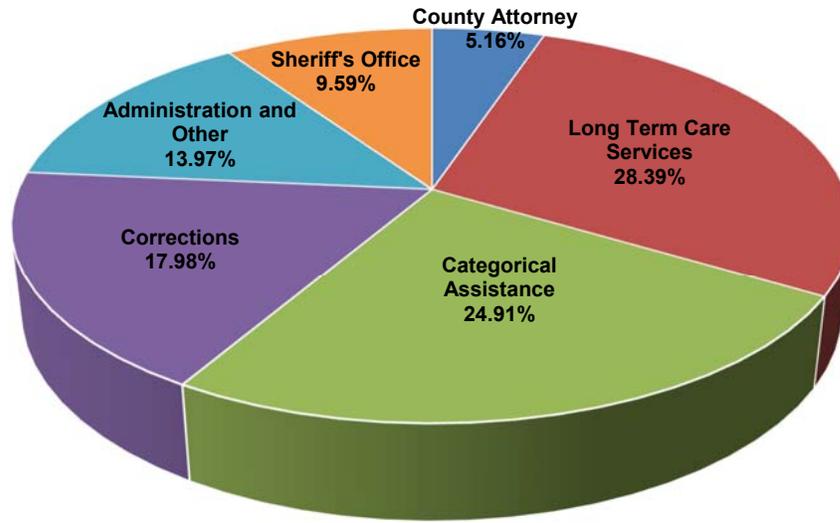
	Governmental Activities	
	<u>2016</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services:		
Long term care services	\$ 21,609,931	\$ 18,562,723
Corrections	143,725	397,096
Administration and other	4,172,667	3,863,440
Sheriff's office	1,259,405	1,352,103
County attorney	212,855	218,800
Total charges for services	<u>27,398,583</u>	<u>24,394,162</u>
Operating grants and contributions	556,904	466,198
Capital grants and contributions	-	219,600
General revenues:		
Taxes	46,916,696	48,369,198
Investment income	51,463	92,009
Miscellaneous	481,795	452,446
Total revenues	<u>75,405,441</u>	<u>73,993,613</u>
Expenses:		
Long term care services	25,100,555	20,541,673
Categorical assistance	17,589,032	18,025,251
Corrections	11,849,547	13,012,034
Administration and other	9,569,789	10,111,185
Sheriff's office	5,941,594	6,938,458
County attorney	3,013,125	3,730,851
Total expenses	<u>73,063,642</u>	<u>72,359,452</u>
Change in net position	2,341,799	1,634,161
Net position - beginning of year	* <u>36,566,419</u>	<u>38,908,218</u>
Net position - end of year	\$ <u><u>38,908,218</u></u>	\$ <u><u>40,542,379</u></u>

\* As restated in the 2016 financial statements.

## E. GOVERNMENTAL ACTIVITIES

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

### Expenses by Function - Governmental Activities For the Year Ended December 31, 2017



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	2016			2017		
	Total Cost of Services	Revenues	Net Cost of Services	Total Cost of Services	Revenues	Net Cost of Services
Long Term Care Services	\$ 25,100,555	\$ 21,609,931	\$ 3,490,624	\$ 20,541,673	\$ 18,562,723	* \$ 1,978,950
Categorical Assistance	17,589,032	-	17,589,032	18,025,251	-	18,025,251
Corrections	11,849,547	286,267	11,563,280	13,012,034	641,959	12,370,075
Administration and Other	9,569,789	4,481,253	5,088,536	10,111,185	4,083,040	6,028,145
Sheriff's Office	5,941,594	1,322,523	4,619,071	6,938,458	1,532,320	5,406,138
County Attorney	3,013,125	255,513	2,757,612	3,730,851	259,918	3,470,933
	<u>\$ 73,063,642</u>	<u>\$ 27,955,487</u>	<u>\$ 45,108,155</u>	<u>\$ 72,359,452</u>	<u>\$ 25,079,960</u>	<u>\$ 47,279,492</u>

*\*This amount reflects the budgetary net cost; actual net cost of services (a portion of which is reflected in Administration and Other), including Engineering and Maintenance, Information Technology, Human Resources, and Finance functions.*

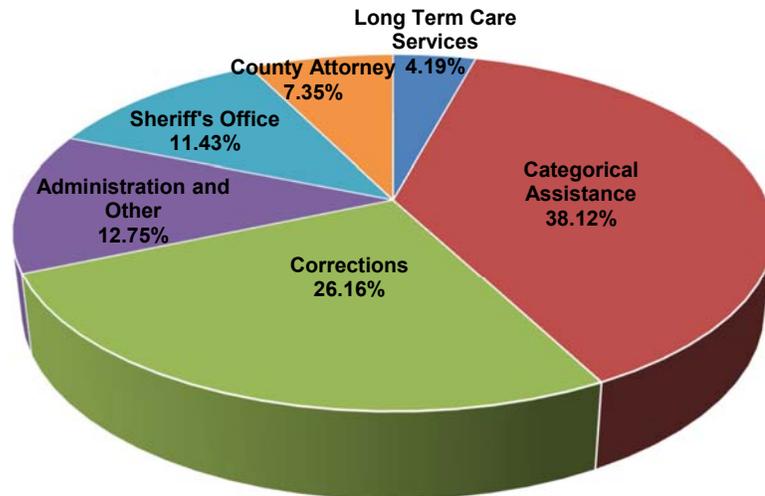
**Table 4 - Comparative Net Cost of Services**

<b>Function / Program</b>	<b>2016</b>	<b>2017</b>	<b>Change in Net Cost of Services</b>
	<b>Net Cost of Services</b>	<b>Net Cost of Services</b>	
Long Term Care Services	\$ 3,490,624	\$ 1,978,950	\$ (1,511,674)
Categorical Assistance	17,589,032	18,025,251	436,219
Corrections	11,563,280	12,370,075	806,795
Administration and Other	5,088,536	6,028,145	939,609
Sheriff's Office	4,619,071	5,406,138	787,067
County Attorney	2,757,612	3,470,933	713,321
	<u>\$ 45,108,155</u>	<u>\$ 47,279,492</u>	<u>\$ 2,171,337</u>

*Note: For Table 3 and Table 4 presentation purposes, debt interest costs are included in the "Administration and Other" function/program.*

The following chart is a graphical presentation of the components of the 2017 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 Ended December 31, 2017**



**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 General Fund appropriations. At December 31, 2017, unassigned fund balance represents 5.2% of total General Fund (budgeted) appropriations, while total fund balance represents 42% of that same amount.

## **G. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** At December 31, 2017, the County reported approximately \$39.9 million in capital assets, net of depreciation, which includes construction in progress of approximately \$10.5 million. These assets include land, buildings and improvements, machinery, equipment and furnishings, and vehicles.

**Long-term debt.** At December 31, 2017, the County had approximately \$49.3 million in outstanding long-term debt, comprised of \$5.1 million in general obligation bonds issued in 2013, \$2.4 million in compensated absences, \$1.3 million net OPEB obligation, \$40.1 million net pension liability, and approximately \$277,000 in capital leases payable.

