

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
**(A Wholly-Owned Subsidiary of Local Government Center, Inc.)**

**FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

**With Independent Auditors' Report**

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
**(A Wholly-Owned Subsidiary of Local Government Center, Inc.)**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors of Local Government Center, Inc., as Sole Member of  
New Hampshire Municipal Association, LLC  
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

We have audited the statements of financial position of New Hampshire Municipal Association, LLC (a wholly-owned subsidiary of Local Government Center, Inc.) (NHMA) as of December 31, 2009 and 2008 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of NHMA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NHMA as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2010 on our consideration of NHMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, management's discussion and analysis on pages 3 through 6, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Berry, Dunn, McNeil & Parker*

Manchester, New Hampshire  
June 18, 2010

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
**(A Wholly-Owned Subsidiary of Local Government Center, Inc.)**

**Management's Discussion and Analysis**

**December 31, 2009**

**Overview:**

As the result of a decision by the former boards of the New Hampshire Municipal Association, Inc., the New Hampshire Municipal Association Property-Liability Trust, Inc., and HealthTrust, Inc., on July 1, 2003 the New Hampshire Municipal Association, LLC (NHMA) was formed. It is a wholly-owned subsidiary of Local Government Center, Inc. (Local Government Center). NHMA is exempt from federal income taxes under Section 501(c)(4) and 115 of the Internal Revenue Code.

New Hampshire Municipal Association, LLC is a membership organization with the mission to provide legislative policy development and advocacy. Membership dues also support legal advice on municipal problems and issues, training and education on municipal duties and legal principles. These services are provided to and on behalf of municipal members of the New Hampshire Municipal Association, LLC. In addition, other New Hampshire political subdivisions desiring risk management services from other Local Government Center subsidiaries must maintain an associate or service member status with New Hampshire Municipal Association, LLC. As of December 31, 2009, all of the 234 towns and cities in New Hampshire are members of NHMA. In addition, 219 other political subdivisions are either associate or service members of NHMA.

Municipal entities' dues are established by NHMA in accordance with NHMA's Operating Agreement. Dues are calculated based on population and equalized valuation. The dues formula also provides for minimum and maximum dues that are annually adjusted based on inflation. Associate member dues are based on the number of employees in the governmental unit.

**Discussion of the Basic Financial Statements:**

Following the pronouncements of the Governmental Accounting Standards Board, NHMA's financial information is presented in three basic financial statements.

**Statement of Financial Position:** This statement provides information about NHMA's assets, liabilities and net assets as of December 31, 2009. The NHMA total assets in the current asset category represent either cash or expenses prepaid for a subsequent period. The remainder of assets represents the NHMA's investment in furniture and equipment, including the total amount recognized over time for depreciation. The liabilities reflect amounts to be paid to staff for wages or vacation time earned during 2009 but not paid until a later period and an amount due to the Local Government Center for 2009 services paid for in 2010. Net Assets represents the difference between assets and liabilities. The Executive Committee of the former New Hampshire Municipal Association, Inc. adopted a Board Policy goal that net assets should equal three months of operating expenses. As of December 31, 2009, unrestricted net assets equals approximately 1 month of operating expenses.

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
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**Management's Discussion and Analysis**

**December 31, 2009**

**Statement of Revenue, Expenses, and Changes in Net Assets:** The results of NHMA's operations for 2009 are shown on this statement. The statement provides information about income from dues (memberships), operating expenses, and other income. This statement also shows how the net assets as of December 31, 2009 were determined.

**Statement of Cash Flows:** This statement reviews how NHMA's cash balance changed during calendar year 2009. It is divided into three sections explaining where NHMA provided or used cash. These areas relate to NHMA's operations, investing activities and financing activities. It provides the "reasons" for the increase in NHMA's cash position.

**Operating Results:**

The Statements of Financial Position show that total assets increased by approximately \$129,000 in 2009. The increase in total assets from December 31, 2008 to December 31, 2009 is the result of the net cash provided by operations during the year ended December 31, 2009.

