
**COUNTY OF CHESHIRE,
NEW HAMPSHIRE**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2006**

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MASON + RICH

PROFESSIONAL ASSOCIATION
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Board of County Commissioners

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cheshire, New Hampshire, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the index. These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cheshire, New Hampshire as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 11 and 43 through 46 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Mason + Rich, P.A.

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May 11, 2007

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**COUNTY MANAGEMENT'S
DISCUSSION AND ANALYSIS**

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

The discussion and analysis of Cheshire County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- The County's total net assets decreased by \$1,220,742 which represents an 11.64% decrease from 2005.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$3,508,000 a decrease of \$1,643,711 from the prior year. Of this amount, \$3,235,625 is available for spending (unreserved fund balance).
- At the end of the current year, unreserved fund balance for the General Fund was \$2,116,808, which represents a 41% decrease from the prior year and represents 14.2% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The County's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information showing how the County's net assets changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

(Continued on next page)

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

The change in net assets is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall position of the County, non-financial information such as changes in the County's tax base and the condition of the County's capital assets will also need to be evaluated.

In the statement of net assets and the statement of activities, the County is divided into two kinds of activities:

- **Governmental Activities**—Most of the County's programs and services are reported here, including General Government, Public Safety, Human Services, and the Cheshire County Farm. These services are funded primarily by taxes and intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities**—These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's Nursing Home is reported here.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The funds of Cheshire County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. The County's major governmental fund is the General Fund.

GOVERNMENTAL FUNDS—Governmental funds are used to account for essentially the same functions reported as governmental activities on the government wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year-end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided, along with the financial resources available.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government wide financial statements. By doing so, readers may better understand the long-term effect of the government's short term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

(Continued on next page)

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major fund, identified earlier as the General Fund. Data from the other governmental funds, which include County Extension Service, Incentive Fund, Heman Chase Fund, Nursing Home Contribution Fund, Wellington Fund, Deeds Surcharge and the Capital Reserve Funds are combined into a single, aggregated presentation.

PROPRIETARY FUNDS—The County has one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The County uses enterprise funds to account for the Nursing Home and Internal Service Health and Dental Insurance Fund.

FIDUCIARY FUNDS—Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

NOTES TO THE FINANCIAL STATEMENTS—The notes provide additional information that is essential to gaining a full understanding of the data provided on the government-wide and fund financial statements.

OTHER INFORMATION—In addition to the basic financial statements and accompanying notes, this report presents the General Funds actual revenues and expenditures as compared to the legally adopted budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

County, assets exceeded liabilities by \$9,217,519 (\$7,273,819 in governmental activities and \$1,943,700 in business-type activities) as of December 31, 2006. This is a decrease in net assets of \$1,213,839 from 2005.

**Cheshire County, New Hampshire Net Assets
as of December 31, 2006 and December 31, 2005**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other assets	\$ 5,890,400	\$ 7,266,471	\$ (545,412)	\$ (644,897)	\$ 5,344,988	\$ 6,621,574
Direct Financing Lease A/R	2,656,194	2,875,925	-	-	2,656,194	2,875,925
Capital Assets, Net	<u>5,694,222</u>	<u>5,978,279</u>	<u>4,792,811</u>	<u>4,905,040</u>	<u>10,487,033</u>	<u>10,883,319</u>
Total Assets	<u>14,240,816</u>	<u>16,120,675</u>	<u>4,247,399</u>	<u>4,260,143</u>	<u>18,488,215</u>	<u>20,380,818</u>
Other liabilities	3,423,455	3,425,142	983,557	1,098,177	4,407,012	4,523,319
Long-Term Liabilities	<u>3,543,542</u>	<u>3,927,905</u>	<u>1,320,142</u>	<u>1,498,236</u>	<u>4,863,684</u>	<u>5,426,141</u>
Total Liabilities	<u>6,966,997</u>	<u>7,353,047</u>	<u>2,303,699</u>	<u>2,596,413</u>	<u>9,270,696</u>	<u>9,949,460</u>

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**CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS**

**Cheshire County, New Hampshire Net Assets
as of December 31, 2006 and December 31, 2005**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Net Assets:						
Invested in capital assets, net of						
Related debt	\$ 3,865,686	\$ 3,890,989	\$ 3,489,443	\$ 3,429,302	\$ 7,355,129	\$ 7,320,291
Restricted	1,191,601	1,129,619	-	-	1,191,601	1,129,619
Unrestricted	<u>2,216,532</u>	<u>3,747,020</u>	<u>(1,545,743)</u>	<u>(1,765,572)</u>	<u>670,789</u>	<u>1,981,448</u>
Total Net Assets	<u>\$ 7,273,819</u>	<u>\$ 8,767,628</u>	<u>\$ 1,943,700</u>	<u>\$ 1,663,730</u>	<u>\$ 9,217,519</u>	<u>\$ 10,431,358</u>

Total net assets are presented in three categories: capital assets, restricted and unrestricted.

The largest portion of the County's net assets are related to capital assets (e.g., land and improvements, buildings and building improvements, machinery and equipment, vehicles, and infrastructure). The figure presented (\$7,355,129) is net of any related debt incurred to acquire those assets and represents 79.8% of total net assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the County's net assets (\$1,191,601 or 12.9%) represents resources that are subject to restrictions on how they can be used. For Cheshire County, those restrictions include those related to limitations imposed by statutes governed by the State of New Hampshire, capital reserves and expendable trust funds.

The remaining portion (\$670,789 or 7.3%) represents the part of net assets of Cheshire County that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements (unrestricted). As you will note, the unrestricted assets of the County business-type activities have a negative balance. Specifically, the business type activity for Cheshire County is the County owned Maplewood Nursing Home. Although the objective of the County is that the Nursing Home is self sustaining, Maplewood as well as other County run nursing homes throughout the State of New Hampshire face deficits due to Medicaid reimbursement rates being lower than the actual cost to run the homes. Additionally, census levels for 2006 were much lower than projected. Ultimately, the 2006 negative balance has decreased by \$219,829 over 2005.

It should be noted that approximately \$582,000 of the County liabilities is for billings from the State of New Hampshire going back to 2002 for medical bills of residents on Medicaid receiving Skilled Nursing Care in non nursing home facilities. The County has been deducting these charges as the agreement between the County and State to share the cost of assistance for individuals needing Medicaid assistance does not include services provided in these type of facilities. In 2006 the New Hampshire Association of Counties filed suit against the State of New Hampshire Department of Health and Human Services in order to receive a declaratory judgement on these bills. On October 27, 2006 a decision was made in Merrimack County Superior Court in favor of the Counties. The State of New Hampshire has filed an appeal to the Supreme Court which is anticipated to be heard sometime in 2007.

(Continued on next page)

**CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS**

The next statement provided shows the changes in net assets for 2005 and 2006.

Cheshire County, Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues						
Charges for Services	\$ 2,277,397	\$ 2,439,503	\$ 8,617,573	\$ 8,625,120	\$ 10,894,970	\$ 11,064,623
Operating Grants and Contribtns	648,772	581,683	1,949,722	1,652,170	2,598,494	2,233,853
Capital Grants and Contributions	-	-	-	-	-	-
Total Program Revenues	<u>2,926,169</u>	<u>3,021,186</u>	<u>10,567,295</u>	<u>10,277,290</u>	<u>13,493,464</u>	<u>13,298,476</u>
General Revenues						
Property Taxes	13,276,742	11,990,941	-	-	13,276,742	11,990,941
Gain(Loss) on Sale of Cap Assets	-	(44,989)	-	-	-	(44,989)
Capital Contributions	-	-	7,001	-	7,001	-
Interest and Investment	267,885	188,992	7,906	8,825	275,791	197,817
Other	117,439	148,184	30,043	11,921	147,482	160,105
Total General Revenue	<u>13,662,066</u>	<u>12,283,128</u>	<u>44,950</u>	<u>20,746</u>	<u>13,707,016</u>	<u>12,303,874</u>
Total Revenues	16,588,235	15,304,314	10,612,245	10,298,036	27,200,480	25,602,350
Transfers	<u>(2,868,757)</u>	<u>(2,355,423)</u>	<u>2,868,757</u>	<u>2,355,423</u>	-	-
Total Revenues and Transfers	<u>13,719,478</u>	<u>12,948,891</u>	<u>13,481,002</u>	<u>12,653,459</u>	<u>27,200,480</u>	<u>25,602,350</u>
Expenses:						
General Government	4,346,023	4,035,687	-	-	4,346,023	4,035,687
Public Safety	4,083,992	3,737,731	-	-	4,083,992	3,737,731
Human Services	6,271,169	6,067,285	-	-	6,271,169	6,067,285
Farm	327,792	326,706	-	-	327,792	326,706
Interest on Long Term Debt	184,311	203,076	-	-	184,311	203,076
Cheshire County Nursing Home	-	-	13,207,935	12,599,170	13,207,935	12,599,170
Total Expenses	<u>15,213,287</u>	<u>14,370,485</u>	<u>13,207,935</u>	<u>12,599,170</u>	<u>28,421,222</u>	<u>26,969,655</u>
Increase (Decrease) in Net Assets	<u>\$ (1,493,809)</u>	<u>\$ (1,421,594)</u>	<u>\$ 273,067</u>	<u>\$ 54,289</u>	<u>\$ (1,220,742)</u>	<u>\$ (1,367,305)</u>

Governmental Activities

Charges to users of governmental services made up \$2,277,397 or 13.8% of total government revenues and include such services as provided by the Sheriff's Department, Department of Corrections, Court House Leases, Cheshire County Farm, Registry of Deeds, and Assisted Living Apartments. Additionally, the County receives revenue from operating grants and other contributions. In 2006 this totaled \$648,772 or 4.2% of total government revenue. Operating grants are used to fund expenses associated with programs such as the Domestic Violence Prosecutor, the Victim Witness Program and services relating to Human Services. Other contributions included in the amount are reimbursement for the lease of the Jaffrey District Court House. This reimbursement is received as a direct offset to the annual long-term debt bond schedule.