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 60% of expected resources for 2017 and account for 40% of revenues in the 2018-2019 budget. The decrease is due to an absolute increase of only 1.6% in property taxes for the 2018-2019 budget, which covers an 18-month fiscal period. Other sources of funding, notably assigned fund balance (as discussed below), comprised a greater portion of the 2018-2019 budget in comparison to the prior year.
- The caps for Categorical Assistance payments increased by over 3.3% effective July 1, 2017; it is unknown at this time what the increase will be for State Fiscal Year 2019, but it is anticipated to be between 3.0% and 3.5%. Categorical Assistance will continue to be the largest net County expenditure, followed by Corrections, and comprises 23% of 2018-2019 budgeted appropriations.
- The County is changing its fiscal year and will have one 18-month transitional fiscal period that will begin on January 1, 2018 and end on June 30, 2019. Beginning with fiscal year 2020, the County will be fully transitioned to a June 30 year-end. The change is being made in order to have more efficient budgeting operations and to be in alignment with the State of New

Hampshire's fiscal year. With this change in the fiscal year, the County will have more updated information with regard to Categorical Assistance expenses (which are determined by the State) and other major expense and revenue items that are directly affected by State legislation and/or funding. The budget will also be approved before the start of the fiscal year, instead of two months afterwards. Taxes will be collected less than six months into the fiscal year, instead of in the twelfth month. The County has assigned \$28,000,000 of fund balance to facilitate the transition to a June 30 fiscal year-end and received authorization by the Delegation to seek bond funding for up to \$6,000,000. It is anticipated that any bond issuance will not occur until early 2019.

- The State of New Hampshire continues the transition to its Medicaid Care Management Program ("MCM") and is currently in Step 2 of the process. With the passage of HB 1816 in May 2018, nursing and other long-term care facilities will be exempted from the implementation by the State of Medicaid Managed Care. In its place, facilities are to devise alternate methods of delivering cost-effective, quality care.
- Major Long-term Care renovations started late in 2016 are expected to be completed in late 2018. Most of the funding for this capital project came from dedicated funds within the Capital Fund, with \$3,000,000 of bonds issued in February 2018. The first scheduled payment for this borrowing is due July 2018.

### **REQUESTS FOR INFORMATION**

This financial report is intended to provide report users with a general overview of the County's finances at December 31, 2017. 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.rockinghamcountynh.org](http://www.rockinghamcountynh.org).

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental Activities
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current:	
Cash and short-term investments	\$ 56,398,954
Restricted cash	1,015,174
Investments	75,109
Receivables:	
Accounts, net	502,730
Due from other governments, net	1,977,627
Due from external parties	187,628
Prepaid expenses	439,401
Inventory	258,997
Total current assets	<u>60,855,620</u>
Noncurrent:	
Capital Assets:	
Land	578,857
Construction in progress	10,491,200
Other assets, net of accumulated depreciation	28,841,838
Total noncurrent assets	<u>39,911,895</u>
Total Assets	100,767,515
Deferred Outflows of Resources - Pension Related	<u>5,719,435</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>106,486,950</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Liabilities:	
Current:	
Accounts payable	2,862,717
Accrued payroll and related liabilities	620,504
Due to other governments	7,961,125
Incurred but not reported claims liability	924,822
Accrued interest payable	59,125
Current portion of noncurrent liabilities:	
Bonds payable	1,198,124
Capital leases payable	136,629
Compensated absences	300,092
Total current liabilities	<u>14,063,138</u>
Noncurrent:	
Bonds payable, net of current portion	3,937,347
Capital leases payable, net of current portion	140,390
Compensated absences, net of current portion	2,105,259
Net OPEB obligation	1,323,567
Net pension liability	40,137,752
Total noncurrent liabilities	<u>47,644,315</u>
Total Liabilities	61,707,453
Deferred Inflows of Resources:	
Pension related	4,230,258
Revenues collected in advance	6,860
Total Deferred Inflows of Resources	<u>4,237,118</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>65,944,571</b>
<b>NET POSITION</b>	
Net investment in capital assets	36,868,963
Restricted for:	
Grants and other statutory restrictions	1,331,030
Permanent funds	28,993
Unrestricted	2,313,393
<b>TOTAL NET POSITION</b>	<b>\$ <u>40,542,379</u></b>

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



**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 40,157,776	\$ 3,766,657	\$ 75,584	\$ 44,000,017
Restricted cash	923,843	-	91,331	1,015,174
Investments	-	-	75,109	75,109
Receivables:				
Accounts, net	431,364	-	278	431,642
Due from other governments, net	1,835,517	-	-	1,835,517
Due from other funds	453,347	85,243	242,680	781,270
Prepaid expenses	254,556	-	-	254,556
Inventory	258,997	-	-	258,997
<b>TOTAL ASSETS</b>	<b><u>\$ 44,315,400</u></b>	<b><u>\$ 3,851,900</u></b>	<b><u>\$ 484,982</u></b>	<b><u>\$ 48,652,282</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,305,583	\$ 1,481,698	\$ -	\$ 2,787,281
Accrued payroll and related liabilities	620,504	-	-	620,504
Due to other governments	7,961,125	-	-	7,961,125
Due to other funds	390,663	644	48,802	440,109
<b>Total Liabilities</b>	<b>10,277,875</b>	<b>1,482,342</b>	<b>48,802</b>	<b>11,809,019</b>
Deferred Inflows of Resources:				
Revenues collected in advance	1,345	-	-	1,345
Fund Balances:				
Nonspendable:				
Prepaid expenses	254,556	-	-	254,556
Inventory	258,997	-	-	258,997
Nonexpendable permanent funds	-	-	28,993	28,993
<b>Total Nonspendable</b>	<b>513,553</b>	<b>-</b>	<b>28,993</b>	<b>542,546</b>
Restricted:				
Long term care (RSA 24:13)	444,441	-	-	444,441
LCHIP surcharges (RSA 478:17-g)	479,402	-	-	479,402
Special revenue funds	-	-	407,187	407,187
<b>Total Restricted</b>	<b>923,843</b>	<b>-</b>	<b>407,187</b>	<b>1,331,030</b>
Assigned:				
Subsequent year budget	28,000,000	-	-	28,000,000
Encumbrances	366,980	2,369,558	-	2,736,538
<b>Total Assigned</b>	<b>28,366,980</b>	<b>2,369,558</b>	<b>-</b>	<b>30,736,538</b>
Unassigned	4,231,804	-	-	4,231,804
<b>Total Fund Balances</b>	<b><u>34,036,180</u></b>	<b><u>2,369,558</u></b>	<b><u>436,180</u></b>	<b><u>36,841,918</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 44,315,400</u></b>	<b><u>\$ 3,851,900</u></b>	<b><u>\$ 484,982</u></b>	<b><u>\$ 48,652,282</u></b>

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, 2017

<b>Total governmental fund balances</b>	\$ 36,841,918
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	39,911,895
<ul style="list-style-type: none"><li>• Deferred inflows and outflows of pension resources are not financial resources nor are they available to pay current-period expenditures. Pension related inflows and outflows consist of:<ul style="list-style-type: none"><li>Deferred outflows of resources from net pension liability</li><li>Deferred inflows of resources from net pension liability</li></ul></li></ul>	5,719,435 (4,230,258)
<ul style="list-style-type: none"><li>• 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.</li></ul>	10,570,719
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(59,125)
<ul style="list-style-type: none"><li>• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities at year-end consist of:<ul style="list-style-type: none"><li>Bonds payable</li><li>Capital leases payable</li><li>Compensated absences (unfunded)</li><li>Net OPEB obligation</li><li>Net pension liability</li></ul></li></ul>	(5,135,471) (277,019) (1,338,396) (1,323,567) <u>(40,137,752)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>40,542,379</u></b>