Current liabilities increased by approximately \$19,000 in 2009. The increase is primarily due to differences in the timing of the payment of current liabilities. There are no long-term liabilities. Net assets increased from \$221,059 in 2008 to \$330,742 in 2009 due to additional restricted funds received by NHMA during the year ended December 31, 2009.

NHMA's operating results for 2009 are found on the Statement of Revenue, Expenses, and Changes in Net Assets. Income from operations amounted to \$109,327 during the year ended December 31, 2009. Operating results consist of annual membership (dues) revenue and restricted funds received less operating expenses. Operating expenses include amounts for salaries and related items, expenses related to legislative policy activities and expenses for general activities. There was a small amount of investment income.

At December 31, 2009, NHMA's Unrestricted Net Assets would provide approximately 1 month of operating expenses (based on 2009 expenses). In 2000, the Executive Committee of the former New Hampshire Municipal Association, Inc. established a goal to bring net assets to 3 months of operating expenses.

The Statement of Cash Flows indicates cash increased \$130,769 from December 31, 2008 to December 31, 2009. This increase was primarily the result of the income from operations.

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
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**Management's Discussion and Analysis**

**December 31, 2009**

**Major Accounting Policies:**

Financial statements are prepared under the accrual method of accounting. Thus, expenses are recognized in the period in which they are incurred and revenue in the period in which it is earned. At December 31, 2009, calculations for prepaid expenses, accrued salaries and related expenses, and amounts due to the parent were recognized to ensure expenses and revenues were recognized in the appropriate period(s).

**Risk & Uncertainties:**

As town and city budgets tighten, local governing bodies carefully review all expenditures. NHMA occasionally loses a member for local budgeting or political reasons. In 2010, one member dropped its membership in NHMA, bringing 2010 membership to 233 municipal governmental units.

**Outlook:**

The Local Government Center Board has adopted a vision statement for the entire organization. NHMA implements that vision by:

Providing general legislative advocacy services to municipal members, including presenting testimony before legislative committees and state agencies on a regular basis, and serving as a resource to legislators who have limited staff to assist them with an understanding of municipal issues and municipal government.

Coordinating the biennial legislative policy process which involves the participation of local officials in the drafting and adoption of policies to guide staff during the course of the legislative biennium.

Drafting legislation and locating sponsors for the introduction of policy positions in the legislative process as well as drafting amendments as necessary to address municipal legislative issues.

Publishing a weekly Legislative Bulletin during the legislative session, which provides members with up-to-date information on legislation that affects municipal government. It is available in hardcopy by mail and with e-mail on the Local Government Center's web site.

Sending Legislative Alerts when legislation needs quick member action. This provides members with the background information required to be conversant about legislation with members of the House and Senate and to be effective local advocates on legislative issues.

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
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**Management's Discussion and Analysis**

**December 31, 2009**

Providing timely legislative updates to affiliate groups such as the New Hampshire Government Finance Officers Association and to the Municipal and Government Law Section of the NH Bar Association, through presentations at meetings and through direct communication with local officials and attorneys.

Providing an end of session analysis of all laws that have been adopted or amended and that affect municipal government, contained in a Final Legislative Bulletin and presented at the LGC Annual Conference.

Continuing work with study committees during the “off-season” as legislators and others attempt to address complex administrative and legal changes to rules and statutes.

Attending meetings and advocating municipal interests before state boards, such as the Assessing Standards Board, the Equalization Standards Board, and the New Hampshire Retirement System Board of Trustees.

Assisting other Legal Services and Government Affairs staff with the provision of legal advice, preparation of publications, and presentation of educational programs to member municipalities.

Based on member feedback through the Municipal Advocacy Committee, the Committee on Government Affairs and the legislative policy process, NHMA sees an ongoing role for its government affairs activities for the foreseeable future.