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CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Property tax revenues are the County's largest revenue, accounting for \$13,276,742 or 80% of total government revenues. As noted previously, the County is able to recover some of its expenses through user charges, however, a great deal of County operations do not have revenue sources sufficient or available to meet their expenses and as a result are funded by Property Taxes.

The single largest expense that is funded through the assessment of taxes is associated with the obligation towards Human Services. This area is responsible for paying the County's share of funding for those Cheshire County residents needing Medicaid assistance.

The analysis below for governmental activities indicates the total cost as well as the net cost of services. The net cost of services identifies the cost of those services supported by tax assessments and unrestricted revenues that are not directly related to specific charges for services or grants and contributions that would offset those services.

**Cheshire County, Governmental Activities
For Period Ending December 31, 2006 and December 31, 2005**

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
General Government	\$ 4,346,023	\$ 4,035,687	\$ 3,021,375	\$ 2,841,088
Public Safety	4,083,992	3,737,731	3,209,186	2,665,800
Human Services	6,271,169	6,067,285	5,890,113	5,705,049
Farm	327,792	326,706	71,866	29,056
Interest Expense	184,311	203,076	94,578	108,306
Total Expenses	<u>\$ 15,213,287</u>	<u>\$ 14,370,485</u>	<u>\$ 12,287,118</u>	<u>\$ 11,349,299</u>

Business-Type Activities

Charges for services provided funding for 65.2% of total program expenses with the additional 14.8% coming from operating grants and contributions and 21.7% (\$2,868,757) subsidized by the General Fund.

Although the Nursing Home should be self sustaining the high census level of Medicaid residents results in operating deficits. In 2005, the Nursing Home required the General Fund to subsidize the operations by 18.7% or \$2,355,423. In 2006 the subsidy increased to 21.7% or \$2,868,757, an increase of \$513,334. The majority of this increase is due to the fact that the overall census levels ran lower than originally projected. The lower levels at the Cheshire County run facility is consistent with other nursing home census levels state-wide. There has been effort at the State level to encourage individuals who qualify for nursing home care to receive their care at home through the Home and Community Based Care programs. It is not immediately clear if the lower census levels are a result of this effort. However in anticipation of this change, Maplewood's goal is to increase the census levels in the area of short term Skilled Care residents. In order to help accomplish this, a position has been created whose main responsibility is working directly with the discharge planners at the local hospitals in order to quickly facilitate the transfer of residents out of their acute care setting and into our skilled care facility.

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CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Financial Analysis of County Funds

Cheshire County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of December 31, 2006, the County's governmental funds reported a combined ending fund balance of \$3,508,000, a decrease of \$1,643,711 in comparison with the prior year. Approximately 92.2% of this total (\$3,235,625) constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$272,375).

The General Fund is the primary operating fund of the County. At the end of 2006, unreserved fund balance was \$2,116,808, while total fund balance was \$2,315,115. Cheshire County objective is to maintain an unreserved fund balance between 5% and 10 % of the County's total budget.

Cheshire County's General Fund balance decreased by \$1,682,511 during 2006. The key factor for this decrease was the use of fund balance in the 2006 adopted budget of which \$1,300,000 was budgeted in order to keep the increase to taxpayers at a minimum while still staying within the desired level.

Enterprise Funds

The enterprise fund (Maplewood Nursing Home) focuses on the changes to net assets, much as it might be for a private-sector business.

The unrestricted net assets of Maplewood Nursing Home at December 31, 2006 were at deficit levels of (\$1,665,324). The unrestricted net asset deficit decreased by \$25,575 over the 2005 level of (\$1,690,899). Although the Nursing Home Supplemental payment helps to narrow the difference between the Medicaid rate and our actual per diem rate, deficit levels still continue as the Medicaid rate combined with the Bed Tax falls short of covering the cost of patient care.

As a government owned nursing home, the census of Medicaid residents tends to be much higher than private nursing home levels. As of December 31, 2006, approximately 74% of the nursing home census consisted of residents needing Medicaid assistance in order to pay for their care. Based on the 2006 Medicaid cost report for Maplewood, the allowable per diem rate was calculated to be \$252.36. However, the actual paid per diem as of December 31, 2006 was \$137.21 or \$115.15 per day short of allowable 2006 costs. The supplemental payment provided additional reimbursement averaging \$41.37 per day. This additional payment still leaves the allowable per diem rate short by approximately \$73.78 per day. In order to minimize the need to subsidize Maplewood Nursing Home, the department's work very hard to keep their operational budgets as close to level as possible.

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CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

However, because nearly 50% of the expenses at the Nursing Home is within the payroll and benefit lines, the overall cost to run the Nursing Home inevitably continues to increase the need for financial support from the General Fund thus contributing to the deficit levels of unrestricted net assets.

Budgetary Highlights

By State statute, the County Convention must adopt its annual budget within 90 days after the beginning of the county's fiscal year. Therefore, any new purchases or proposed changes to the budget are not executed until the budget is adopted. On March 29, 2006, the County Convention adopted the 2006 budget. As adopted, the bottom line was up 5.04% (\$1,374,635) and taxes to be raised were 14.06% higher than 2005 (\$1,685,801) for total taxes to be raised of \$13,676,742.

Areas that contributed to the increase included the following:

- Increased Health insurance costs associated with the Cheshire County's self-funded Health insurance plan. In 2006, increases to both employer and employee totaling \$237,109 (11%) were necessary in order to fund the plan at the 2006 anticipated claim levels. This was an increase to the County's share of \$202,340 over 2005 funding.
- Merit and a 3.50 % cost of living adjustment to employee wages accounted for approximately \$676,810 in increased costs for payroll and benefits.
- The Human Service budget for the County's portion of Medicaid Assistance was increased by \$220,151.
- Rising energy costs resulted in an increase in the fuel and electricity lines of the County facilities totaling \$163,363.
- The elimination of boarding Federal Inmates at the County Correctional facility resulted in a loss of \$350,000 in revenue sources.

As it has been in many other budget years, a supplemental budget was brought before the delegation and approved. On July 17, 2006, the county budget was amended for the receipt of Proportional Share Funds in the amount of \$665,684. Additionally taxes to be raised were decrease by \$400,000.

As a result of the supplemental budget, the total budget increased to \$28,938,244 up 6.04% (\$1,647,819) over the 2005 budget with taxes adjusted down from the original proposed budget to an increase of 10.72% (\$1,285,801) over 2005.

Capital Assets and Debt Administration

Capital Assets—The County's investment in capital assets for governmental and business-type activities as of December 31, 2006, was \$10,487,033 (net of accumulated depreciation). This investment in capital assets includes land and improvements, water and waste water systems, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, and construction in progress.

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**CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS**

Major Capital projects and or equipment that was completed or purchased include \$24,407 to replace the dishwasher at the Nursing Home, \$37,950 to purchase a new van for the Nursing Home; \$20,316 for installation of an additional security system for wandering residents; \$18,850 for the continuation of the resident mattress replacement project; \$81,951 to replace the oil tank at Maplewood; \$100,318 to replace the underground oil tank at the Court House; and \$57,984 to purchase 2 Sheriff vehicles.

Note IV (C) – Detailed Notes on All Funds (Capital Assets) provides additional information about capital asset activity during 2006.

Long-Term Debt—At December 31, 2006, the County had total general obligation bonded debt outstanding of \$4,185,000. Of this amount, \$1,950,000 is for the Jaffrey District Court House and is to be reimbursed by the State of New Hampshire by way of a lease agreement. The annual payment schedule for the lease corresponds with the bond schedule principal and interest payments. Other outstanding debt includes construction of a twenty-(20) apartment Assisted Living Unit and the expansion of the Nursing Home's therapy departments with debt remaining as of December 31, 2006 of \$1,860,000. Additionally, bonds for the study of a new County Jail had a balance remaining of \$375,000 at year-end. The County's long term bonded debt decreased by \$465,000 (10%) during 2006.

The current outstanding debt for Cheshire County is as follows:

Cheshire County, Outstanding Debt			
December 31, 2006			
	Governmental Activities	Business-type Activities	Total
Nursing Home Expansion	\$ 1,246,200	\$ 613,800	\$ 1,860,000
Jail Expansion Study	375,000	-	375,000
Jaffrey District Court House	<u>1,950,000</u>	<u>-</u>	<u>1,950,000</u>
Total Outstanding Debt	<u>\$ 3,571,200</u>	<u>\$ 613,800</u>	<u>\$ 4,185,000</u>

On September 11, 2006, the Delegation authorized to raise and appropriate \$745,000 to finance the design, construction and equipping of the county water treatment plant in Westmoreland in order to make necessary improvements that are required to comply with the new federal Safe Water Drinking regulations. The funds will be raised through the use of the New Hampshire State Revolving Loan Fund. As of March, 2007, this project has not been started. However it is anticipated to begin during the summer of 2007.

