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**COUNTY OF CHESHIRE,  
NEW HAMPSHIRE**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2007**

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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, 2007, 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, 2007 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.*

MASON + RICH PROFESSIONAL ASSOCIATION  
Certified Public Accountants

April 28, 2008

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**COUNTY MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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

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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, 2007. 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 2007 are as follows:

- The County's total net assets decreased by \$1,752,391 which represents a 19.01% decrease from 2006.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$37,869,556, an increase of \$34,361,556 from the prior year. Of this amount, \$37,645,320 is available for spending (unreserved fund balance).
- At the end of the current year, unreserved fund balance for the General Fund was \$1,653,450, which represents a 18.13% decrease from the prior year and represents 10.81% 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.

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CHESHIRE COUNTY, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION & ANALYSIS

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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. In 2007, the County has determined the General Fund and the House of Corrections Construction fund to be major governmental funds.

**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.

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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 funds, identified earlier as the General Fund and the House of Corrections Construction 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 \$7,465,128 (\$5,527,657 in governmental activities and \$1,937,471 in business-type activities) as of December 31, 2007. This is a decrease in net assets of \$1,752,391 from 2006.

<b>Cheshire County, New Hampshire Net Assets as of December 31, 2007 and December 31, 2006</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current and Other assets	\$ 40,016,314	\$ 5,890,400	\$ (45,448)	\$ (545,412)	\$ 39,970,866	\$ 5,344,988
Direct Financing Lease						
A/R	2,441,498	2,656,194	-	-	2,441,498	2,656,194
Capital Assets, Net	<u>7,153,719</u>	<u>5,694,222</u>	<u>4,575,252</u>	<u>4,792,811</u>	<u>11,728,971</u>	<u>10,487,033</u>
<b>Total Assets</b>	<u>49,611,531</u>	<u>14,240,816</u>	<u>4,529,804</u>	<u>4,247,399</u>	<u>54,141,335</u>	<u>18,488,215</u>
Other liabilities	5,751,689	3,423,455	1,439,668	983,557	7,191,357	4,407,012
Long-Term Liabilities	<u>38,332,185</u>	<u>3,543,542</u>	<u>1,152,665</u>	<u>1,320,142</u>	<u>39,484,850</u>	<u>4,863,684</u>
<b>Total Liabilities</b>	<u>44,083,874</u>	<u>6,966,997</u>	<u>2,592,333</u>	<u>2,303,699</u>	<u>9,270,697</u>	<u>9,270,696</u>

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CHESHIRE COUNTY, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION & ANALYSIS

Cheshire County, New Hampshire Net Assets as of December 31, 2007 and December 31, 2006						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Net Assets:						
Invested in capital assets, net of						
Related debt	\$ 2,179,255	\$ 3,865,686	\$ 3,449,644	\$ 3,489,443	\$ 5,628,899	\$ 7,355,129
Restricted	728,199	1,191,601	-	-	728,199	1,191,601
Unrestricted	<u>2,620,203</u>	<u>2,216,532</u>	<u>(1,512,173)</u>	<u>(1,545,743)</u>	<u>1,108,030</u>	<u>670,789</u>
Total Net Assets	<u>\$ 5,527,657</u>	<u>\$ 7,273,819</u>	<u>\$ 1,937,471</u>	<u>\$ 1,943,700</u>	<u>\$ 7,465,128</u>	<u>\$ 9,217,519</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 (\$5,628,899) is net of any related debt incurred to acquire those assets and represents 75.4% 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 (\$728,199 or 9.75%) 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 (\$1,108,030 or 14.84%) 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. Although resident census levels were up in 2007 in comparison to 2006, they still came in a bit lower than projected. The 2007 negative balance has decreased by \$33,570 over 2006.

As will be noted in the debt section of this discussion, Current Assets and Long-Term Liabilities increased significantly due to the sale of the \$37,000,000 Jail Construction Bonds in 2007.

In 2006, it was noted that approximately \$582,000 of the County liabilities, due to other governments, were 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 Counties had been deducting these charges as it was not believed that this type of service was our liability. 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

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CHESHIRE COUNTY, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION & ANALYSIS

2006 a decision was made in Merrimack County Superior Court in favor of the Counties. The State of New Hampshire had filed an appeal to the Supreme Court on this ruling. In 2007, the appeal overruled the Merrimack County Superior Court Decision requiring the Counties to pay the State of New Hampshire for these deducted medical bills. In November 2007 Cheshire County made payment to the State in the amount of \$509,957 for these prior year bills.