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
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**Statements of Financial Position**

**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 550,809	\$ 420,040
Prepaid expenses and other assets	<u>7,469</u>	<u>8,915</u>
Total current assets	<u>558,278</u>	<u>428,955</u>
Furniture and equipment, at cost	3,272	3,272
Less accumulated depreciation	<u>(2,739)</u>	<u>(2,177)</u>
Furniture and equipment, net	<u>533</u>	<u>1,095</u>
Total assets	<u>\$ 558,811</u>	<u>\$ 430,050</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 22,423	\$ 711
Accrued salaries, payroll taxes, and fringe benefits	38,808	50,470
Deferred revenue	71,825	81,053
Due to Parent	<u>95,013</u>	<u>76,757</u>
Total current and total liabilities	<u>228,069</u>	<u>208,991</u>
Contingency (Note 4)		
Net assets		
Unrestricted	75,696	51,534
Restricted	254,513	168,430
Invested in capital assets	<u>533</u>	<u>1,095</u>
Total net assets	<u>330,742</u>	<u>221,059</u>
Total liabilities and net assets	<u>\$ 558,811</u>	<u>\$ 430,050</u>

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

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
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**Statements of Revenue, Expenses, and Changes in Net Assets**

**Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Operating revenues		
Revenue from memberships	\$ 629,738	\$ 615,717
Restricted contributions	<u>107,722</u>	<u>184,441</u>
Total revenues	<u>737,460</u>	<u>800,158</u>
Operating expenses		
Salaries and related benefits	503,819	508,846
Professional fees	34,009	19,837
Overhead	16,700	16,500
Staff expenses	15,054	13,923
Printing and publications	14,467	16,760
Municipal advocacy committee	12,004	11,439
Insurance	10,243	6,360
Postage	6,815	5,543
Miscellaneous	4,483	9,108
Rent	4,300	4,300
Telephone	3,454	3,521
Dues and membership	2,223	2,585
Depreciation	<u>562</u>	<u>962</u>
Total operating expenses	<u>628,133</u>	<u>619,684</u>
Income from operations	109,327	180,474
Nonoperating income		
Interest income	<u>356</u>	<u>456</u>
Increase in net assets	109,683	180,930
Net assets, beginning of year	<u>221,059</u>	<u>40,129</u>
Net assets, end of year	<u>\$ 330,742</u>	<u>\$ 221,059</u>

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

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
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**Statements of Cash Flows**

**Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Member dues collected	\$ <b>636,569</b>	\$ 385,766
Restricted contributions received	<b>107,722</b>	184,441
Salaries and related benefits paid	<b>(535,758)</b>	(493,955)
Other expenses paid	<u><b>(78,120)</b></u>	<u>(102,767)</u>
Net cash provided (used) by operating activities	<b>130,413</b>	(26,515)
Cash flows from investing activities		
Received from interest	<b>356</b>	456
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>-</u>	<u>(1,543)</u>
Net increase (decrease) in cash and cash equivalents	<b>130,769</b>	(27,602)
Cash and cash equivalents, beginning of year	<u><b>420,040</b></u>	<u>447,642</u>
Cash and cash equivalents, end of year	<u><b>\$ 550,809</b></u>	<u>\$ 420,040</u>
Reconciliation of income from operations to net cash provided (used) by operating activities		
Income from operations	\$ <b>109,327</b>	\$ 180,474
Adjustments to reconcile income from operations to net cash provided (used) by operating activities		
Depreciation	<b>562</b>	962
Decrease (increase) in prepaid expenses	<b>1,446</b>	(5,858)
Increase (decrease) in		
Accounts payable and accrued expenses	<b>21,712</b>	711
Accrued salaries, payroll taxes, and fringe benefits	<b>(11,662)</b>	8,528
Deferred revenue	<b>(9,228)</b>	(210,005)
Due to Parent	<u><b>18,256</b></u>	<u>(1,327)</u>
Net cash provided (used) by operating activities	<u><b>\$ 130,413</b></u>	<u>\$ (26,515)</u>

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

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
**(A Wholly-Owned Subsidiary of Local Government Center, Inc.)**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

**Nature of Operations**

New Hampshire Municipal Association, LLC (NHMA) was established as a non-profit organization in July 2003 and is incorporated under the laws of the State of New Hampshire. NHMA is a wholly-owned subsidiary of Local Government Center, Inc. (Parent), a non-profit organization whose membership is limited to New Hampshire municipalities. NHMA's services to members include providing information and technical advice on municipal problems and issues, including legislative policy development and advocacy. NHMA is a membership organization. Membership dues are assessed annually based on criteria set forth in its membership agreement.