As noted in prior management discussions, the County has been actively working on getting support for the construction of a new Correctional Facility. Although there has always been a consensus for the need of a new facility the location of siting the jail has caused this project to be delayed for many, many years. On March 12, 2007, a successful vote was taken authorizing a bond in the amount of \$37,000,000 to finance the land acquisition, design, construction and equipping of a county correctional facility. As of this time, the county is working actively with Bond Council and expects to sell the bonds in mid May to early June, 2007.

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CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

In 2005 the first lease payment associated with the Energy Efficiency Project was due. Total principal for this project is \$1,070,543 and will be paid over a twelve (12) year period. The second principal payment was made on May 30, 2006 for \$91,000. The remaining principal due for this project as of December 31, 2006 is \$895,543.

Moody's has assigned an underlying rating of A1 to the outstanding general obligation debt of the County. However, an AAA credit rating was listed on the bonds since the County purchased insurance to guarantee bond payments.

In addition to the bonded debt, the County's long-term obligations include \$346,141 in compensated absences. These compensated absences are an accumulation of unused accrued vacation and holiday time at December 31, 2006.

Economic Factors

- The Cheshire County unemployment rate for December, 2006 was 3.2%, which compares favorably to the State's rate of 3.3 %, the New England rate of 4.3% and the national rate of 4.3 %. The County rate has increased slightly over December 2005 at which time was 2.9 %.
- Most recent equalized assessed valuations of property used for appropriating Cheshire County's 2006 taxes were \$6,984,529,867. This is an increase over the prior year assessed valuations of 13.6% or \$835,893,061.
- There were no outstanding taxes due from any Cheshire County towns or city as of December 31, 2006.

Requests for Information

This financial report is designed to provide a general overview of the county's finances for all those with an interest in the governments' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Sheryl A. Trombly, Finance Director, 33 West Street, Keene, NH 03431.

BASIC FINANCIAL STATEMENTS

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Equivalents	\$ 2,332,532	\$ 308,238	\$ 2,640,770
Temporary Investments	997,980	-	997,980
Accounts Receivable	131,570	899,581	1,031,151
Due from Other Governments	159,011	292,282	451,293
Internal Balances	2,142,202	(2,142,202)	-
Inventories	-	87,397	87,397
Deposits and Prepaids	127,105	9,292	136,397
Direct Financing Lease Receivable	2,656,194	-	2,656,194
Capital Assets:			
Land and Improvements	166,586	565,334	731,920
Water System	315,855	765,008	1,080,863
Wastewater System	166,232	430,289	596,521
Buildings and Improvements	10,763,363	7,068,989	17,832,352
Furniture, Equipment and Vehicles	1,089,258	1,769,985	2,859,243
Construction in Progress	560,751	-	560,751
Less Accumulated Depreciation	(7,367,823)	(5,806,794)	(13,174,617)
Total Capital Assets, Net of Depreciation	5,694,222	4,792,811	10,487,033
TOTAL ASSETS	\$ 14,240,816	\$ 4,247,399	\$ 18,488,215
LIABILITIES			
Accounts Payable	\$ 232,481	\$ 426,805	\$ 659,286
Contract Payable	-	-	-
Retainage Payable	-	-	-
Accrued Liabilities	146,377	237,661	384,038
Due to Other Governments	1,920,411	141,331	2,061,742
Deferred Revenue	737,585	-	737,585
Non-current Liabilities:			
Portion Due or Payable Within One Year:			
Bonds and Notes Payable	362,700	102,300	465,000
Capital Lease Obligations	23,901	75,460	99,361
Portion Due or Payable After One Year:			
Bonds and Notes Payable	3,208,500	511,500	3,720,000
Capital Lease Obligations	183,435	614,108	797,543
Compensated Absences	151,607	194,534	346,141
Total Liabilities	6,966,997	2,303,699	9,270,696
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,865,686	3,489,443	7,355,129
Restricted for:			
Juvenile Incentive	341,366	-	341,366
Deeds Surcharge	96,196	-	96,196
Capital Reserves	727,600	-	727,600
Other Purposes:			
Expendable	26,439	-	26,439
Unrestricted (Deficit)	2,216,532	(1,545,743)	670,789
Total Net Assets	\$ 7,273,819	\$ 1,943,700	\$ 9,217,519

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
General Government	\$ 4,346,023	\$ 1,169,256	\$ 155,392	\$ -	\$ (3,021,375)	-	\$ (3,021,375)
Public Safety	4,083,992	852,215	22,591	-	(3,209,186)	-	(3,209,186)
Human Services	6,271,169	-	381,056	-	(5,890,113)	-	(5,890,113)
Farm	327,792	255,926	-	-	(71,866)	-	(71,866)
Interest on Long-term Debt	184,311	-	89,733	-	(94,578)	-	(94,578)
Total Governmental Activities	15,213,287	2,277,397	648,772	-	(12,287,118)	-	(12,287,118)
Business-type Activities							
Cheshire County Nursing Home	13,207,935	8,617,573	1,949,722	-	-	(2,640,640)	(2,640,640)
Total Business-type Activities	13,207,935	8,617,573	1,949,722	-	-	(2,640,640)	(2,640,640)
Total	\$ 28,421,222	\$ 10,894,970	\$ 2,598,494	\$ -	(12,287,118)	(2,640,640)	(14,927,758)
General Revenues:							
Taxes:							
County Tax Assessment					13,276,742	-	13,276,742
Payment in Lieu of Taxes					-	-	-
Grants and Contributions Not Restricted to Specific Purposes					-	-	-
Interest and Investment Earnings					267,885	7,906	275,791
Miscellaneous					117,439	30,043	147,482
Gain (Loss) on Disposal of Capital Assets					-	-	-
Capital Contributions					-	7,001	7,001
Transfers					(2,868,757)	2,868,757	-
Total General Revenues, Special Items and Transfers					10,793,309	2,913,707	13,707,016
Change in Net Assets					(1,493,809)	273,067	(1,220,742)
Net Assets, Beginning of Year, Restated					8,767,628	1,670,633	10,438,261
Net Assets, End of Year					\$ 7,273,819	\$ 1,943,700	\$ 9,217,519

FUND FINANCIAL STATEMENTS

COUNTY OF CHESHIRE, NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Equivalents	\$ 1,997,048	\$ 335,484	\$ 2,332,532
Temporary Investments	886	997,094	997,980
Accounts Receivable	129,249	2,321	131,570
Due From Other Funds	4,525,170	-	4,525,170
Due From Other Governments	44,832	114,179	159,011
Inventories	-	-	-
Deposits and Prepaids	80,304	-	80,304
TOTAL ASSETS	\$ 6,777,489	\$ 1,449,078	\$ 8,226,567
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 231,568	\$ 913	\$ 232,481
Contracts Payable	-	-	-
Retainage Payable	-	-	-
Accrued Liabilities	119,286	-	119,286
Due to Other Funds	2,159,717	255,280	2,414,997
Due to Other Governments	1,920,411	-	1,920,411
Deferred Revenues	31,392	-	31,392
Total Liabilities	4,462,374	256,193	4,718,567
Fund Balances			
Reserved for Encumbrances	198,307	74,068	272,375
Reserved for Prepaids	-	-	-
Unreserved, Reported in:			
General Fund	2,116,808	-	2,116,808
Nonmajor Special Revenue Funds	-	391,217	391,217
Nonmajor Capital Projects Funds	-	727,600	727,600
Total Fund Balances	2,315,115	1,192,885	3,508,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,777,489	\$ 1,449,078	\$ 8,226,567

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

<i>Total Governmental Fund Balances (Previous Page)</i>	\$ 3,508,000
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Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because of the Following Items:

Capital Assets Used in Governmental Activities Are NOT Financial Resources and Therefore Are Not Reported in the Funds.	5,694,222
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Other Long-term Assets Are NOT Available to Pay for Current-period Expenditures and Therefore Are Saved in the Funds.	2,656,194
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Internal Service Funds Are Used by the County to Charge the Costs of Health and Dental Insurance; the Assets and Liabilities of the Internal Service Fund Are Included in Business-Type Activities. This Amount Represents the Amount Due to the Business-Type Activities at Year End.	32,030
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Deposits on Capital Assets Are Expensed on the Governmental Funds (Statement 4) Whereas in the Statement of Net Assets They are Reported as Prepays at Year End.	46,801
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Long-term Deferred Revenues Related to Long-term Receivables Are NOT Recognized on Statement 3.	(706,193)
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Long-term Liabilities, Including Bonds Payable and Unmatured Compensated Absences, Are NOT Due and Payable in the Current Period and Therefore Are NOT Reported in the Funds.	(3,957,235)
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<i>Net Assets of Governmental Activities - Statement 1</i>	<u>\$ 7,273,819</u>
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COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General Fund	Other Governmental Funds	Totals Governmental Funds
Revenues			
Taxes	\$ 13,276,742	\$ -	\$ 13,276,742
Intergovernmental	336,625	228,358	564,983
Charges for Services	1,816,638	33,359	1,849,997
Interest	223,476	46,581	270,057
Other	637,302	96,133	733,435
Total Revenues	16,290,783	404,431	16,695,214
Expenditures			
Current:			
General Government	3,642,893	539,200	4,182,093
Public Safety	3,723,124	-	3,723,124
Farm	269,412	-	269,412
Human Services	6,030,149	-	6,030,149
Capital Outlay	436,007	-	436,007
Debt Service	829,383	-	829,383
Total Expenditures	14,930,968	539,200	15,470,168
Excess (Deficiency) of Revenues Over Expenditures	1,359,815	(134,769)	1,225,046
Other Financing Sources (Uses)			
Proceeds of Long-term Debt	-	-	-
Operating Transfers In	130,917	452,136	583,053
Operating Transfers (Out)	(3,173,243)	(278,567)	(3,451,810)
Total Other Financing Sources (Uses)	(3,042,326)	173,569	(2,868,757)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(1,682,511)	38,800	(1,643,711)
Fund Balances, Beginning of Year	3,997,626	1,154,085	5,151,711
Fund Balances, End of Year	\$ 2,315,115	\$ 1,192,885	\$ 3,508,000