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, 2017

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 48,369,198	\$ -	\$ -	\$ 48,369,198
Charges for services	24,058,535	-	336,035	24,394,570
Intergovernmental	466,198	219,600	-	685,798
Investment income	44,601	20,373	1,437	66,411
Miscellaneous	<u>385,252</u>	<u>-</u>	<u>-</u>	<u>385,252</u>
Total Revenues	73,323,784	239,973	337,472	73,901,229
<b>Expenditures:</b>				
Current:				
Long Term Care Services:				
Nursing home	21,916,090	-	-	21,916,090
Assisted living	1,484,256	-	-	1,484,256
Categorical assistance	18,025,251	-	-	18,025,251
Corrections	11,184,050	-	114	11,184,164
Administration and Other:				
Maintenance	4,276,280	-	-	4,276,280
Deeds	1,287,370	-	-	1,287,370
Finance	1,102,939	-	-	1,102,939
General government	1,095,197	-	-	1,095,197
Human resources	596,585	-	-	596,585
Information technology	568,846	-	-	568,846
Grants	128,009	-	-	128,009
Non-county specials	296,000	-	-	296,000
Commissioners	164,393	-	-	164,393
Delegation	93,349	-	-	93,349
Medical examiner	79,736	-	-	79,736
Treasurer	13,574	-	-	13,574
Sheriff	6,256,739	-	22,210	6,278,949
County Attorney	3,089,054	-	2,308	3,091,362
Capital outlay	22,500	9,686,554	-	9,709,054
Debt service:				
Principal	1,095,000	-	-	1,095,000
Interest	<u>185,000</u>	<u>-</u>	<u>-</u>	<u>185,000</u>
Total Expenditures	<u>72,960,218</u>	<u>9,686,554</u>	<u>24,632</u>	<u>82,671,404</u>
Excess (deficiency) of revenues over expenditures	363,566	(9,446,581)	312,840	(8,770,175)
<b>Other Financing Sources (Uses):</b>				
Capital lease proceeds	421,206	-	-	421,206
Transfers:				
Deeds and other	347,742	-	(347,742)	-
Capital projects	<u>(2,462,668)</u>	<u>2,462,668</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,693,720)</u>	<u>2,462,668</u>	<u>(347,742)</u>	<u>421,206</u>
Change in fund balance	(1,330,154)	(6,983,913)	(34,902)	(8,348,969)
Fund Equity, at Beginning of Year	<u>35,366,334</u>	<u>9,353,471</u>	<u>471,082</u>	<u>45,190,887</u>
Fund Equity, at End of Year	\$ <u>34,036,180</u>	\$ <u>2,369,558</u>	\$ <u>436,180</u>	\$ <u>36,841,918</u>

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

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**

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

FOR THE YEAR ENDED DECEMBER 31, 2017

<b>Net changes in fund balances - Total governmental funds</b>	\$ (8,348,969)																												
<ul style="list-style-type: none"> <li>• 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 align="right">10,692,666</td> </tr> <tr> <td>Depreciation</td> <td align="right">(2,894,500)</td> </tr> </table> </li>   <li>• Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the amount of the proceeds received from the sale or disposal of capital assets, reduced by the actual net value of the disposed assets. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td align="right">(43,546)</td> </tr> </table> </li>   <li>• The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Proceeds of capital lease</td> <td align="right">(421,206)</td> </tr> <tr> <td>Repayments of debt - bonds</td> <td align="right">1,095,000</td> </tr> <tr> <td>Repayments of debt - capital leases</td> <td align="right">263,838</td> </tr> <tr> <td>Amortization of bond premium</td> <td align="right">66,792</td> </tr> </table> </li>   <li>• 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 align="right">16,847</td> </tr> </table> </li>   <li>• Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences - change in unfunded liability</td> <td align="right">472,999</td> </tr> <tr> <td>Net OPEB obligation</td> <td align="right">(60,719)</td> </tr> </table> </li>   <li>• Net pension liability and related deferred outflows of resources and inflows of resources 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>Net pension liability</td> <td align="right">7,477,215</td> </tr> <tr> <td>Pension related deferred outflows of resources</td> <td align="right">(4,762,464)</td> </tr> <tr> <td>Pension related deferred inflows of resources</td> <td align="right">(2,823,960)</td> </tr> </table> </li>   <li>• 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 align="right"><u>904,168</u></td> </tr> </table> </li> </ul>		Capital asset purchases	10,692,666	Depreciation	(2,894,500)		(43,546)	Proceeds of capital lease	(421,206)	Repayments of debt - bonds	1,095,000	Repayments of debt - capital leases	263,838	Amortization of bond premium	66,792		16,847	Compensated absences - change in unfunded liability	472,999	Net OPEB obligation	(60,719)	Net pension liability	7,477,215	Pension related deferred outflows of resources	(4,762,464)	Pension related deferred inflows of resources	(2,823,960)		<u>904,168</u>
Capital asset purchases	10,692,666																												
Depreciation	(2,894,500)																												
	(43,546)																												
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Pension related deferred inflows of resources	(2,823,960)																												
	<u>904,168</u>																												
<b>Change in net position of governmental activities</b>	\$ <u><u>1,634,161</u></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, 2017**

	Original <u>Budget</u>	From Prior <u>Years' Budget</u>	Approved <u>Transfers</u>	Final <u>Budget</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Beginning Budgetary Fund Balance</b>	\$ 8,502,148	\$ 365,092	\$ -	\$ 8,867,240	\$ 8,867,240	\$ -
<b>Revenues (Inflows):</b>						
Taxes	48,369,198	-	-	48,369,198	48,369,198	-
Charges for services:						
Long Term Care Services:						
Nursing home	14,968,973	-	-	14,968,973	16,956,938	1,987,965
Assisted living	1,603,648	-	-	1,603,648	1,600,188	(3,460)
Corrections	85,501	-	-	85,501	208,906	123,405
Administration and Other:						
Deeds	3,337,000	-	-	3,337,000	3,705,130	368,130
Information technology	13,500	-	-	13,500	12,778	(722)
Maintenance	23,201	-	-	23,201	29,504	6,303
Sheriff	1,275,786	-	-	1,275,786	1,326,291	50,505
County Attorney	217,569	-	-	217,569	218,800	1,231
Intergovernmental	1,997,792	-	-	1,997,792	466,198	(1,531,594)
Investment income	60,000	-	-	60,000	44,601	(15,399)
Miscellaneous	250,000	-	-	250,000	385,252	135,252
Transfers from other funds	382,636	-	-	382,636	347,742	(34,894)
	<u>81,086,952</u>	<u>365,092</u>	<u>-</u>	<u>81,452,044</u>	<u>82,538,766</u>	<u>1,086,722</u>
Amounts Available for Appropriation						
<b>Charges to Appropriations (Outflows):</b>						
Current:						
Long Term Care Services:						
Nursing home	24,792,884	5,210	-	24,798,094	21,792,636	3,005,458
Assisted living	1,579,831	-	-	1,579,831	1,484,497	95,334
Categorical assistance	17,866,422	-	158,829	18,025,251	18,025,251	-
Corrections	12,527,662	200,216	-	12,727,878	11,129,999	1,597,879
Administration and Other:						
Maintenance	4,177,857	19,349	34,500	4,231,706	3,883,978	347,728
Deeds	1,317,521	50,289	-	1,367,810	1,287,370	80,440
Finance	1,165,251	40,015	-	1,205,266	1,102,939	102,327
General government	1,255,843	500	-	1,256,343	1,095,197	161,146
Human resources	664,452	-	-	664,452	596,585	67,867
Information technology	726,824	4,905	-	731,729	568,846	162,883
Grants	1,556,524	-	-	1,556,524	128,009	1,428,515
Non-county specials	296,002	-	-	296,002	296,000	2
Commissioners	171,046	-	-	171,046	164,393	6,653
Delegation	328,161	-	(193,329)	134,832	93,349	41,483
Medical examiner	81,004	-	-	81,004	79,736	1,268
Treasurer	18,682	-	-	18,682	13,574	5,108
Sheriff	6,006,397	44,240	-	6,050,637	5,946,240	104,397
County Attorney	3,551,135	368	-	3,551,503	3,089,054	462,449
Capital outlay	25,000	-	-	25,000	22,500	2,500
Debt service:						
Principal	1,095,000	-	-	1,095,000	1,095,000	-
Interest	185,000	-	-	185,000	185,000	-
Transfers to other funds	1,698,454	-	-	1,698,454	2,462,668	(764,214)
	<u>81,086,952</u>	<u>365,092</u>	<u>-</u>	<u>81,452,044</u>	<u>74,542,821</u>	<u>6,909,223</u>
Total Charges to Appropriations						
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,995,945</u>	<u>\$ 7,995,945</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, 2017