The next statement provided shows the changes in net assets for 2006 and 2007.

	Cheshire County, Changes in Net Assets					
	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 2,233,629	\$ 2,277,397	\$ 9,547,375	\$ 8,617,573	\$ 11,781,004	\$ 10,894,970
Operating Grants and Contributions	655,867	648,772	1,823,930	1,949,722	2,479,797	2,598,494
Capital Grants and Contributions	-	-	-	-	-	-
<b>Total Program Revenues</b>	<u>2,889,496</u>	<u>2,926,169</u>	<u>11,371,305</u>	<u>10,567,295</u>	<u>14,260,801</u>	<u>13,493,464</u>
<b>General Revenues</b>						
Property Taxes	14,591,325	13,276,742	-	-	14,591,325	13,276,742
Gain(Loss) on Sale of Cap Assets	-	-	-	-	-	-
Capital Contributions	-	-	93,650	7,001	93,650	7,001
Interest and Investment	242,979	267,885	11,847	7,906	254,826	275,791
Other	80,327	117,439	31,652	30,043	111,979	147,482
<b>Total General Revenue</b>	<u>14,914,631</u>	<u>13,662,066</u>	<u>137,149</u>	<u>44,950</u>	<u>15,051,780</u>	<u>13,707,016</u>
<b>Total Revenues</b>	<u>17,804,127</u>	<u>16,588,235</u>	<u>11,508,454</u>	<u>10,612,245</u>	<u>29,312,581</u>	<u>27,200,480</u>
Transfers	<u>(2,417,418)</u>	<u>(2,868,757)</u>	<u>2,417,418</u>	<u>2,868,757</u>	<u>-</u>	<u>-</u>
<b>Total Revenues and Transfers</b>	<u>15,386,709</u>	<u>13,719,478</u>	<u>13,925,872</u>	<u>13,481,002</u>	<u>29,312,581</u>	<u>27,200,480</u>
<b>Expenses:</b>						
General Government	5,281,047	4,346,023	-	-	5,281,047	4,346,023
Public Safety	4,311,780	4,083,992	-	-	4,311,780	4,083,992
Human Services	6,507,017	6,271,169	-	-	6,507,017	6,271,169
Farm	350,235	327,792	-	-	350,235	327,792
Interest on Long Term Debt	682,792	184,311	-	-	682,792	184,311
Cheshire County Nursing Home	-	-	13,932,101	13,207,935	13,932,101	13,207,935
<b>Total Expenses</b>	<u>17,132,871</u>	<u>15,213,287</u>	<u>13,932,101</u>	<u>13,207,935</u>	<u>31,064,972</u>	<u>28,421,222</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (1,746,162)</u>	<u>\$ (1,493,809)</u>	<u>\$ (6,229)</u>	<u>\$ 273,067</u>	<u>\$ (1,752,391)</u>	<u>\$ (1,220,742)</u>

**Governmental Activities**

Charges to users of governmental services made up \$2,233,629 or 12.5% 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

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CHESHIRE COUNTY, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION & ANALYSIS

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contributions. In 2007 this totaled \$655,867 or 3.72% of total government revenue. Operating grants are used to fund expenses associated with programs such as the Domestic Violence Prosecutor, the Victim Witness Program, Regional Prosecutor 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.

Property tax revenues are the County's largest revenue, accounting for \$14,591,325 or 82% 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 the 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, 2007 and December 31, 2006**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General Government	\$ 5,281,047	\$ 4,346,023	\$ 3,797,949	\$ 3,021,375
Public Safety	4,311,780	4,083,992	3,567,342	3,209,186
Human Services	6,507,017	6,271,169	6,256,772	5,890,113
Farm	350,235	327,792	23,215	71,866
Interest Expense	<u>682,792</u>	<u>184,311</u>	<u>598,097</u>	<u>94,578</u>
Total Expenses	<u>\$ 17,132,871</u>	<u>\$ 15,213,287</u>	<u>\$ 14,243,375</u>	<u>\$ 12,287,118</u>

***Business-Type Activities***

Charges for services provided funding for 68.5% of total program expenses with the additional 13.18% coming from operating grants and contributions and 17.4% (\$2,417,418) subsidized by the General Fund.

Although the Nursing Home should be self sustaining, high census levels of Medicaid residents largely contribute to its operating deficit. In 2006, the Nursing Home required the General Fund to subsidize the operations by 21.7% or \$2,868,757. In 2007, the subsidy decreased 17.4% to \$2,417,418, a decrease of \$451,339. The subsidy decrease is mainly due to achieving higher census levels in 2007 over 2006. As indicated in 2006, a new position was created to focus on admissions from the local hospitals in an attempt to increase the Skilled Nursing Care census for 2007. This has had a positive affect as the average daily skilled census rose from 7 in 2006 to 10 in 2007.