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Net Change in Fund Balances - Total Governmental Funds (Previous Page) \$ (1,643,711)

Governmental Funds Report Capital Outlays During the Year as Expenditures on Statement 4. However, on the Statement of Activities (Statement 2) the Cost of Those Capital Items Has Been Capitalized and the Cost is Then Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. This is the Amount by Which Capital Outlay Expenditures Exceeded Depreciation Expense for the Current Fiscal Year. (284,057)

Repayment of Bond and Capital Lease Principal is an Expenditure in the Governmental Funds (Statement 4), But the Repayment Reduces Long-term Liabilities in the Statement of Net Assets (Statement 2). Also, Bond Proceeds Are Recognized as an Other Financing Source on Statement 4 But Are Recorded as a Long-term Liability in Statement of Net Assets (Statement 2). This is the Amount of the Repayments and Bond or Capital Lease Proceeds That Have Been Charged to Long-Term Liabilities. 388,754

Accrued Interest on the Governmental Funds is Reported as Expenditure When Paid, While Interest Due at Year End is Recognized as a Liability and an Expense on the Statement of Net Assets (Statement 2). This is the Net Amount by Which Accrued Interest Expense Exceeded Interest Expense for the Current Fiscal Year 4,715

Estimated Compensated Absences Payable Are Recognized When Payable on Statement 4 But Are Accrued and Expensed at Year End on Statement 2. (2,239)

Revenues Reported in the Statement of Activities That do NOT Provide Current Financial Resources are NOT Reported as Current Year's Revenues in the Funds Statement. 89,732

Revenues Received From the State of New Hampshire and Reported on the Funds Statements are Reported as Receipts Against the Direct Financing Lease Receivable on Statement 2. (219,733)

Internal Service Fund is Used by The County to Charge the Costs of Dental and Health Insurance to Individual Funds. The Net Cost of the Internal Service Fund is Reported in Governmental Activities 102,904

Deposits on Capital Assets Are Expensed on the Governmental Funds (Statement 4), Whereas in the Statement of Activities They are Reported as Prepaids at Year End. 46,800

Previous Year's Accounts Payable on the Governmental Funds That are Paid in the Funds (Statement 4) are Reported as Expenditures on the Funds. 23,026

In the Statement of Activities (Statement 2), Only the Loss on the Disposal of Capital Assets is Reported, Whereas in the Governmental Funds (Statement 4) There is No Use of Financial Resources. As a Result, the Change in Net Assets Differs From the Change in Fund Balance by the Net Book Value of the Disposed Capital Assets.

Change in Net Assets of Governmental Activities (Statement 2) \$ (1,493,809)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	Business- Type Activities <u>Cheshire County Nursing Home</u>	Governmental Activities <u>Internal Service Fund</u>
ASSETS		
Current Assets		
Cash and Equivalents	\$ 200	\$ 308,038
Accounts Receivable - Services	899,581	-
Due From Other Funds	2,231,170	-
Due From Other Governments	292,282	-
Inventories	87,397	-
Deposits and Prepays	-	-
Prepaid Expenses	9,292	-
Total Current Assets	<u>3,519,922</u>	<u>308,038</u>
Capital Assets:		
Land and Improvements	565,334	-
Water System	765,008	-
Wastewater System	430,289	-
Buildings and Improvements	7,068,989	-
Vehicles	152,518	-
Furniture and Equipment	1,617,467	-
Construction in Progress	-	-
Less Accumulated Depreciation	<u>(5,806,794)</u>	-
Total Capital Assets, Net of Depreciation	<u>4,792,811</u>	-
TOTAL ASSETS	<u><u>\$ 8,312,733</u></u>	<u><u>\$ 308,038</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 277,396	\$ 149,409
Accrued Liabilities	237,661	-
Due to Other Funds	4,334,324	7,019
Due to Other Governments	141,331	-
Deferred Revenues	-	-
Current Portion of Long-Term Debt:		
Obligations Under Capital Lease	75,460	-
Bonds Payable	102,300	-
Total Current Liabilities	<u>\$ 5,168,472</u>	<u>\$ 156,428</u>

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	Business- Type Activities	Governmental Activities
	Cheshire County Nursing Home	Internal Service Fund
Noncurrent Liabilities:		
Obligations Under Capital Lease	\$ 614,108	\$ -
Bonds Payable	511,500	-
Compensated Absences	194,534	-
Total Noncurrent Liabilities	<u>1,320,142</u>	<u>-</u>
Total Liabilities	<u>6,488,614</u>	<u>156,428</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	3,489,443	-
Unrestricted (Deficit)	(1,665,324)	151,610
Total Net Assets	<u>1,824,119</u>	<u>151,610</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,312,733</u>	<u>\$ 308,038</u>

Reconciliation to Government-wide Statement of Net Assets (Statement 1):

Total Net Assets Business-type Activities Above	\$ 1,824,119
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Business-type Activities	119,581
Total Net Assets Business-type Activities, Statement 1	<u>\$ 1,943,700</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business- type Activities <u>Cheshire County Nursing Home</u>	Governmental Activities <u>Internal Service Fund</u>
<i>Operating Revenues</i>		
Intergovernmental	\$ 1,284,038	\$ -
Charges for Services:		
Medicaid	4,379,526	-
Private	1,570,120	-
Atypical Unit	1,466,934	-
Medicare A and B (PT, OT, Speech and Other), Respite Care, Nurse Practitioner and Adult Day Care	850,054	-
Other User Charges	-	2,127,296
Total Charges for Services	<u>8,266,634</u>	<u>2,127,296</u>
Miscellaneous:		
Meals	350,939	-
Medicaid Proportional Share	665,684	-
Other	30,043	-
Total Miscellaneous	<u>1,046,666</u>	<u>-</u>
<i>Total Operating Revenues</i>	<u>10,597,338</u>	<u>2,127,296</u>
<i>Operating Expenses</i>		
General Operating Expenses:		
Administration	2,195,428	1,838,045
Quality Improvement	58,380	-
Finance	260,961	-
Computer Operations	167,174	-
Dietary	1,226,211	-
Nursing	5,153,801	-
Atypical Unit	1,069,647	-
Facilities	927,833	-
Waste Water Treatment Plant	14,185	-
Water Treatment Plant	18,451	-
Laundry and Linens	293,533	-
Housekeeping	425,525	-
Activities	253,670	-
Social Services	162,991	-
Occupational Therapy	157,896	-
Physical Therapy	309,787	-
Other Services for Residents	212,303	-
Capital Outlay - Minor Equipment	4,219	-
Depreciation	415,345	-
<i>Total Operating Expenses</i>	<u>13,327,340</u>	<u>1,838,045</u>
Operating Income (Loss)	<u>(2,730,002)</u>	<u>289,251</u>

(Continued)

The Accompanying Notes are an Integral Part of This Financial Statement

- Page 20-

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business- type Activities <u>Cheshire County Nursing Home</u>	Governmental Activities <u>Internal Service Fund</u>
<i>Non-Operating Revenues (Expenses)</i>		
Interest Expense	\$ (62,368)	\$ -
Interest Revenue	-	7,906
Bad Debt Recovery (Expense)	(4,575)	-
<i>Net Non-Operating Revenues (Expenses)</i>	<u>(66,943)</u>	<u>7,906</u>
Income (Loss) Before Contributions and Transfers	<u>(2,796,945)</u>	<u>297,157</u>
<i>Contributions and Transfers In (Out)</i>		
Capital Contributions	7,001	-
Transfers In	2,868,757	-
Transfers (Out)	-	-
<i>Total Contributions and Transfers In (Out)</i>	<u>2,875,758</u>	<u>-</u>
Change in Net Assets	78,813	297,157
Total Net Assets, Beginning of Year, Restated	<u>1,745,306</u>	<u>(145,547)</u>
Total Net Assets, End of Year	<u>\$ 1,824,119</u>	<u>\$ 151,610</u>

Reconciliation to Government-wide Statement of Activities (Statement 2):