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. NHMA financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

**Accounting Standards**

Pursuant to GASB Statements No. 20, "Accounting and Financial Reporting for Proprietary Funds," and No. 29, "Other Governmental Entities That Use Proprietary Fund Accounting," NHMA has elected to apply the provision of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
**(A Wholly-Owned Subsidiary of Local Government Center, Inc.)**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

**Cash Equivalents**

Cash equivalents consist of all highly liquid investments with an original maturity of three months or less.

**Depreciation**

Furniture and equipment is depreciated using the straight-line method over the estimated useful life of the asset.

**Restricted Net Assets**

Restricted net assets consists of cash received from members whose use is restricted to purposes stipulated by the members. The primary purpose of the restricted net assets at December 31, 2009 and 2008 is for legal advocacy activities.

**Revenue Recognition**

Membership dues are recognized ratably over the periods to which the dues relate.

Restricted contributions available only for specified purposes are recognized when received. Unused restricted revenues at year end are recorded as restricted net assets.

**Operating Revenues and Expenses**

NHMA's statement of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues primarily result from dues associated with providing services to members - NHMA's principal activity. Operating expenses are all expenses incurred to provide services to members and expenses incurred for specified purposes related to restricted contributions. Interest income is reported as nonoperating income.

**Income Taxes**

NHMA is exempt from federal and state income taxes under provisions of the Internal Revenue Code and State Statutes.

**NEW HAMPSHIRE MUNICIPAL ASSOCIATION, LLC**  
**(A Wholly-Owned Subsidiary of Local Government Center, Inc.)**

**Notes to Financial Statements**

**December 31, 2009 and 2008**

**2. Cash and Cash Equivalents**

NHMA maintains its cash in bank deposits and cash management accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2009 and 2008. As of December 31, 2009 and 2008, the carrying amount of cash held, in total, in excess of the FDIC limit was \$301,209 and \$170,931, respectively. The balances in excess of the FDIC limit are collateralized with securities held in joint custody with the bank.

**3. Related Party Transactions**

Parent provides substantially all the administrative and operational services to NHMA. Total administrative expenses charged by Parent to NHMA were \$622,338 and \$584,132 for the years ended December 31, 2009 and 2008, respectively.

Management of risks related to NHMA's activities is addressed via NHMA's relationship with its Parent. Parent purchases risk management services from its subsidiaries, Local Government Center Property-Liability Trust, LLC and Local Government Center HealthTrust, LLC.

**4. Contingency**

NHMA assesses potential liabilities in connection with lawsuits and threatened lawsuits under Financial Accounting Standards Board *Accounting Standards Codification* Topic 450, *Contingencies*. NHMA accrues an estimated loss for these loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. As of December 31, 2009, NHMA has not accrued any liability for any lawsuits or threatened lawsuits as the conditions for accrual have not been met. NHMA expenses legal costs as they are incurred.

**INDEPENDENT AUDITORS'  
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors of Local Government Center, Inc., as Sole Member of  
New Hampshire Municipal Association, LLC  
(A Wholly-Owned Subsidiary of Local Government Center, Inc.)

We have audited the financial statements of New Hampshire Municipal Association, LLC (a wholly-owned subsidiary of Local Government Center, Inc.) (NHMA) as of and for the year ended December 31, 2009 and have issued our report thereon dated June 18, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered NHMA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NHMA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NHMA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether NHMA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of NHMA in a separate letter dated June 18, 2010.

This report is intended solely for the information and use of the Board of Directors of Local Government Center, Inc. and management, and is not intended to be and should not be used by anyone other than these specified parties.



Manchester, New Hampshire  
June 18, 2010