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CHESHIRE COUNTY, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION & ANALYSIS

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***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, 2007, the County's governmental funds reported a combined ending fund balance of \$37,869,556, an increase of \$34,361,556 in comparison with the prior year. Approximately 92.2% of this total (\$37,645,320) represents unreserved fund balance, with 4.58% being the General Fund, 93.09% unspent proceeds for the House of Corrections Construction Project and 1.75% for the other combined 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. 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 (\$224,236).

The General Fund is the primary operating fund of the County. At the end of 2007, unreserved fund balance was \$1,653,450, while total fund balance was \$1,880,544. 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 \$434,571 during 2007. The key factor for this decrease was the use of fund balance in the 2007 adopted budget of which \$649,880 was budgeted in order to keep the increase to taxpayers at a minimum while still staying within the desired level. As the desired level has been reached, fund balance will not be used for future budgets unless higher fund balance levels are attained.

***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, 2007 were at deficit levels of (\$1,512,173). The unrestricted net asset deficit decreased by \$153,151 over the 2006 level of (\$1,665,324). 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, 2007, approximately 73% of the nursing home census consisted of residents needing Medicaid assistance in order to pay for their care. Based on the 2007 Medicaid cost report for Maplewood, the allowable per diem rate was calculated to be \$244.60. However, the actual paid per diem as of December 31, 2007 was \$143.61 or \$100.99 per day short of allowable 2007 costs. The supplemental payment provided additional reimbursement averaging

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CHESHIRE COUNTY, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION & ANALYSIS

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\$42.96 per day. This additional payment still leaves the allowable per diem rate short by approximately \$58.03 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. 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 19, 2007, the County Convention adopted the 2007 budget. As adopted, the bottom line was up 5.09% (\$1,472,783) and taxes to be raised were 9.90%, higher than 2006 (\$1,314,583) for total taxes to be raised of \$14,591,325.

Areas that contributed to the increase included the following:

- Merit and a 3.30 % cost of living adjustment to employee wages accounted for approximately \$667,176 in increased costs for payroll and benefits.
- New positions and personnel changes accounted for approximately \$554,000 in new payroll and benefit costs. The major increase was for additional 14 various nursing staff positions at Maplewood Nursing Home. Other non-nursing home staffing included 3 Communications Specialists for the Sheriffs Dispatch Center and 1 additional Case Manager for the Alternative Sentencing Program.
- The Human Service budget for the County's portion of Medicaid Assistance was increased by \$271,664.
- Reduction in the use of fund balance by \$651,120 from 2006 levels.

In 2007 there were two supplemental budgets brought before the delegation and approved. On May 29, 2007, the County budget was amended by \$232,605 in order to allow the use of reserve funds that had been set aside in order to move forward with stabilizing the Riverbank around the Westmoreland Waster Water Treatment Plant. On August 13, 2007, the budget was amended for the receipt of Proportional Share Funds in the amount of \$348,284 and \$30,000 for the use of Computer Reserve funds to upgrade the County's time and attendance system.

As a result of the supplemental budgets, the total budget increased to \$30,921,796 up 6.85% (\$1,983,552) over the 2006 budget.

***Capital Assets and Debt Administration***

Capital Assets—The County's investment in capital assets for governmental and business-type activities as of December 31, 2007, was \$11,728,971 (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

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Major Capital projects and or equipment that was completed or purchased include \$17,862 to purchase a new vehicle for the Department of Corrections; \$302,605 to stabilize the river bank in Westmoreland; \$34,121 to purchase a truck and plow for the County Farm; \$36,427 to finalize the resident mattress replacement project at Maplewood; and \$45,475 to purchase two Sheriff vehicles.

Note IV (C) – Detailed Notes on All Funds (Capital Assets) provides additional information about capital asset activity during 2007.

Long-Term Debt—At December 31, 2007, the County had total general obligation bonded debt outstanding of \$40,724,648. Of this amount, \$1,820,000 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, 2007 of \$1,550,000. Bonds for the study of a new County Jail had a balance remaining of \$350,000 at year-end. Additionally, \$4,648 is outstanding for the first installment of the Water Treatment Upgrade project that will be funded by the use of State of New Hampshire Revolving Loan Fund. When this is completed, the County will borrow from this fund approximately \$745,000 for this project. And finally, the County was successful in obtaining authorization in 2007 for a \$37,000,000 bond for the Construction of a New Jail Facility. As the proceeds of the bond were not received until September 2007 the full principal borrowed remains at the end of 2007. The County's long-term bonded debt increased by \$36,539,648 during 2007.