Change in Net Assets Business-type Activities, Above	\$ 78,813
Adjustments to Reflect the Consolidation of Internal Service Fund Activity Related to Business-type Activities	194,254
Change in Net Assets Business-type Activities, Statement 2	<u>\$ 273,067</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business- type Activities	Governmental Activities
	Cheshire County Nursing Home	Internal Service Fund
<i>Cash Flows from Operating Activities</i>		
Cash Received From Services	\$ 9,360,192	\$ -
Cash Received from Other Governments	1,290,733	-
Cash Received for Interfund Services Provided	-	2,132,867
Cash Paid to Suppliers	(6,351,722)	(1,867,225)
Cash Paid to Employees	(6,467,070)	-
Other Expenses	(212,303)	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>(2,380,170)</u>	<u>265,642</u>
<i>Cash Flows From Noncapital Financing Activities</i>		
Transfers From Other Funds	2,868,757	-
Loans From/(to) Other Funds	42,054	-
<i>Net Cash Provided (Used) for Capital and Related Financing Activities</i>	<u>2,910,811</u>	<u>-</u>
<i>Cash Flows From Capital and Related Financing Activities</i>		
Principal Paid on Bonds	(102,300)	-
Principal Paid on Capital Lease	(70,070)	-
Interest Paid on Bonds and Capital Lease	(70,461)	-
Acquisition of Improvements and Equipment	(289,212)	-
<i>Net Cash Provided (Used) for Capital and Related Financing Activities</i>	<u>(532,043)</u>	<u>-</u>
<i>Cash Flows From Investing Activities</i>		
Interest Earnings on Investments	-	7,906
<i>Net Cash Provided (Used) From Investing Activities</i>	<u>-</u>	<u>7,906</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,402)	273,548
Cash and Cash Equivalents at Beginning of Year	1,602	34,490
Cash and Cash Equivalents at End of Year	<u>\$ 200</u>	<u>\$ 308,038</u>
<i>Noncash Transactions</i>		
Additions to Capital Assets from Contributions	<u>\$ 7,001</u>	<u>\$ -</u>
Capital Assets Retired During the Year	<u>\$ 4,962</u>	<u>\$ -</u>

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business- type Activities Cheshire County Nursing Home	Governmental Activities Internal Service Fund
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>		
Operating Income (Loss)	\$ (2,730,002)	\$ 289,251
<i>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities</i>		
Depreciation	415,345	-
Other Operating Expenses	(4,575)	-
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Operating Assets:		
Accounts Receivable	46,892	-
Inventories	(22,162)	-
Deposits and Prepaids	(9,292)	-
Due From Other Funds	-	-
Due From Other Governments	6,695	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(76,621)	(29,180)
Due to Other Funds	-	5,571
Accrued Liabilities	52,224	-
Due to Other Governments	(58,340)	-
Deferred Revenues	-	-
Compensated Absences	(334)	-
<i>Total Adjustments</i>	349,832	(23,609)
<i>Net Cash Provided (Used) by Operating Activities</i>	\$ (2,380,170)	\$ 265,642

COUNTY OF CHESHIRE, NEW HAMPSHIRE
 STATEMENT OF ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 DECEMBER 31, 2006

	Agency Funds						Community Development Block Grants
	Sheriff's Escrow and Fees	Register of Deeds	Nursing Home Residents' Funds	Nursing Home Activity Fund	Jail Canteen/ Recreation Fund	Hemenway Fund	
ASSETS							
Cash	\$ 8,671	\$ 435,667	\$ 56,575	\$ 4,236	\$ 35,344	\$ -	\$ 18,036
Temporary Investments	-	-	-	-	-	-	-
Accounts Receivable	-	4,763	870	-	-	-	-
Due From Other Governments	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 8,671	\$ 440,430	\$ 57,445	\$ 4,236	\$ 35,344	\$ -	\$ 18,036
LIABILITIES							
Accounts Payable	\$ 6,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,036
Due to Other Governments	-	440,430	-	-	-	-	-
Due to Specific Individuals and/or Groups:							
To Judiciary Participants	2,063	-	-	-	-	-	-
To Inmates	-	-	-	-	35,344	-	-
To Nursing Home Residents/Activities	-	-	57,445	4,236	-	-	-
TOTAL LIABILITIES	\$ 8,671	\$ 440,430	\$ 57,445	\$ 4,236	\$ 35,344	\$ -	\$ 18,036

The Accompanying Notes are an Integral Part of This Financial Statement

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

I | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cheshire County is a “body corporate” under the authority of the New Hampshire Revised Statute Annotated (RSA) 23:1. The elected County Commissioners are responsible for the day to day operation of the County. The Commissioners present a recommended budget to the County Convention for approval annually. Either the budget approved by the Convention or, if the Convention does not approve the budget timely, the Commissioners’ original budget as submitted for approval, becomes effective for the year.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on 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. County taxes and other items not properly included among program revenues are reported instead as general revenues.

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are 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. County tax assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
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fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

County tax assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

General Fund – This is the County’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Non-Major Governmental Fund Types:

Special Revenue Funds – accounts for specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes. Non-major special revenue funds include the Extension Service, Juvenile Placement, Heman Chase, Nursing Home Donations, Wellington and Deeds Surcharge Fund

Capital Projects Funds – account for financial resources segregated for the acquisition or construction of major capital facilities. Non-major capital projects funds include the various Capital Reserve Funds.

The County reports the following major proprietary funds:

County Nursing Home – This fund accounts for the activities of the Cheshire County Nursing Home. The fund accounts for the operation and maintenance of the Nursing Home, which provides intermediate and skilled nursing care to the elderly residents of the County. The Home is funded through a combination of Medicaid and Medicare funds from the Federal Government, the State and the County as well as from the private resources of the residents of the Home.

Additionally, the County reports the following fund types:

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations or other governments. The fiduciary funds of the County are agency funds (Sheriff’s Escrow and Fees, Register of Deeds, Nursing Home Residents’ Fund, Jail Canteen/Recreation Fund, Hemenway Fund and Community Development Block Grants). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. Fiduciary funds are NOT included in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
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activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the County Nursing Home function and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Nursing Home are charges to residents for services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. DEPOSITS AND INVESTMENTS

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County Treasurer is authorized by State statutes and with the approval of the Commissioners to invest excess funds "in obligations of the U.S. Government, in participation units in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire or in certificates of deposits and repurchase agreements of banks incorporated under the laws or in the State of New Hampshire or in banks recognized by the State Treasurer".

The County participates in the New Hampshire Public Deposit Investment Pool established in accordance with RSA 383:22-24. Total funds on deposit with the Pool at year-end were \$25,787 and are reported as temporary investments on the General Fund (\$886) and other governmental funds (\$24,901). At this time, the Pool's investments are limited to "short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire and New Hampshire municipal obligations, certificates of deposit from A1/P1-rated banks, money market mutual funds (maximum of 20% of portfolio), overnight to 30-day repurchase agreements (no limit, but collateral level at 102% in U.S. Treasury and Government Agency instruments delivered to Custodian) and reverse overnight repurchase agreements with primary dealers or dealer banks."

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
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The Pool is operated under contract with a private investment advisor, approved by the State Bank Commissioner and the advisory committee created under RSA 383:24. The Pool is a 2a7-like pool, which means that it is not registered with the Securities Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Cost and market value of the Pool's investments are the same.

2. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The Department of Revenue Administration, based upon data reported on the assessment of properties by the cities and towns in the County, annually sets the County tax assessment for each community within the County. Based upon the assessments from the Department of Revenue Administration, the County Treasurer issues a warrant to the cities and towns in the County for them to assess, collect and pay to the County the County tax assessment. The tax is due annually by December seventeenth with interest at ten percent chargeable on any unpaid amounts.

3. INVENTORIES AND PREPAID ITEMS

All inventories are valued at cost using the first-in/ first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and vehicles, are reported in the applicable governmental or business-type activities columns 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 two years for governmental activities. For business-type activities (County Nursing Home) the County uses a threshold of \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	5-40
Vehicles	5-15
Equipment	4-25

5. COMPENSATED ABSENCES

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation may be accrued to one and one-half times the employee's maximum. Any vacation accrued beyond this amount will be forfeited.

Employees are allowed to take a given holiday on or after the holiday. Annual accrued holiday time must be taken within sixty days of the new calendar year. Consequently, the County accrues accumulated unpaid vacation pay and recognizes the expense in the period the pay is earned.

Sick leave accumulates at the rate of up to ten days per year and may be accumulated to a maximum of sixty days.

Under the current sick leave policy, upon accumulation of sixty days sick leave, all sick leave days over sixty days are paid to the employee at the end of the year, at the rate of one-half day per day accumulated. Employees may not carry over such compensation to subsequent years nor are they eligible to be paid for any unused sick leave time should they terminate their employment.

All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. 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, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

7. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any debt used for the acquisition, construction or improvement of those capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provision on enabling legislation or through external restrictions imposed by creditors, grantors or law or regulations of other governments. The County reports the following restricted net asset categories:

Juvenile Incentive – Under New Hampshire RSA (Revised Statutes Annotated) 170-G:4 XVI the State’s Division for Children and Youth Services shall distribute funds to cities, towns and counties to “develop and maintain prevention programs, court diversion programs and alternative dispositions for juveniles other than placements outside of the home.”

Deeds Surcharge – Under New Hampshire RSA 478:17-j, the Register of Deeds, with approval of the County Convention may impose a \$2 surcharge which may “only be used for the purchase, rental or repair of equipment” and which “shall be a separate nonlapsing account, and the moneys in the account shall not be available for use as general revenue of the county.”

Capital Reserves – Under New Hampshire RSA 35:1, the County may raise and appropriate funds for the “construction, reconstruction or acquisition of a specific capital improvement, or the acquisition of a specific item or specific items of equipment.” Such funds that have been appropriated by the County Convention are reported as restricted net assets at year end.

II | RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

The details of this difference are as follows:

Bonds Payable	\$ (3,571,200)
Add: Accrued Interest Payable on Bonds and Capital Leases at Fiscal Year End	(27,092)
Capital Leases Payable	(207,336)
Compensated Absences	<u>(151,607)</u>
Net Adjustments to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	<u>\$ (3,957,235)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, on the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital Outlay	\$ 184,775
Depreciation Expense	<u>(468,832)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ (284,057)</u>

Another element of that reconciliation states that “repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also bond proceeds are recognized as an other financing source on Statement 4 but are recorded as a long-term liability in Statement of Net Assets.”