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<b>ASSETS</b>	
Current assets:	
Cash and short-term investments	\$ 12,398,937
Receivables:	
Accounts	71,088
Due from other governments	142,110
Due from other funds	603,915
Prepaid expenses	<u>184,845</u>
Total current assets	<u>13,400,895</u>
TOTAL ASSETS	13,400,895
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Liabilities:	
Current liabilities:	
Accounts payable	75,436
Due to other funds	757,448
Incurred but not reported claims liability	924,822
Current portion of noncurrent liabilities:	
Compensated absences	<u>300,092</u>
Total current liabilities	2,057,798
Noncurrent liabilities:	
Compensated absences, net of current portion	<u>766,863</u>
Total noncurrent liabilities	<u>766,863</u>
Total Liabilities	2,824,661
Deferred Inflows of Resources:	
Revenues collected in advance	<u>5,515</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,830,176
<b>NET POSITION</b>	
Unrestricted	<u>10,570,719</u>
TOTAL NET POSITION	<u>\$ 10,570,719</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, 2017

	Governmental <u>Activities</u> Internal Service <u>Funds</u>
<b>Operating Revenues:</b>	
Employee and employer contributions	\$ <u>8,389,639</u>
Total Operating Revenues	8,389,639
<b>Operating Expenses:</b>	
Employee benefits	<u>7,396,042</u>
Total Operating Expenses	<u>7,396,042</u>
Operating Income (Loss)	993,597
<b>Nonoperating Revenues (Expenses):</b>	
Investment income	25,598
Miscellaneous	<u>(115,027)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(89,429)</u>
Change in Net Position	904,168
Net Position at Beginning of Year	<u>9,666,551</u>
Net Position at End of Year	<u><u>\$ 10,570,719</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, 2017

	Governmental Activities
	Internal Service Funds
<b>Cash Flows From Operating Activities:</b>	
Receipts from users	\$ 8,333,883
Payments to providers	(7,588,873)
Other receipts (payments)	(115,027)
	629,983
Net Cash Provided By Operating Activities	629,983
<b>Cash Flows From Noncapital Financing Activities:</b>	
Net change in due to/from other funds	(755,706)
Transfers from other funds	506,663
Transfers to other funds	(506,663)
	(755,706)
Net Cash Provided By Noncapital Financing Activities	(755,706)
<b>Cash Flows From Investing Activities:</b>	
Investment income	25,598
	25,598
Net Cash Provided By Investing Activities	25,598
Net Change in Cash and Short-Term Investments	(100,125)
Cash and Short-Term Investments, Beginning of Year	12,499,062
Cash and Short-Term Investments, End of Year	\$ 12,398,937
<b>Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:</b>	
Operating income	\$ 993,597
Adjustments to reconcile operating income to net cash provided by operating activities:	
Nonoperating revenues (expenses)	(115,027)
Changes in assets and liabilities:	
Receivables	(48,405)
Due from other governments	(5,747)
Prepaid expenses	(3,445)
Accounts payable	(29,670)
Incurred but not reported claims liability	(286,991)
Accrued compensated absences	127,275
Deferred inflows of resources	(1,604)
	(1,604)
Net Cash Provided By Operating Activities	\$ 629,983

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, 2017**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and short-term investments	\$ 393,797
Due from other funds	<u>90</u>
Total Assets	<u>\$ 393,887</u>
<b>LIABILITIES</b>	
Due to other funds	\$ 187,718
Due to specific individuals	<u>206,169</u>
Total Liabilities	<u>\$ 393,887</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 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 the County of Rockingham, New Hampshire and its "component units" (if any). A primary government is defined by the GASB as any state government or general-purpose local government. Additionally, a primary government may also consist of a special-purpose government (such as a school district) that meets all of the following criteria: (a) it has a separately elected governing body, (b) it is legally separate, and (c) it is fiscally independent of other governments.

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

## B. Government-wide and Fund Financial Statements

### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the County. 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 are 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.

### 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 County. Expenditures generally are

recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgements, and OPEB and pension are recorded as expenditures only when they are due.

The County reports the following major governmental funds:

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

Nonmajor governmental funds account 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 County holds on behalf of others. The County currently has the following fiduciary (agency) funds:

- **Inmates Funds** account for funds held by the County for individuals incarcerated at the County Corrections Facility.
- **Nursing Home Residents Funds** account for funds held by the County for individuals living in the Long-term Care facility.
- **Assisted Living Security Deposits** are held by the County for individuals living in the Assisted Living Facility.

#### D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is

maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the 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 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.

#### F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).

#### G. Inventory

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

#### H. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and furnishings, and vehicles, are

reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 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 acquisition 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, 2017 totaling \$10,491,200, most of which is comprised of Long Term Care Services building renovations. The projects in process are included in the reporting of \$39,911,895 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 funded portion of the compensated absences liability is reported in the Compensated Absences Fund. 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, such long-term obligations are reported in the 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. With the assignment of \$28,000,000 of fund balance with the 2018-2019 budget to fund the transition to a June 30 fiscal year, the County will not meet this goal for the first time in several years.

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/deferred outflows 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 its 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, 2017, \$8,502,148 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.