The current outstanding debt for Cheshire County is as follows:

<b>Cheshire County, Outstanding Debt</b>			
<b>December 31, 2007</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Nursing Home Expansion	\$ 1,038,500	\$ 511,500	\$ 1,550,000
Jail Expansion Study	350,000	-	350,000
Jaffrey District Court House	1,820,000	-	1,820,000
Jail Construction	37,000,000	-	37,000,000
Water Trmnt Upgrade	4,648	-	4,648
Total Outstanding Debt	<u>\$ 40,213,148</u>	<u>\$ 511,500</u>	<u>\$ 40,724,648</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. It is anticipated this project will be finalized in 2008.

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*(Continued on next page)*

CHESHIRE COUNTY, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION & ANALYSIS

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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 third principal payment was made on May 30, 2007 for \$98,000. The remaining principal due for this project as of December 31, 2007 is \$797,543.

Moody's has assigned an underlying rating of A1 to the outstanding general obligation debt of the County. Moody's has recommended and agreed with our decision not to go below our current level of fund balance in order to maintain this rating.

In addition to the bonded debt, the County's long-term obligations include \$383,107 in compensated absences. These compensated absences are an accumulation of unused accrued vacation and holiday time at December 31, 2007.

**Economic Factors**

- The Cheshire County unemployment rate for December, 2007 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 4.8 %. The County rate has increased slightly over December 2006 at which time was 3.2 %.
- Most recent equalized assessed valuations of property used for appropriating Cheshire County's 2007 taxes were \$7,636,510,580. This is an increase over the prior year assessed valuations of 9.33% or \$651,980,713.
- There were no outstanding taxes due from any Cheshire County towns or city as of December 31, 2007.

**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, 2007

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and Equivalents	\$ 1,776,315	\$ 75,499	\$ 1,851,814
Temporary Investments	350,497	-	350,497
Accounts Receivable	138,897	1,453,208	1,592,105
Due from Other Governments	230,307	362,736	593,043
Internal Balances	2,018,782	(2,018,782)	-
Inventories	-	77,010	77,010
Deposits and Prepaids	79,397	4,881	84,278
Restricted Assets: Cash and Temporary Investments	35,422,119	-	35,422,119
Direct Financing Lease Receivable	2,441,498	-	2,441,498
Capital Assets:			
Land and Improvements	619,156	565,334	1,184,490
Water System	315,855	768,262	1,084,117
Wastewater System	166,232	431,411	597,643
Buildings and Improvements	10,763,363	7,078,988	17,842,351
Furniture, Equipment and Vehicles	1,287,543	1,969,352	3,256,895
Construction in Progress	1,861,758	-	1,861,758
Less Accumulated Depreciation	(7,860,188)	(6,238,095)	(14,098,283)
Total Capital Assets, Net of Depreciation	7,153,719	4,575,252	11,728,971
<b>TOTAL ASSETS</b>	<b>\$ 49,611,531</b>	<b>\$ 4,529,804</b>	<b>\$ 54,141,335</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,115,201	\$ 733,024	\$ 1,848,225
Contract Payable	-	-	-
Retainage Payable	-	-	-
Accrued Liabilities	682,708	243,495	926,203
Due to Other Governments	890,062	162,204	1,052,266
Deferred Revenue	827,190	117,025	944,215
Non-current Liabilities:			
Portion Due or Payable Within One Year:			
Bonds and Notes Payable	2,212,148	102,300	2,314,448
Capital Lease Obligations	24,380	81,620	106,000
Portion Due or Payable After One Year:			
Bonds and Notes Payable	38,001,000	409,200	38,410,200
Capital Lease Obligations	159,055	532,488	691,543
Compensated Absences	172,130	210,977	383,107
Total Liabilities	44,083,874	2,592,333	46,676,207
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,179,255	3,449,644	5,628,899
Restricted for:			
Juvenile Incentive	341,479	-	341,479
Deeds Surcharge	114,367	-	114,367
Capital Reserves	244,752	-	244,752
Other Purposes:			
Expendable	27,601	-	27,601
Unrestricted (Deficit)	2,620,203	(1,512,173)	1,108,030
<b>Total Net Assets</b>	<b>\$ 5,527,657</b>	<b>\$ 1,937,471</b>	<b>\$ 7,465,128</b>