The details of this difference are as follows:

<i>Debt Issued or Incurred:</i>	
Capital Lease Financing	\$ -
Issuance of General Obligation Bonds	-
<i>Principal Repayments:</i>	
General Obligation Debt	362,700
Payment on Capital Lease	<u>26,054</u>
Net Adjustment to Decrease Net Changes in Fund Balances – Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 388,754</u>

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

III | STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The County observes the following procedures in establishing the budgetary data reflected in the financial statements:

1. The County Commissioners deliver or mail to each member of the County Convention and to the chairman of the Board of Selectmen in each Town and the Mayor of each City within the County and to the Secretary of State prior to December 1 annually their itemized budget recommendations together with a statement of actual expenditures and income for at least nine months of the preceding fiscal year.
2. Within ten to twenty days after the mailing of the budget, a public hearing is held on the budget estimates as submitted by the Commissioners.
3. Twenty-eight days must elapse after the mailing of the estimated operating budget before the County Convention may vote on the appropriations for the ensuing budget period.
4. The County Convention must adopt its annual budget no later than March 31.
5. The final form of the County Budget is filed with the Secretary of State's office and the Commissioner of Revenue Administration no later than 30 days after the adopting of the budget.
6. The Commissioners are authorized to transfer budget amounts from department to department. However, any revisions that alter the total expenditures of any fund must be approved by the Executive Committee of the delegation.
7. Except for the payment of judgments rendered against the County, expenditures cannot exceed the total appropriations which the County Convention has voted.
8. The Commissioners may apply to the County Convention for a supplemental appropriation to be made subsequent to the adoption of the annual County budget. The budget reflected in the financial statements includes one supplemental appropriation approved by the delegation.
9. Formal budgetary integration is employed as a management control device during the year for the General Fund special Revenue Fund (Extension Service) and Proprietary Fund (County Nursing Home). The County legally adopts only one budget for the funds.
10. Budget appropriations lapse at year-end except for any outstanding encumbrances or approved appropriation carryovers.
11. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for the Proprietary Fund are adopted on a basis, which is not consistent with GAAP. The budget for the Proprietary Fund is prepared on the modified accrual basis while GAAP requires the full accrual basis.

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

IV | DETAILED NOTES ON ALL FUNDS

A. Deposits and Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. At year end the carrying amount of the County's deposits was \$5,565,470. At year end \$5,955,399 of the County's bank balance of \$6,368,942 was exposed to custodial credit risk as follows:

Uninsured-collateral segregated at the Federal Reserve Bank of Boston and/or New York and identified as being pledged to the County on the bank's books.	\$ 4,213,716
Uninsured and Uncollateralized	<u>207,465</u>
Total	<u>\$ 4,421,181</u>

For purposes of the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

B. Receivables

Receivables as of year-end for the County's individual major funds, non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Other Funds	Total
<i>Receivables:</i>			
County Taxes	\$ -	\$ -	\$ -
Accounts	129,249	2,321	131,570
Intergovernmental	<u>44,832</u>	<u>114,179</u>	<u>159,011</u>
Gross Receivables	174,081	116,500	290,581
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 174,081</u>	<u>\$ 116,500</u>	<u>\$ 290,581</u>

Revenues of the County Nursing Home are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Receivables, Gross	\$ 899,581
Due From Other Governments, Gross	292,282
Uncollectibles	<u>-</u>
Net Total Receivables	<u>\$1,191,863</u>

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

C. Capital Assets

Capital asset activity for the year ended was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 166,586	\$ -	\$ -	\$ 166,586
Construction in Progress	<u>533,948</u>	<u>106,803</u>	<u>(80,000)</u>	<u>560,751</u>
Total Capital Assets, Not Being Depreciated	<u>700,534</u>	<u>106,803</u>	<u>(80,000)</u>	<u>727,337</u>
Capital Assets, Being Depreciated:				
Land Improvements	-	-	-	-
Water System	315,855	-	-	315,855
Wastewater System	166,232	-	-	166,232
Buildings and Improvements	10,752,260	11,103	-	10,763,363
Equipment and Vehicles	<u>953,650</u>	<u>146,869</u>	<u>(11,261)</u>	<u>1,089,258</u>
Total Capital Assets Being Depreciated	<u>12,187,997</u>	<u>157,972</u>	<u>(11,261)</u>	<u>12,334,708</u>
Less: Accumulated Depreciation for:				
Land Improvements	-	-	-	-
Water System	(137,683)	(10,528)	-	(148,211)
Wastewater System	(61,601)	(59,953)	-	(121,554)
Buildings and Improvements	(6,304,766)	(292,242)	-	(6,597,008)
Equipment and Vehicles	<u>(406,202)</u>	<u>(106,109)</u>	<u>11,261</u>	<u>(501,050)</u>
Total Accumulated Depreciation	<u>(6,910,252)</u>	<u>(468,832)</u>	<u>11,261</u>	<u>(7,367,823)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,277,745</u>	<u>(310,860)</u>	<u>-</u>	<u>4,966,885</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,978,279</u>	<u>\$ (204,057)</u>	<u>\$ (80,000)</u>	<u>\$ 5,694,222</u>

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 75,211	\$ -	\$ -	\$ 75,211
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>75,211</u>	<u>-</u>	<u>-</u>	<u>75,211</u>
Capital Assets, Being Depreciated:				
Land Improvements	490,123	-	-	490,123
Water System	763,030	1,978	-	765,008
Wastewater System	430,289	-	-	430,289
Buildings and Improvements	7,061,240	7,749	-	7,068,989
Equipment and Vehicles	<u>1,481,558</u>	<u>293,389</u>	<u>(4,962)</u>	<u>1,769,985</u>
Total Capital Assets, Being Depreciated	<u>10,266,240</u>	<u>303,116</u>	<u>(4,962)</u>	<u>10,524,394</u>
Less Accumulated Depreciation for:				
Land Improvements	(347,302)	(26,023)	-	(373,325)
Water System	(413,023)	(31,412)	-	(444,435)
Wastewater System	(145,302)	(15,872)	-	(161,174)
Buildings and Improvements	(3,439,146)	(237,150)	-	(3,676,296)
Equipment and Vehicles	<u>(1,051,638)</u>	<u>(104,888)</u>	<u>4,962</u>	<u>(1,151,564)</u>
Total Accumulated Depreciation	<u>(5,396,411)</u>	<u>(415,345)</u>	<u>4,962</u>	<u>(5,806,794)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,829,829</u>	<u>(112,229)</u>	<u>-</u>	<u>4,717,600</u>
Business-Type Activities Capital Assets, Net	<u>\$4,905,040</u>	<u>\$ (112,229)</u>	<u>\$ -</u>	<u>\$4,792,811</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 163,697
Public Safety (Sheriff and Corrections)	242,553
Human Services	-
Farm	<u>62,582</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 468,832</u>

Business-Type Activities:

Cheshire County Nursing Home	\$ 415,345
Total Depreciation Expense – Business-Type Activities	<u>\$ 415,345</u>

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances at year end is as follows:

Due to/from Other Funds:

Receivable Fund:	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 183,827
General	Internal Service Fund	7,019
General	Cheshire County Nursing Home	4,334,324
Cheshire County Nursing Home	Nonmajor Governmental Funds	71,453
Cheshire County Nursing Home	General	<u>2,159,717</u>
	Total	<u>\$ 6,756,340</u>

Interfund Transfers:

	Transfer In			Total
	General	Nonmajor Governmental	Cheshire County Nursing Home	
Transfer Out:				
General	\$ -	\$ 452,136	\$ 2,721,107	\$ 3,173,243
Nonmajor Governmental Funds	130,917	-	147,650	278,567
Cheshire County Nursing Home	-	-	-	-
Totals	<u>\$ 130,917</u>	<u>\$ 452,136</u>	<u>\$ 2,868,757</u>	<u>\$ 3,451,810</u>

E. Leases

Capital Leases

The County's General Fund has entered into an agreement for the leases of farm equipment and also various energy improvements. These lease agreements qualify as capital leases for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
<i>Asset:</i>		
Vehicles	\$ 22,000	\$ -
Energy Improvements	246,225	824,318
Less: Accumulated Depreciation	<u>(25,067)</u>	<u>(61,824)</u>
Total	<u>\$ 243,158</u>	<u>\$ 762,494</u>

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

The future minimum lease obligations and the net present value of these minimum lease payments as of year end were as follows:

Year Ending December 31,	Governmental Activities	Business-Type Activities
2007	\$ 33,542	\$ 107,663
2008	32,946	110,299
2009	33,648	112,647
2010	22,993	76,978
2011	23,819	79,473
2012-2016	<u>110,230</u>	<u>369,032</u>
Total Minimum Lease Payment	257,178	856,092
Less: Amount Representing Interest	<u>(49,842)</u>	<u>(166,793)</u>
Present Value of Minimum Lease Payments	<u>\$ 207,336</u>	<u>\$ 689,299</u>

Operating Leases

The County does have operating leases for computer equipment and also for office space. The computer leases require the County to enter into maintenance agreements for the computer equipment and maintain the equipment in good working order, repair and maintenance. Future minimum annual rental payments are as follows:

Year Ending December 31,	Governmental Activities
2007	\$ 82,892
2008	34,276
2009	<u>16,928</u>
Total	<u>\$ 134,096</u>

Operating lease expenditures totaled \$77,891 for the year and are reported under General Governmental expenditures.