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)	\$ 73,323,784	\$ 72,960,218
Other financing sources/uses (GAAP Basis)	<u>768,948</u>	<u>2,462,668</u>
Subtotal (GAAP Basis)	74,092,732	75,422,886
Adjustment for inventory budgeted on the cash basis	-	(458,859)
Reverse unbudgeted capital lease	(421,206)	(421,206)
Recognize use of fund balance as funding source	<u>8,867,240</u>	<u>-</u>
Budgetary Basis	\$ <u>82,538,766</u>	\$ <u>74,542,821</u>

#### E. Deficit Net Position

The Compensated Absences Internal Service Fund reflects a deficit net position of \$(116,520) as of December 31, 2017. It is anticipated that this deficit will be eliminated through future transfers from other funds.

### 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 29:2 states, "...the amount of collected funds on 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, 2017, the County's bank balance was fully insured and collateralized.

**4. Restricted Cash**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Within governmental funds, the General Fund restricted cash amount of \$923,843 is comprised of a \$444,441 non-lapsing reserve account to fund Long-term Care Services (established in accordance with RSA 24:13) and \$479,402 for an account that is segregated for LCHIP surcharges (in accordance with RSA 478:17-g). These surcharges are collected by the Registry of Deeds, remitted to the State and are used to fund the State of New Hampshire’s Land and Community Heritage Investment Program (“LCHIP”), which was established with RSA 227-M.

The \$91,331 restricted cash that is part of Nonmajor Governmental Funds is comprised of amounts from the Nursing Home Special Account and Deeds Equipment funds, both of which are special revenue funds. The cash for each of these funds is restricted, as it can only be disbursed for expenditures as appropriated by the County Convention for Long Term Care Services and the Registry of Deeds, respectively.

**5. 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	\$ 75,109	N/A	\$ 75,109	\$ -	\$ -	\$ -
Total investments	\$ 75,109		\$ 75,109	\$ -	\$ -	\$ -

*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 \$75,109 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, 2017, 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.

E. Fair Value

The County categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement Number 72, *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County's investments are categorized as Level 1.

**6. Due from Other Governments, Net**

Due from other governments at December 31, 2017 consists primarily of amounts due from the State of New Hampshire for Nursing Home receivables.

**7. Interfund Fund Accounts**

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 a summary of December 31, 2017 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 453,347	\$ 390,663
Capital Projects Fund	85,243	644
Special Revenue Funds:		
Drug Task Force	-	3,205
Expendable Trust	-	28,043
Nursing Home Special Account	438	-
Assisted Living Donations	9,541	-
Inmate Commissary	219,894	-
Inmate Chapel	12,381	-
Deeds Equipment	426	-
WF Sturtevant Memorial	-	-
Permanent Fund	-	17,554
Internal Service Funds:		
Health	60,339	93,020
Dental	99,773	25,399
Workers' Compensation	2,154	567,242
Compensated Absences	441,649	71,787
Agency Funds:		
Inmates	89	180,481
Nursing Home Residents	1	241
Assisted Living Security Deposits	-	6,996
Total	<u>\$ 1,385,275</u>	<u>\$ 1,385,275</u>

### Transfers

The County reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. Annually, the County budgets for a transfer to the Capital Projects Fund from the General Fund to fund future capital projects. The sum of all transfers presented in the table below agrees with the sum of interfund transfers presented in the governmental fund financial statements.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 347,742	\$ 2,462,668
Capital Projects Fund	2,462,668	-
Special Revenue Funds:		
Nursing Home Special Account	-	6,909
Inmate Commissary	-	190,080
Inmate Chapel	-	753
Deeds Equipment	-	150,000
Internal Service Funds:		
Dental	81,782	-
Workers' Compensation	-	506,663
Compensated Absences	424,881	-
Total	<u>\$ 3,317,073</u>	<u>\$ 3,317,073</u>

## 8. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 60,861	\$ 217	\$ (88)	\$ 60,990
Machinery, equipment, and furnishings	13,995	986	(299)	14,682
Vehicles	1,577	188	(83)	1,682
	<u>76,433</u>	<u>1,391</u>	<u>(470)</u>	<u>77,354</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(36,218)	(2,032)	62	(38,188)
Machinery, equipment, and furnishings	(8,609)	(666)	282	(8,993)
Vehicles	(1,218)	(196)	83	(1,331)
	<u>(46,045)</u>	<u>(2,894)</u>	<u>427</u>	<u>(48,512)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	30,388	(1,503)	(43)	28,842
Capital assets, not being depreciated:				
Land	579	-	-	579
Construction in progress	1,189	9,705	(403)	10,491
	<u>1,768</u>	<u>9,705</u>	<u>(403)</u>	<u>11,070</u>
Total capital assets, not being depreciated				
Governmental activities capital assets, net	<u>\$ 32,156</u>	<u>\$ 8,202</u>	<u>\$ (446)</u>	<u>\$ 39,912</u>

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

<b>Governmental Activities:</b>	
Long Term Care Services:	
Nursing home	\$ 1,110,050
Assisted living	152,755
Corrections	856,495
Administration and Other:	
Maintenance	418,554
General government	28,520
Commissioners	23,994
Deeds	11,152
Human resources	7,678
Information technology	17,075
Finance	213
Delegation	604
Sheriff's office	<u>267,410</u>
Total	<u>\$ 2,894,500</u>

## 9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the County that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, are more fully discussed in Note 16.

## 10. Due to Other Governments

Due to other governments consist of the following at December 31, 2017:

	<u>General Fund</u>
State of New Hampshire	\$ 7,831,868 *
Hillsborough County	77,050
Carroll County	29,494
Strafford County	<u>22,713</u>
Total	<u>\$ 7,961,125</u>

\* = Includes approximately \$4.1 million of transfer taxes and \$3.1 million related to human services liabilities.

## 11. Long-Term Debt

### A. Changes in General Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/17	Additions	Reductions	Total Balance 12/31/17	Less Current Portion	Equals Long-Term Portion 12/31/17
<u>Governmental Activities</u>						
Bonds payable	\$ 6,145	\$ -	\$ (1,095)	\$ 5,050	\$ (1,160)	\$ 3,890
Bond premium	152	-	(67)	85	(38)	47
Subtotal	6,297	-	(1,162)	5,135	(1,198)	3,937
Other:						
Capital leases payable	120	421	(264)	277	(137)	140
Compensated absences	2,751	-	(346)	2,405	(300)	2,105
Net OPEB obligation	1,262	148	(87)	1,323	-	1,323
Net pension liability	47,615	-	(7,477)	40,138	-	40,138
Totals	<u>\$ 58,045</u>	<u>\$ 569</u>	<u>\$ (9,336)</u>	<u>\$ 49,278</u>	<u>\$ (1,635)</u>	<u>\$ 47,643</u>

**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 12/31/17</u>
General Obligation Municipal Purpose			
Loan of 2013 Bonds	5/15/23	3.0 - 4.0%	\$ <u>5,050,000</u>

The annual payments to retire all general obligation long-term bonds outstanding as of December 31, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,160,000	\$ 139,900	\$ 1,299,900
2019	735,000	105,675	840,675
2020	755,000	83,325	838,325
2021	780,000	60,300	840,300
2022	800,000	36,600	836,600
2023	<u>820,000</u>	<u>12,300</u>	<u>832,300</u>
Total	<u>\$ 5,050,000</u>	<u>\$ 438,100</u>	<u>\$ 5,488,100</u>

**C. Capital Lease Obligations**

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

The following are the capital lease balances at year-end:

Vehicles, due in annual installments the next of which is \$73,508 including interest, through February 2019 at 3.00%.	\$ 140,656
Equipment, due in annual installments the next of which is \$15,977 including interest, through December 2019 at 3.39%.	30,400
Vehicles, due in annual installments the next of which is \$54,770 including interest, through October 2019 at 2.22%.	<u>105,963</u>
Total	<u>\$ 277,019</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>
2018	\$ 136,629	\$ 7,627	\$ 144,256
2019	<u>140,390</u>	<u>3,866</u>	<u>144,256</u>
Totals	<u>\$ 277,019</u>	<u>\$ 11,493</u>	<u>\$ 288,512</u>

## **12. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the County that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pensions will be recognized in pension expense in future years and are more fully described in Note 16.