COUNTY OF CHESHIRE, NEW HAMPSHIRE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	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
<b>Functions/Programs</b>							
General Government	\$ 5,281,047	\$ 1,257,211	\$ 225,887	\$ -	\$ (3,797,949)	\$ -	\$ (3,797,949)
Public Safety	4,311,780	649,398	95,040	-	(3,567,342)	-	(3,567,342)
Human Services	6,507,017	-	250,245	-	(6,256,772)	-	(6,256,772)
Farm	350,235	327,020	-	-	(23,215)	-	(23,215)
Interest on Long-term Debt	682,792	-	84,695	-	(598,097)	-	(598,097)
Total Governmental Activities	17,132,871	2,233,629	655,867	-	(14,243,375)	-	(14,243,375)
<b>Business-type Activities</b>							
Cheshire County Nursing Home	13,932,101	9,547,375	1,823,930	-	-	(2,560,796)	(2,560,796)
Total Business-type Activities	13,932,101	9,547,375	1,823,930	-	-	(2,560,796)	(2,560,796)
Total	\$ 31,064,972	\$ 11,781,004	\$ 2,479,797	\$ -	(14,243,375)	(2,560,796)	(16,804,171)
<b>General Revenues:</b>							
Taxes:							
County Tax Assessment					14,591,325	-	14,591,325
Payment in Lieu of Taxes					-	-	-
Grants and Contributions Not Restricted to Specific Purposes					-	-	-
Interest and Investment Earnings					242,979	11,847	254,826
Miscellaneous					80,327	31,652	111,979
Gain (Loss) on Disposal of Capital Assets					-	-	-
Capital Contributions					-	93,650	93,650
Transfers					(2,417,418)	2,417,418	-
Total General Revenues, Special Items and Transfers					12,497,213	2,554,567	15,051,780
Change in Net Assets					(1,746,162)	(6,229)	(1,752,391)
Net Assets, Beginning of Year					7,273,819	1,943,700	9,217,519
Net Assets, End of Year					\$ 5,527,657	\$ 1,937,471	\$ 7,465,128

## **FUND FINANCIAL STATEMENTS**

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	Major Funds			Total Governmental Funds
	General Fund	House of Corrections Construction	Other Governmental Funds	
<b>ASSETS</b>				
Cash and Equivalents	\$ 1,425,214	\$ -	\$ 351,101	\$ 1,776,315
Temporary Investments	930	-	349,567	350,497
Accounts Receivable	136,538	-	2,359	138,897
Due From Other Funds	2,152,664	-	-	2,152,664
Due From Other Governments	114,287	-	116,020	230,307
Inventories	-	-	-	-
Deposits and Prepaids	79,397	-	-	79,397
Restricted Assets: Cash and Temporary Investments	-	35,422,119	-	35,422,119
<b>TOTAL ASSETS</b>	<b>\$ 3,909,030</b>	<b>\$ 35,422,119</b>	<b>\$ 819,047</b>	<b>\$ 40,150,196</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 950,592	\$ 164,609	\$ -	\$ 1,115,201
Contracts Payable	-	-	-	-
Retainage Payable	-	-	-	-
Accrued Liabilities	144,722	-	-	144,722
Due to Other Funds	-	6,601	80,944	87,545
Due to Other Governments	890,062	-	-	890,062
Deferred Revenues	43,110	-	-	43,110
<b>Total Liabilities</b>	<b>2,028,486</b>	<b>171,210</b>	<b>80,944</b>	<b>2,280,640</b>
<b>Fund Balances</b>				
Reserved for Encumbrances	147,697	-	76,539	224,236
Reserved for Prepaids	79,397	-	-	79,397
Unreserved, Reported in:				
General Fund	1,653,450	-	-	1,653,450
Nonmajor Special Revenue Funds	-	-	416,812	416,812
Major Capital Projects Funds	-	35,250,909	-	35,250,909
Nonmajor Capital Projects Funds	-	-	244,752	244,752
<b>Total Fund Balances</b>	<b>1,880,544</b>	<b>35,250,909</b>	<b>738,103</b>	<b>37,869,556</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,909,030</b>	<b>\$ 35,422,119</b>	<b>\$ 819,047</b>	<b>\$ 40,150,196</b>

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET  
ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007