F. Long-Term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years and outstanding at the beginning of the fiscal year was \$3,933,900. During the year, no general obligation bonds were issued. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

Governmental Activities	Amount
\$4,400,000-1997 Assisted Living /Nursing Home Improvements Bonds, Due in Annual Installments of \$325,000 to \$310,000 Through August 2012; Interest at 4.50% to 5.10%	\$ 1,246,200
\$2,600,000 – 2001 Jaffrey District Court Bonds, Due in Annual Installments of \$130,000 Through October 2021; Interest at 3.875% to 4.85%.	1,950,000
\$500,000 – 2001 Correctional Facility Design Bonds, Due in Annual Installments of \$25,000 Through October 2021; Interest at 3.875% to 4.85%.	<u>375,000</u>
Total Governmental	<u>\$ 3,571,200</u>
Business-Type Activities	
\$4,223,000 – 1975 Nursing Home Bonds, Due in Annual Installments of \$150,000 to \$100,000 Through November 2005; Interest at 7.20%.	\$ -
\$4,400,000 – 1997 Assisted Living/Nursing Home Improvements Bonds, Due in Annual Installments of \$325,000 to \$310,000 Through August 2012; Interest at 4.50% to 5.10%.	<u>613,800</u>
Total Business Type	<u>613,800</u>
Total Bonds and Note Payable	<u>\$ 4,185,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 362,700	\$ 162,254	\$ 102,300	\$ 30,179
2008	362,700	146,486	102,300	25,370
2009	362,700	130,510	102,300	20,460
2010	362,700	114,133	102,300	15,447
2011	362,700	97,548	102,300	10,332
2012-2016	982,700	297,110	102,300	5,216
2017-2021	<u>775,000</u>	<u>111,214</u>	-	-
Total	<u>\$ 3,571,200</u>	<u>\$ 1,059,253</u>	<u>\$ 613,800</u>	<u>\$ 107,006</u>

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

Changes in Long-Term Liabilities

Long-term liability activity for the year ended was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds	\$ 3,933,900	\$ -	\$ (362,700)	\$ 3,571,200	\$ 362,700
Capital Leases	233,390	-	(26,054)	207,336	23,901
Compensated Absences	<u>149,369</u>	<u>2,238</u>	<u>-</u>	<u>151,607</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 4,316,659</u>	<u>\$ 2,238</u>	<u>\$ (388,754)</u>	<u>\$ 3,930,143</u>	<u>\$ 386,601</u>
<i>Business-Type Activities:</i>					
General Obligation Bonds	\$ 716,100	\$ -	\$ (102,300)	\$ 613,800	\$ 102,300
Capital Leases	759,638	-	(70,070)	689,568	75,460
Compensated Absences	<u>194,868</u>	<u>(334)</u>	<u>-</u>	<u>194,534</u>	<u>-</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 1,670,606</u>	<u>\$ (334)</u>	<u>\$ (172,370)</u>	<u>\$ 1,497,902</u>	<u>\$ 177,760</u>

The County issues tax anticipation notes annually in advance of the payment of the County tax assessments in November and December by the various towns and cities in the County. These notes are necessary to meet the cash flow needs during the fiscal year, which include the County's normal operating budget. Short-term debt activity for the year was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
County Tax Anticipation Notes Payable	<u>\$ -</u>	<u>\$ 9,646,464</u>	<u>\$ 9,646,464</u>	<u>\$ -</u>

V | OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County, along with numerous other municipalities in the State, is a member of two public entity risk pools in the State currently operating as a common risk management and insurance program for which all political subdivision in the State of New Hampshire are eligible to participate. The pools provide coverage for workers' compensation, unemployment and property liability insurance. As a member of the property liability and workers' compensation pools, the County shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program. Contributions paid for the fiscal year totaled \$302,578 for property liability coverage, with no unpaid contributions at year-end.

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

The pool agreement permits the pool to make additional assessments to members should there be deficiency in pool assets to meet its liabilities. At this time, the pool foresees no likelihood of an additional assessment for past years.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. The County participates in a federally assisted contract for services with the Department of Health and Human Services Medicaid (Title XIX) - through the New Hampshire Department of Health and Human Services and also receives CDBG grant funds from the New Hampshire Office of State Planning as well as grant funds from the New Hampshire Office of the Attorney General.

The contract and the grants are subject to program compliance audits by the grantors or their representatives. The audits of the contract and the grants for or including the fiscal year have not yet been reviewed by the grantor. Accordingly, the County's compliance with applicable contract requirements will be established at some future date after the grantor's review. The amount if any, of expenditures which may be disallowed by the contracting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

C. Employee Pension Plan

PLAN DESCRIPTION - Substantially all County employees participate in the State of New Hampshire Retirement System (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All County full-time employees are eligible to participate in the System. The System is divided into two employee groups: Group I which includes all employees except fire fighters and police officers and Group II which is for fire fighters and police officers (including County Sheriff's Departments). The New Hampshire Retirement System issues annually a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the New Hampshire Retirement System, 4 Chenell Drive, Concord, NH.

GROUP I EMPLOYEES - who retire at or after age 60 but before age 65 are entitled to retirement benefits equal to 1.667% of the average of their three highest paid years of compensation, multiplied by their years of service. At age 65 the benefit is recalculated at 1.50% of AFC multiplied by their years of service credit. Earlier retirement allowances at reduced rates are available after age 50 with 10 years of service. Benefits fully vest upon reaching 10 years of service or attaining age 60.

GROUP II EMPLOYEES - who attain age 45 with 20 years or more of service are entitled to retirement benefits equal to 2.5% of the average of their three highest paid years of service, multiplied by their years of service, not to exceed 40. Benefits vest ratably beginning after 10 years of service.

The System also provides death and disability benefits. Cost-of-living increases have been periodically granted to retirees by the State Legislature.

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

FUNDING POLICY - The System is funded by contributions from both the employees and employers. Group I employees are required by State statute to contribute 5.0 percent of gross earnings. Group II employees are required to contribute 9.3 percent of their gross earnings. The employer must, under the same statute, contribute monthly at an actuarially determined rate. The current rates are 5.90% regular employees, 7.87% for police officers of covered payroll. The contribution requirement for the year was \$1,113,488, which consisted of \$632,343 from the County and \$481,145 from employees. The County's contributions to the System for the years ended December 31, 2005 and 2004 were \$533,041 and \$497,644, respectively, which were equal to the amount required under State statute to be contributed for each year.

D. Commitment – Direct Financing Lease and Contracts

The County has entered into a direct financing lease agreement with the State of New Hampshire for a term of 20 years following construction of the Jaffrey District Court Building. The semi-annual payments the County will receive are to be equal to the annual interest and principal payments on the bond. The State will occupy the District Court Building and incur all direct costs associated with the building for the entire period. The County has agreed to sell the District Court Building to the State for a purchase price of \$1.00 at the end of the lease. Future minimum lease payments to be received are as follows at year end:

Year Ended December 31,	Amount
2007	214,694
2008	209,658
2009	204,620
2010	199,420
2011	194,210
Thereafter	<u>1,633,592</u>
Total	<u>\$ 2,656,194</u>

E. Internal Service Health and Dental Fund – Self Insurance

During the year 2000, the County established a Health and Dental Insurance Fund (an internal service fund) to account for and finance its self-insurance program. Under this program, the Health and Dental Insurance Fund provides coverage for up to a maximum of \$50,000 annually for each individual plan participant. The County purchases commercial insurance for claims in excess of coverage provided by the fund and for all others risks of loss.

All funds of the County participate in the program and make payments to the Health and Dental Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current-year claims. The claims liability reported in the fund at year end is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information is available prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Funds claims liability amount were:

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31,	Beginning of Year Liability	Current Years Claims and Changes in Estimates	Claims Payments	Balance at Year End
2000	\$ -	\$ 890,066	\$ (769,289)	\$ 120,777
2001	120,777	1,314,425	(1,254,481)	180,721
2002	180,721	1,592,188	(1,611,939)	160,970
2003	160,970	2,007,854	(2,017,936)	150,888
2004	150,888	2,241,420	(2,215,032)	177,276
2005	177,276	2,224,211	(2,225,898)	175,589
2006	175,589	1,730,047	(1,756,227)	149,409

F. Restatement of Beginning Net Assets – Business-Type Activities

	<u>Statement 6</u>	<u>Statement 2</u>
Beginning Net Assets – Business-type as Previously Reported	\$ 1,738,403	\$ 1,663,730
Correction of Home Capital Assets Previously Expensed	3,099	3,099
	1,479	1,479
	<u>2,325</u>	<u>2,325</u>
Beginning Net Assets as Restated	<u>\$ 1,745,306</u>	<u>\$ 1,670,633</u>