## **13. Fund Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use. The following types of fund balances are reported at December 31, 2017:

- 1) Nonspendable funds are either unspendable in the current form (pre-paid expenses and inventory) or can never be spent (principal portion of permanent fund).
- 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 and LCHIP surcharges, 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 or the County Delegation, depending on the nature of the item).
- 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 in prior years. Unassigned fund balance is \$4,231,804 at December 31, 2017. The decrease in unassigned fund balance is due primarily to \$28,000,000 being assigned for use in transitioning to a June 30 fiscal year.

The following is a summary of fund balances at December 31, 2017:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 254,556	\$ -	\$ -	\$ 254,556
Inventory	258,997	-	-	258,997
Nonexpendable permanent funds	-	-	28,993	28,993
Total Nonspendable	513,553	-	28,993	542,546
Restricted:				
Long term care (RSA 24:13)	444,441	-	-	444,441
LCHIP surcharges (RSA 478:17-g)	479,402	-	-	479,402
Special revenue funds	-	-	407,187	407,187
Total Restricted	923,843	-	407,187	1,331,030
Assigned:				
Subsequent year budget	28,000,000	-	-	28,000,000
Encumbrances	366,980	2,369,558	-	2,736,538
Total Assigned	28,366,980	2,369,558	-	30,736,538
Unassigned	4,231,804	-	-	4,231,804
Total Fund Balances	\$ 34,036,180	\$ 2,369,558	\$ 436,180	\$ 36,841,918

#### 14. 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.

## 15. Other Post-Employment Benefits – OPEB (GASB 45)

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 January 1, 2017 (the actuarial valuation date), 26 retirees, covered spouses, and survivors, and 409 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 benefits 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. Surviving spouses continue to receive coverage after the death of the eligible retired employee, but are required to continue to pay 100% of the premiums.

### D. Annual OPEB Costs and Net OPEB Obligation

The County of Rockingham's 2017 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 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 amorti-

zation and level service. The following table shows the components of the County's annual OPEB cost for the year ending December 31, 2017, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an interim actuarial valuation as of December 31, 2017.

Annual Required Contribution (ARC)	\$ 170,570
Interest on net OPEB obligation	50,514
Adjustment to ARC	<u>(73,039)</u>
Annual OPEB cost	148,045
Contributions made*	<u>(87,326)</u>
Increase in net OPEB obligation	60,719
Net OPEB obligation - beginning of year	<u>1,262,848</u>
Net OPEB obligation - end of year	<u><u>\$ 1,323,567</u></u>

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

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 148,045	59.0%	\$ 1,323,567
2016	\$ 276,569	34.2%	\$ 1,262,848
2015	\$ 264,158	26.0%	\$ 1,080,857

*E. Funded Status and Funding Progress*

The funded status of the plan as of January 1, 2017, the date of the most recent interim actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 1,569,390
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 1,569,390</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>\$ 18,729,923</u></u>
UAAL as a percentage of covered payroll	<u><u>8.4%</u></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 OPEB 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 January 1, 2017 actuarial valuation, the entry age normal level dollar method was used. The actuarial value of assets was not determined, as the County has not advanced funded its obligation. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), the anticipated long-term investment return on the County's invested funds. Healthcare inflation is calculated based upon a trend of 8.00% to 5.0% over 7 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.

**16. New Hampshire Retirement System (GASB 68)**

The County follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System, a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing

service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

**B. Benefits Provided**

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by  $\frac{1}{4}$  of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earned compensation and/or service.

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and 11.55% for sheriff's deputies and correctional officers. The County makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.38% to 29.43% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2017 were \$3,077,529, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the County reported a liability of \$40,137,752 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2016, the County's proportion was 0.89542291%. At the most recent measurement date of June 30, 2017, the County's proportion was 0.81614093%, which was a decrease of 0.07928198% from its previous year proportion.

For the year ended December 31, 2017, the County recognized pension expense of \$3,186,505. In addition, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 91,009	\$ 510,838
Net difference between projected and actual earnings on investments	-	511,174
Changes of assumptions	4,030,360	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,208,246
Contributions subsequent to the measurement date	<u>1,598,066</u>	<u>-</u>
Totals	<u>\$ 5,719,435</u>	<u>\$ 4,230,258</u>

\$1,598,066 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2018	\$ 332,330
2019	(807,566)
2020	(744,659)
2021	<u>1,328,784</u>
Total	<u>\$ 108,889</u>

*F. Actuarial Assumptions*

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent per year
Salary increases	5.6 percent average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.75%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	2.11%
Absolute Return Fixed Income	7.00	1.26%
Total fixed income	25.00	
Private Equity	5.00	6.25%
Private Debt	5.00	4.75%
Opportunistic	5.00	2.84%
Total alternative investments	15.00	
Real Estate	10.00	3.25%
Total	100.00 %	

#### G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the

member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 52,879,474	\$ 40,137,752	\$ 29,696,416

*I. Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

**17. Self-Insurance**

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

Health Insurance

The County contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its health insurance coverage for nonunion employees (and those of one union, Sheriff's Supervisors), the County is liable for all medical claims up to \$150,000 for a covered individual. Claims exceeding this amount are the responsibility of the stop loss (or reinsurance) carrier, which funds these specific claims in advance to the County, which then pays the claims to the providers. 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.

### 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 \$1,500 per covered individual on the “low” plan and \$2,000 per covered individual on the “high” plan. Any claim amounts exceeding \$1,500 or \$2,000 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 County does have excess worker's compensation coverage through another provider. 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, 2017 are as follows:

	<u>Health</u>	<u>Dental</u>	<u>Workers'</u> <u>Compensation</u>	<u>Total</u>
Claims liability, beginning of year	\$ 220,097	\$ 13,961	\$ 977,755	\$ 1,211,813
Claims incurred/recognized	5,669,471	478,042	261,184	6,408,697
Claims paid	<u>(5,700,425)</u>	<u>(474,187)</u>	<u>(521,076)</u>	<u>(6,695,688)</u>
Claims liability, end of year	\$ <u>189,143</u>	\$ <u>17,816</u>	\$ <u>717,863</u>	\$ <u>924,822</u>

## **18. 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>
2018	\$ 184,284	\$ 38,174	\$ 222,458
2019	61,632	38,362	99,994
2020	-	26,346	26,346
2021	-	2,381	2,381
Totals	\$ <u>245,916</u>	\$ <u>105,263</u>	\$ <u>351,179</u>

## **19. 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.

## **20. Commitments and Contingencies**

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues 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, 2017, 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.

## **21. Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the County beginning with its year ending June 30, 2019. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditure. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet specific criteria and for employers whose employees are provided with defined benefit contribution OPEB.