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<i>Total Governmental Fund Balances (Previous Page)</i>	\$ 37,869,556
 <i>Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because of the Following Items:</i>	
Capital Assets Used in Governmental Activities Are NOT Financial Resources and Therefore Are Not Reported in the Funds.	7,153,719
Other Long-term Assets Are NOT Available to Pay for Current-period Expenditures and Therefore Are Saved in the Funds.	2,441,498
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.	(46,336)
Bond Premium Revenues Are Recognized in the Year Received on Governmental Funds (Statement 4) Whereas in the Statement of Net Assets They Are Amortized Over the Life of the Bond Issue.	(162,580)
Long-term Deferred Revenues Related to Long-term Receivables Are NOT Recognized on Statement 3.	(621,498)
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.	(41,106,702)
 <i>Net Assets of Governmental Activities - Statement 1</i>	 <u><u>\$ 5,527,657</u></u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Major Funds			Totals Governmental Funds
	General Fund	House of Corrections Construction	Other Governmental Funds	
<b>Revenues</b>				
Taxes	\$ 14,591,325	\$ -	\$ -	\$ 14,591,325
Intergovernmental	354,178	-	318,910	673,088
Charges for Services	1,766,586	-	29,190	1,795,776
Interest	212,948	-	30,032	242,980
Other	791,310	-	2,232	793,542
<b>Total Revenues</b>	<u>17,716,347</u>	<u>-</u>	<u>380,364</u>	<u>18,096,711</u>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	3,849,651	-	546,504	4,396,155
Public Safety	4,073,619	-	-	4,073,619
Farm	284,334	-	-	284,334
Human Services	6,265,745	-	-	6,265,745
Capital Outlay	674,994	1,749,091	-	2,424,085
Debt Service	878,447	-	-	878,447
<b>Total Expenditures</b>	<u>16,026,790</u>	<u>1,749,091</u>	<u>546,504</u>	<u>18,322,385</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,689,557</u>	<u>(1,749,091)</u>	<u>(166,140)</u>	<u>(225,674)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Long-term Debt	4,648	37,000,000	-	37,004,648
Operating Transfers In	395,630	-	211,988	607,618
Operating Transfers (Out)	(2,524,406)	-	(500,630)	(3,025,036)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,124,128)</u>	<u>37,000,000</u>	<u>(288,642)</u>	<u>34,587,230</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	(434,571)	35,250,909	(454,782)	34,361,556
Fund Balances, Beginning of Year	<u>2,315,115</u>	<u>-</u>	<u>1,192,885</u>	<u>3,508,000</u>
Fund Balances, End of Year	<u>\$ 1,880,544</u>	<u>\$ 35,250,909</u>	<u>\$ 738,103</u>	<u>\$ 37,869,556</u>

(Continued)

The Accompanying Notes are an Integral Part of This Financial Statement

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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, 2007

<b><i>Net Change in Fund Balances - Total Governmental Funds (Previous Page)</i></b>	<b>\$ 34,361,556</b>
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.	1,412,724
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.	(36,618,047)
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	(510,897)
Estimated Compensated Absences Payable Are Recognized When Payable on Statement 4 But Are Accrued and Expensed at Year End on Statement 2.	(20,553)
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.	84,695
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.	(214,695)
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	(78,365)
Bond Premium Revenues Are Recognized in the Year Received on Governmental Funds (Statement 4) Whereas in the Statement of Net Assets They Are Amortized Over the Life of the Bond Issue.	(162,580)
Previous Year's Accounts Payable on the Governmental Funds That are Paid in the Funds (Statement 4) are Reported as Expenditures on the Funds.	-
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.	-
<b><i>Change in Net Assets of Governmental Activities (Statement 2)</i></b>	<b><u>\$ (1,746,162)</u></b>

## COUNTY OF CHESHIRE, NEW HAMPSHIRE

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

DECEMBER 31, 2007

	Business- Type Activities	Governmental Activities
	Cheshire County Nursing Home	Internal Service Fund
<b>ASSETS</b>		
Current Assets		
Cash and Equivalents	\$ 200	\$ 75,299
Accounts Receivable - Services	1,453,208	-
Due From Other Funds	66,012	-
Due From Other Governments	362,736	-
Inventories	77,010	-
Deposits	-	-
Prepaid Expenses	4,881	-
Total Current Assets	<u>1,964,047</u>	<u>75,299</u>
Capital Assets:		
Land and Improvements	565,334	-
Water System	768,262	-
Wastewater System	431,411	-
Buildings and Improvements	7,078,988	-
Vehicles	152,518	-
Furniture and Equipment	1,816,834	-
Construction in Progress	-	-
Less Accumulated Depreciation	(6,238,095)	-
Total Capital Assets, Net of Depreciation	<u>4,575,252</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,539,299</u></u>	<u><u>\$ 75,299</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 608,970	\$ 124,054
Accrued Liabilities	243,495	-
Due to Other Funds	2,122,493	8,638
Due to Other Governments	162,204	-
Deferred Revenues	117,025	-
Current Portion of Long-Term Debt:		
Obligations Under Capital Lease	81,620	-
Bonds Payable	102,300	-
Total Current Liabilities	<u>\$ 3,438,107</u>	<u>\$ 132,692</u>