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF CHESHIRE, NEW HAMPSHIRE
 ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Adopted Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
REVENUES							
<i>Taxes</i>	\$ 13,276,742	\$ -	\$ -	\$ -	\$ 13,276,742	\$ 13,276,742	\$ -
Intergovernmental							
Alternative Sentencing Metal Health Center	-	-	-	-	-	-	-
Federal Grants	5,400	-	-	-	5,400	22,591	17,191
Victim Witness Grant	25,000	-	-	-	25,000	25,000	-
Domestic Violence Prosecutor Grant	34,259	-	-	-	34,259	34,259	-
District Court Victim Witness	-	-	-	-	-	-	-
Bailiff Reimbursement	100,000	-	-	-	100,000	102,078	2,078
Drug Rebates	52,000	-	-	-	52,000	152,697	100,697
Case Management Reimbursement	-	-	-	-	-	-	-
Total Intergovernmental	216,659	-	-	-	216,659	336,625	119,966
Charges for Services							
Register of Deeds	800,000	-	-	-	800,000	876,955	76,955
Sheriff's Department Fees	50,500	-	-	-	50,500	49,110	(1,390)
Sheriff's Department Travel	31,000	-	-	-	31,000	30,974	(26)
Sheriff's Department Other	17,500	-	-	-	17,500	18,385	885
Sheriff's Department Deputy Reimbursement	25,500	-	-	-	25,500	24,313	(1,187)
House of Corrections	89,500	-	-	-	89,500	91,949	2,449
County Farm	321,420	-	-	-	321,420	255,925	(65,495)
Assisted Living and Transportation Aid	446,353	-	-	-	446,353	469,027	22,674
Total Charges for Services	1,781,773	-	-	-	1,781,773	1,816,638	34,865
Interest							
Interest	175,000	-	-	-	175,000	223,476	48,476
Total Interest	175,000	-	-	-	175,000	223,476	48,476
Other							
Rental of Property	8,991	-	-	-	8,991	8,991	-
Unified and Jaffrey Court Leases	596,439	-	-	-	596,439	596,439	-
Workers Compensation Insurance Dividend	17,910	-	-	-	17,910	-	(17,910)
Unemployment Comp Insurance Dividend	3,000	-	-	-	3,000	-	(3,000)
County Attorney	2,000	-	-	-	2,000	656	(1,344)
Miscellaneous	67,499	-	-	-	67,499	31,216	(36,283)
Total Other	695,839	-	-	-	695,839	637,302	(58,537)
Fund Balance Used for Prior Year's Encumbrances	-	406,460	-	-	406,460	-	(406,460)
Appropriated From Fund Balance	-	-	-	-	-	-	-
Fund Balance Used to Reduce the Tax Rate	1,300,000	-	-	-	1,300,000	-	(1,300,000)
Total Revenues	\$ 17,446,013	\$ 406,460	\$ -	\$ -	\$ 17,852,473	\$ 16,290,783	\$ (1,561,690)

(Continued)
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 GAAP is the budgetary basis used in the preparation of this schedule.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Adopted Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
EXPENDITURES							
<i>General Government:</i>							
Commissioners' Office	\$ 205,690	\$ 1,812	\$ -	\$ -	\$ 207,502	\$ 238,122	\$ (30,620)
Treasurer	7,710	-	-	-	7,710	8,038	(328)
County Delegation	10,746	-	-	-	10,746	11,078	(332)
County Attorney	541,793	-	-	-	541,793	539,589	2,204
Prosecutor's Grant	85,176	-	-	-	85,176	76,018	9,158
Finance	390,499	-	-	-	390,499	126,893	263,606
Victim Witness Grant	61,473	-	-	-	61,473	61,424	49
District Court Victim Witness	-	-	-	-	-	-	-
Computer Operations	269,702	-	-	-	269,702	82,684	187,018
Register of Deeds	511,139	-	-	-	511,139	499,198	11,941
Medical Referee	15,323	-	-	-	15,323	21,423	(6,100)
Human Resources	98,373	-	-	-	98,373	94,799	3,574
Personnel Administration	786,766	-	-	-	786,766	793,995	(7,229)
Maintenance of Facilities	585,076	-	-	-	585,076	534,753	50,323
Assisted Living	378,622	-	-	-	378,622	385,901	(7,279)
Safety	119,729	-	-	-	119,729	135,746	(16,017)
Conservation District	27,586	-	-	-	27,586	27,586	-
Contingency	-	-	-	-	-	5,646	(5,646)
Total General Government	4,095,403	1,812	-	-	4,097,215	3,642,893	454,322
<i>Public Safety:</i>							
Sheriff's Department and Dispatch	1,007,290	-	-	-	1,007,290	1,016,910	(9,620)
House of Corrections	2,362,190	-	-	-	2,362,190	2,273,567	88,623
Fire Mutual Aid	432,647	-	-	-	432,647	432,647	-
Total Public Safety	3,802,127	-	-	-	3,802,127	3,723,124	79,003
<i>County Farm</i>	271,867	-	-	-	271,867	269,412	2,455
<i>Human Services:</i>							
Human Services	5,814,568	40,239	-	-	5,854,807	5,560,120	294,687
HCS Community Care	98,227	-	-	-	98,227	98,227	-
Women's Crises Center	8,000	-	-	-	8,000	8,000	-
Monadnock Substance Abuse Center	7,709	-	-	-	7,709	7,709	-
Keene Community Kitchen, Inc.	6,000	-	-	-	6,000	6,000	-
Monadnock Family Services	79,575	-	-	-	79,575	79,575	-
Monadnock Development Services	34,814	-	-	-	34,814	34,814	-
Alternative Sentencing Program	259,297	-	-	-	259,297	235,704	23,593
Total Human Services	6,308,190	40,239	-	-	6,348,429	6,030,149	318,280

GAAP is the budgetary basis used in the preparation of this schedule.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
Capital Outlay							
Downtown Campus	\$ -	\$ 30,000	\$ -	\$ -	\$ 30,000	\$ 22,519	\$ 7,481
Lathis Roof	-	20,000	-	-	20,000	-	20,000
Computer/Telephone Equipment	142,212	19,864	-	-	162,076	97,575	64,501
Sheriff Equipment	56,800	23,901	-	-	80,701	67,280	13,421
Courthouse Improvements/Sprinklers	39,389	61,465	-	-	100,854	66,370	34,484
Courthouse Equipment	-	-	-	-	-	-	-
Administration Building	6,000	-	-	-	6,000	4,649	1,351
Wastewater Treatment Plant	-	50,000	-	-	50,000	40,054	9,946
Water Treatment Plant	-	33,151	-	-	33,151	28,902	4,249
Wastewater Treatment Plant Equipment	8,400	31,849	-	-	40,249	7,832	32,417
Water Treatment Plant Equipment	3,500	-	-	-	3,500	2,826	674
House of Corrections Improvements	3,500	94,179	-	-	97,679	97,520	159
House of Corrections Equipment	2,040	-	-	-	2,040	480	1,560
Alternative Sentencing Program Equipment	-	-	-	-	-	-	-
Nursing Home Capital Outlay	-	-	-	-	-	-	-
Farm Improvements	-	-	-	-	-	-	-
Farm Equipment	-	-	-	-	-	-	-
Total Capital Outlay	261,841	364,409	-	-	626,250	436,007	190,243
Debt Service							
Principal on Long-Term Debt and Capital Lease	388,754	-	-	-	388,754	388,754	-
Interest:							
Long-Term Debt	189,028	-	-	-	189,028	189,027	1
Tax Anticipation Notes	235,000	-	-	-	235,000	251,602	(16,602)
Total Interest	424,028	-	-	-	424,028	440,629	(16,601)
TOTAL EXPENDITURES	15,552,210	406,460	-	-	15,958,670	14,930,968	1,027,702
Excess (Deficiency) of Revenues Over Expenditures	1,893,803	-	-	-	1,893,803	1,359,815	(533,988)
Operating Transfers In							
Special Revenue Funds:							
From Extension Service	-	-	-	-	-	10,687	10,687
Total Special Revenue Funds	-	-	-	-	-	10,687	10,687
Capital Projects Funds:							
From Honeywell Energy Project	-	-	-	-	-	-	-
From Capital Reserves	106,940	-	-	-	106,940	95,036	(11,904)
From Jaffrey District Court Capital Projects	-	-	-	-	-	25,194	25,194
Total Capital Projects Funds	106,940	-	-	-	106,940	120,230	13,290
Proprietary Funds:							
Internal Service Fund	-	-	-	-	-	-	-
Total Operating Transfers In	106,940	-	-	-	106,940	130,917	23,977
							(Continued)

GAAP is the budgetary basis used in the preparation of this schedule.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
Operating Transfers (Out)							
Special Revenue Funds:							
To County Extension Service	(205,059)	-	-	-	(205,059)	(200,052)	5,007
To Deeds Surcharge	-	-	-	-	-	-	-
Total Special Revenue Funds	<u>(205,059)</u>	-	-	-	<u>(205,059)</u>	<u>(200,052)</u>	<u>5,007</u>
Capital Projects Funds:							
To Capital Reserves	(252,084)	-	-	-	(252,084)	(252,084)	-
Total Capital Projects Funds	<u>(252,084)</u>	-	-	-	<u>(252,084)</u>	<u>(252,084)</u>	-
Enterprise Funds:							
To Nursing Home	(1,543,600)	-	-	-	(1,543,600)	(2,721,107)	(1,177,507)
Total Operating Transfers (Out)	<u>(2,000,743)</u>	-	-	-	<u>(2,000,743)</u>	<u>(3,173,243)</u>	<u>(1,172,500)</u>
Total Other Financing Sources (Uses)	<u>(1,893,803)</u>	-	-	-	<u>(1,893,803)</u>	<u>(3,042,326)</u>	<u>(1,148,523)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	-	-	-	-	-	(1,682,511)	(1,682,511)
Fund Balances, Beginning of Year	3,997,626	-	-	-	3,997,626	3,997,626	-
Fund Balances, End of Year	<u>\$ 3,997,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,997,626</u>	<u>\$ 2,315,115</u>	<u>\$ (1,682,511)</u>

GAAP is the budgetary basis used in the preparation of this schedule.