## **22. Subsequent Events**

The County issued \$3,000,000 of bonds in January 2018, which were sold to the New Hampshire Municipal Bond Bank. The purpose of the bonds is to provide funding for the \$12,000,000 rehabilitation and nursing center renovation project, which will be completed in 2018. The bonds are payable over ten years at an interest rate of 5.10% and will mature February 2028. The County received a bond premium of \$388,700 in connection with the sale of the bonds, resulting in a true interest cost of 2.16%. The first scheduled bond payment (interest only) is due August 2018.

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**  
**SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)**  
**REQUIRED SUPPLEMENTARY INFORMATION**

December 31, 2017

(Unaudited)

(Amounts Expressed in Thousands)

**Other Post-Employment Benefits**

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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]
01/01/17	\$ -	\$ 1,569	\$ 1,569	0.0%	\$18,730	8.4%
01/01/15	\$ -	\$ 2,224	\$ 2,224	0.0%	\$22,443	9.9%
01/01/13	\$ -	\$ 2,878	\$ 2,878	0.0%	\$19,270	14.9%
01/01/11	\$ -	\$ 2,932	\$ 2,932	0.0%	n/a	n/a

See Independent Auditors' Report.

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**

SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (GASB 68)  
REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(Unaudited)

**New Hampshire Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2015	June 30, 2015	0.86913382%	\$ 34,430,972	\$ 22,090,187	155.87%	65.47%
December 31, 2016	June 30, 2016	0.89542291%	\$ 47,614,967	\$ 23,192,721	205.30%	58.30%
December 31, 2017	June 30, 2017	0.81614093%	\$ 40,137,752	\$ 21,432,783	187.27%	62.66%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017

(Unaudited)

**New Hampshire Retirement System**

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<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2015	\$3,036,667	\$3,036,667	\$ -	\$22,431,661	13.54%
December 31, 2016	\$3,019,682	\$3,019,682	\$ -	\$21,767,665	13.87%
December 31, 2017	\$3,077,529	\$3,077,529	\$ -	\$21,241,160	14.49%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

COUNTY OF ROCKINGHAM, NEW HAMPSHIRE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

DECEMBER 31, 2017

	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
<b>ASSETS</b>										
Cash and short-term investments	\$ 70,364	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,220	\$ -	\$ 75,584
Restricted cash	-	-	83,069	-	-	-	8,262	-	-	91,331
Investments	-	28,562	-	-	-	-	-	-	46,547	75,109
Accounts receivable, net	-	-	-	-	278	-	-	-	-	278
Due from other funds	-	-	438	9,541	219,894	12,381	426	-	-	242,680
<b>TOTAL ASSETS</b>	<b>\$ 70,364</b>	<b>\$ 28,562</b>	<b>\$ 83,507</b>	<b>\$ 9,541</b>	<b>\$ 220,172</b>	<b>\$ 12,381</b>	<b>\$ 8,688</b>	<b>\$ 5,220</b>	<b>\$ 46,547</b>	<b>\$ 484,982</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Due to other funds	\$ 3,205	\$ 28,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,554	\$ 48,802
<b>Total Liabilities</b>	<b>3,205</b>	<b>28,043</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,554</b>	<b>48,802</b>
Fund Balances:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,993	\$ 28,993
Restricted	67,159	519	83,507	9,541	220,172	12,381	8,688	5,220	-	407,187
<b>Total Fund Balances</b>	<b>67,159</b>	<b>519</b>	<b>83,507</b>	<b>9,541</b>	<b>220,172</b>	<b>12,381</b>	<b>8,688</b>	<b>5,220</b>	<b>28,993</b>	<b>436,180</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 70,364</b>	<b>\$ 28,562</b>	<b>\$ 83,507</b>	<b>\$ 9,541</b>	<b>\$ 220,172</b>	<b>\$ 12,381</b>	<b>\$ 8,688</b>	<b>\$ 5,220</b>	<b>\$ 46,547</b>	<b>\$ 484,982</b>

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, 2017

	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>
<b>Revenues:</b>										
Charges for services:										
Deeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,222	\$ -	\$ -	\$ 116,222
Sheriff	25,812	-	-	-	-	-	-	-	-	25,812
Corrections	-	-	-	-	187,805	600	-	-	-	188,405
Nursing home	-	-	4,096	-	-	-	-	-	-	4,096
Assisted living	-	-	-	1,500	-	-	-	-	-	1,500
Investment income	48	93	210	-	814	42	94	-	136	1,437
Total Revenues	25,860	93	4,306	1,500	188,619	642	116,316	-	136	337,472
<b>Expenditures:</b>										
Current:										
Corrections	-	-	-	-	114	-	-	-	-	114
Sheriff	22,210	-	-	-	-	-	-	-	-	22,210
County attorney	2,308	-	-	-	-	-	-	-	-	2,308
Total Expenditures	24,518	-	-	-	114	-	-	-	-	24,632
Excess (deficiency) of revenues over expenditures	1,342	93	4,306	1,500	188,505	642	116,316	-	136	312,840
<b>Other Financing Sources (Uses):</b>										
Transfers out	-	-	(6,909)	-	(190,080)	(753)	(150,000)	-	-	(347,742)
Total Other Financing Sources (Uses)	-	-	(6,909)	-	(190,080)	(753)	(150,000)	-	-	(347,742)
Change in fund balance	1,342	93	(2,603)	1,500	(1,575)	(111)	(33,684)	-	136	(34,902)
Fund Equity, at Beginning of Year	65,817	426	86,110	8,041	221,747	12,492	42,372	5,220	28,857	471,082
Fund Equity, at End of Year	\$ 67,159	\$ 519	\$ 83,507	\$ 9,541	\$ 220,172	\$ 12,381	\$ 8,688	\$ 5,220	\$ 28,993	\$ 436,180

See Independent Auditors' Report.

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**

PROPRIETARY FUNDS

COMBINING STATEMENT OF NET POSITION

DECEMBER 31, 2017

	<u>Health Fund</u>	<u>Dental Fund</u>	<u>Workers' Compensation Fund</u>	<u>Compensated Absences Fund</u>	<u>Governmental Activities Total Internal Service Funds</u>
<b>ASSETS</b>					
Current assets:					
Cash and short-term investments	\$ 7,168,319	\$ 170,454	\$ 4,479,719	\$ 580,445	\$ 12,398,937
Receivables:					
Accounts	51,103	597	18,181	1,207	71,088
Due from other governments	1,116	-	140,994	-	142,110
Due from other funds	60,339	99,773	2,154	441,649	603,915
Prepaid expenses	<u>104,916</u>	<u>50,876</u>	<u>29,053</u>	<u>-</u>	<u>184,845</u>
Total current assets	<u>7,385,793</u>	<u>321,700</u>	<u>4,670,101</u>	<u>1,023,301</u>	<u>13,400,895</u>
<b>TOTAL ASSETS</b>	<b>7,385,793</b>	<b>321,700</b>	<b>4,670,101</b>	<b>1,023,301</b>	<b>13,400,895</b>
 <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
Liabilities:					
Current liabilities:					
Accounts payable	33,711	31,341	9,305	1,079	75,436
Due to other funds	93,020	25,399	567,242	71,787	757,448
Incurred but not reported claims liability	189,143	17,816	717,863	-	924,822
Current portion of noncurrent liabilities:					
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,092</u>	<u>300,092</u>
Total current liabilities	315,874	74,556	1,294,410	372,958	2,057,798
Noncurrent liabilities:					
Compensated absences, net of current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>766,863</u>	<u>766,863</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>766,863</u>	<u>766,863</u>
<b>Total Liabilities</b>	<b>315,874</b>	<b>74,556</b>	<b>1,294,410</b>	<b>1,139,821</b>	<b>2,824,661</b>
Deferred Inflows of Resources:					
Revenues collected in advance	<u>1,889</u>	<u>3,626</u>	<u>-</u>	<u>-</u>	<u>5,515</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>317,763</b>	<b>78,182</b>	<b>1,294,410</b>	<b>1,139,821</b>	<b>2,830,176</b>
 <b>NET POSITION</b>					
Unrestricted	<u>7,068,030</u>	<u>243,518</u>	<u>3,375,691</u>	<u>(116,520)</u>	<u>10,570,719</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 7,068,030</u></b>	<b><u>\$ 243,518</u></b>	<b><u>\$ 3,375,691</u></b>	<b><u>\$ (116,520)</u></b>	<b><u>\$ 10,570,719</u></b>