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2007

	Business- Type Activities	Governmental Activities
	Cheshire County Nursing Home	Internal Service Fund
Noncurrent Liabilities:		
Obligations Under Capital Lease	\$ 532,488	\$ -
Bonds Payable	409,200	-
Compensated Absences	210,977	-
Total Noncurrent Liabilities	<u>1,152,665</u>	<u>-</u>
<b>Total Liabilities</b>	<u>4,590,772</u>	<u>132,692</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	3,449,644	-
Unrestricted (Deficit)	<u>(1,501,117)</u>	<u>(57,393)</u>
<b>Total Net Assets</b>	<u>1,948,527</u>	<u>(57,393)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,539,299</u>	<u>\$ 75,299</u>

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

Total Net Assets Business-type Activities Above	\$ 1,948,527
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Business-type Activities	(11,056)
Total Net Assets Business-type Activities, Statement 1	<u>\$ 1,937,471</u>



COUNTY OF CHESHIRE, NEW HAMPSHIRE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business- type Activities <u>Cheshire County Nursing Home</u>	Governmental Activities  <u>Internal Service Fund</u>
<b><i>Operating Revenues</i></b>		
Intergovernmental	\$ 1,389,004	\$ -
Charges for Services:		
Medicaid	4,680,412	-
Private	1,963,488	-
Atypical Unit	1,293,268	-
Medicare A and B (PT, OT, Speech and Other), Respite Care, Nurse Practitioner and Adult Day Care	1,237,902	-
Other User Charges	-	2,153,142
Total Charges for Services	<u>9,175,070</u>	<u>2,153,142</u>
Miscellaneous:		
Meals	372,305	-
Medicaid Proportional Share	434,926	-
Other	31,652	-
Total Miscellaneous	<u>838,883</u>	<u>-</u>
<b><i>Total Operating Revenues</i></b>	<u>11,402,957</u>	<u>2,153,142</u>
<b><i>Operating Expenses</i></b>		
General Operating Expenses:		
Administration	2,362,563	2,373,992
Quality Improvement	62,595	-
Finance	252,513	-
Computer Operations	168,302	-
Dietary	1,327,996	-
Nursing	5,188,729	-
Atypical Unit	1,014,021	-
Facilities	936,564	-
Waste Water Treatment Plant	14,097	-
Water Treatment Plant	18,383	-
Laundry and Linens	332,212	-
Housekeeping	427,515	-
Activities	269,563	-
Social Services	167,488	-
Occupational Therapy	176,141	-
Physical Therapy	316,241	-
Other Services for Residents	253,098	-
Capital Outlay - Minor Equipment	-	-
Depreciation	431,301	-
<b><i>Total Operating Expenses</i></b>	<u>13,719,322</u>	<u>2,373,992</u>
Operating Income (Loss)	<u>(2,316,365)</u>	<u>(220,850)</u>

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business- type Activities Cheshire County Nursing Home	Governmental Activities Internal Service Fund
<b><i>Non-Operating Revenues (Expenses)</i></b>		
Interest Expense	\$ (58,999)	\$ -
Interest Revenue	-	11,847
Bad Debt Recovery (Expense)	(11,296)	-
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b><u>(70,295)</u></b>	<b><u>11,847</u></b>
Income (Loss) Before Contributions and Transfers	<b><u>(2,386,660)</u></b>	<b><u>(209,003)</u></b>
<b><i>Contributions and Transfers In (Out)</i></b>		
Capital Contributions	93,650	-
Transfers In	2,417,418	-
Transfers (Out)	-	-
<b><i>Total Contributions and Transfers In (Out)</i></b>	<b><u>2,511,068</u></b>	<b><u>-</u></b>
Change in Net Assets	124,408	(209,003)
Total Net Assets, Beginning of Year, Restated	<u>1,824,119</u>	<u>151,610</u>
Total Net Assets, End of Year	<b><u>\$ 1,948,527</u></b>	<b><u>\$ (57,393)</u></b>

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

Change in Net Assets Business-type Activities, Above	\$ 124,408
Adjustments to Reflect the Consolidation of Internal Service Fund Activity Related to Business-type Activities	(130,637)
Change in Net Assets Business-type Activities, Statement 2	<b><u>\$ (6,229)</u></b>