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, 2017

	Health Fund	Dental Fund	Workers' Compensation Fund	Compensated Absences Fund	Governmental Activities <u>Total Internal Service Funds</u>
<b>Operating Revenues:</b>					
Employee and employer contributions	\$ <u>6,924,744</u>	\$ <u>385,348</u>	\$ <u>567,332</u>	\$ <u>512,215</u>	\$ <u>8,389,639</u>
Total Operating Revenues	6,924,744	385,348	567,332	512,215	8,389,639
<b>Operating Expenses:</b>					
Employee benefits	<u>5,669,471</u>	<u>478,042</u>	<u>261,184</u>	<u>987,345</u>	<u>7,396,042</u>
Total Operating Expenses	<u>5,669,471</u>	<u>478,042</u>	<u>261,184</u>	<u>987,345</u>	<u>7,396,042</u>
Operating Income (Loss)	1,255,273	(92,694)	306,148	(475,130)	993,597
<b>Nonoperating Revenues (Expenses):</b>					
Investment income	10,114	365	12,223	2,896	25,598
Miscellaneous	<u>(76,765)</u>	<u>-</u>	<u>(38,976)</u>	<u>714</u>	<u>(115,027)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(66,651)</u>	<u>365</u>	<u>(26,753)</u>	<u>3,610</u>	<u>(89,429)</u>
Income (Loss) Before Transfers	1,188,622	(92,329)	279,395	(471,520)	904,168
<b>Transfers:</b>					
Transfers in	-	81,782	-	424,881	506,663
Transfers out	<u>-</u>	<u>-</u>	<u>(506,663)</u>	<u>-</u>	<u>(506,663)</u>
Change in Net Position	1,188,622	(10,547)	(227,268)	(46,639)	904,168
Net Position at Beginning of Year	<u>5,879,408</u>	<u>254,065</u>	<u>3,602,959</u>	<u>(69,881)</u>	<u>9,666,551</u>
Net Position at End of Year	\$ <u><u>7,068,030</u></u>	\$ <u><u>243,518</u></u>	\$ <u><u>3,375,691</u></u>	\$ <u><u>(116,520)</u></u>	\$ <u><u>10,570,719</u></u>

See Independent Auditors' Report.

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Health Fund	Dental Fund	Workers' Compensation Fund	Compensated Absences Fund	Governmental Activities Total Internal Service Funds
<b>Cash Flows From Operating Activities:</b>					
Receipts from users	\$ 6,871,503	\$ 384,340	\$ 567,032	\$ 511,008	\$ 8,333,883
Payments to providers	(5,671,540)	(471,759)	(543,061)	(902,513)	(7,588,873)
Other receipts (payments)	<u>(76,765)</u>	<u>-</u>	<u>(38,976)</u>	<u>714</u>	<u>(115,027)</u>
Net Cash Provided By (Used In) Operating Activities	1,123,198	(87,419)	(15,005)	(390,791)	629,983
<b>Cash Flows From Noncapital Financing Activities:</b>					
Net change in due to/from other funds	(190,894)	(93,106)	435,404	(907,110)	(755,706)
Transfers in from other funds	-	81,782	-	424,881	506,663
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(506,663)</u>	<u>-</u>	<u>(506,663)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	(190,894)	(11,324)	(71,259)	(482,229)	(755,706)
<b>Cash Flows From Investing Activities:</b>					
Investment income	<u>10,114</u>	<u>365</u>	<u>12,223</u>	<u>2,896</u>	<u>25,598</u>
Net Cash Provided By (Used In) Investing Activities	<u>10,114</u>	<u>365</u>	<u>12,223</u>	<u>2,896</u>	<u>25,598</u>
Net Change in Cash and Short-Term Investments	942,418	(98,378)	(74,041)	(870,124)	(100,125)
Cash and Short-Term Investments, Beginning of Year	<u>6,225,901</u>	<u>268,832</u>	<u>4,553,760</u>	<u>1,450,569</u>	<u>12,499,062</u>
Cash and Short-Term Investments, End of Year	<u>\$ 7,168,319</u>	<u>\$ 170,454</u>	<u>\$ 4,479,719</u>	<u>\$ 580,445</u>	<u>\$ 12,398,937</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>					
Operating income (loss)	\$ 1,255,273	\$ (92,694)	\$ 306,148	\$ (475,130)	\$ 993,597
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Nonoperating revenues (expenses)	(76,765)	-	(38,976)	714	(115,027)
Changes in assets and liabilities:					
Receivables	(51,103)	(426)	4,331	(1,207)	(48,405)
Due from other governments	(1,116)	-	(4,631)	-	(5,747)
Prepaid expenses	22,271	(98)	(25,618)	-	(3,445)
Accounts payable	6,614	2,526	3,633	(42,443)	(29,670)
Incurred but not reported claims liability	(30,954)	3,855	(259,892)	-	(286,991)
Accrued compensated absences	-	-	-	127,275	127,275
Deferred revenue	<u>(1,022)</u>	<u>(582)</u>	<u>-</u>	<u>-</u>	<u>(1,604)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,123,198</u>	<u>\$ (87,419)</u>	<u>\$ (15,005)</u>	<u>\$ (390,791)</u>	<u>\$ 629,983</u>

See Independent Auditors' Report.

**COUNTY OF ROCKINGHAM, NEW HAMPSHIRE**

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2017

	<u>Inmates</u>	<u>Nursing Home Residents</u>	<u>Assisted Living Security Deposits</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 241,628	\$ 80,995	\$ 71,174	\$ 393,797
Due from other funds	<u>89</u>	<u>1</u>	<u>-</u>	<u>90</u>
Total Assets	\$ <u>241,717</u>	\$ <u>80,996</u>	\$ <u>71,174</u>	\$ <u>393,887</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 180,481	\$ 241	\$ 6,996	\$ 187,718
Due to specific individuals	<u>61,236</u>	<u>80,755</u>	<u>64,178</u>	<u>206,169</u>
Total Liabilities	\$ <u>241,717</u>	\$ <u>80,996</u>	\$ <u>71,174</u>	\$ <u>393,887</u>

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