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business- type Activities	Governmental Activities
	Cheshire County Nursing Home	Internal Service Fund
<b><i>Cash Flows from Operating Activities</i></b>		
Cash Received From Services	\$ 9,577,351	\$ -
Cash Received from Other Governments	1,318,550	-
Cash Received for Interfund Services Provided	-	2,074,205
Cash Paid to Suppliers	(5,703,418)	(2,318,791)
Cash Paid to Employees	(6,949,897)	-
Other Expenses	(253,098)	-
<b><i>Net Cash Provided (Used) by Operating Activities</i></b>	<b><u>(2,010,512)</u></b>	<b><u>(244,586)</u></b>
<b><i>Cash Flows From Noncapital Financing Activities</i></b>		
Transfers From Other Funds	2,417,418	-
Loans From/(to) Other Funds	(46,673)	-
<b><i>Net Cash Provided (Used) for Capital and Related Financing Activities</i></b>	<b><u>2,370,745</u></b>	<b><u>-</u></b>
<b><i>Cash Flows From Capital and Related Financing Activities</i></b>		
Principal Paid on Bonds	(102,300)	-
Principal Paid on Capital Lease	(75,460)	-
Interest Paid on Bonds and Capital Lease	(62,381)	-
Acquisition of Improvements and Equipment	(120,092)	-
<b><i>Net Cash Provided (Used) for Capital and Related Financing Activities</i></b>	<b><u>(360,233)</u></b>	<b><u>-</u></b>
<b><i>Cash Flows From Investing Activities</i></b>		
Interest Earnings on Investments	-	11,847
<b><i>Net Cash Provided (Used) From Investing Activities</i></b>	<b><u>-</u></b>	<b><u>11,847</u></b>
Increase (Decrease) in Cash and Cash Equivalents	-	(232,739)
Cash and Cash Equivalents at Beginning of Year	<u>200</u>	<u>308,038</u>
Cash and Cash Equivalents at End of Year	<b><u>\$ 200</u></b>	<b><u>\$ 75,299</u></b>
<b><i>Noncash Transactions</i></b>		
Additions to Capital Assets from Contributions	<u>\$ 93,650</u>	<u>\$ -</u>
Capital Assets Retired During the Year	<u>\$ -</u>	<u>\$ -</u>

(Continued)

The Accompanying Notes are an Integral Part of This Financial Statement

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COUNTY OF CHESHIRE, NEW HAMPSHIRE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business- type Activities Cheshire County Nursing Home	Governmental Activities  Internal Service Fund
<b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i></b>		
Operating Income (Loss)	\$ (2,316,365)	\$ (220,850)
<b><i>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities</i></b>		
Depreciation	431,301	-
Other Operating Expenses	(11,296)	-
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(553,627)	-
Inventories	10,387	-
Deposits and Prepaids	4,411	-
Due From Other Funds	-	-
Due From Other Governments	(70,454)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	331,574	(25,355)
Due to Other Funds	-	1,619
Accrued Liabilities	9,216	-
Due to Other Governments	20,873	-
Deferred Revenues	117,025	-
Compensated Absences	16,443	-
<b><i>Total Adjustments</i></b>	<b>305,853</b>	<b>(23,736)</b>
<b><i>Net Cash Provided (Used) by Operating Activities</i></b>	<b>\$ (2,010,512)</b>	<b>\$ (244,586)</b>

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
 STATEMENT OF ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2007

	Agency Funds						
	Sheriff's Escrow and Fees	Register of Deeds	Nursing Home Residents' Funds	Nursing Home Activity Fund	Jail Canteen/ Recreation Fund	Hemenway Fund	Community Development Block Grants
<b>ASSETS</b>							
Cash	\$ 10,774	\$ 369,916	\$ 68,525	\$ 4,891	\$ 41,743	\$ 16,527	\$ 16,984
Temporary Investments	-	-	-	-	-	-	-
Accounts Receivable	-	4,555	8,036	-	-	-	-
Due From Other Governments	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 10,774</u>	<u>\$ 374,471</u>	<u>\$ 76,561</u>	<u>\$ 4,891</u>	<u>\$ 41,743</u>	<u>\$ 16,527</u>	<u>\$ 16,984</u>
<b>LIABILITIES</b>							
Accounts Payable	\$ 6,339	\$ -	\$ -	\$ -	\$ -	\$ 16,527	\$ 16,984
Due to Other Governments	-	374,471	-	-	-	-	-
Due to Specific Individuals and/or Groups:							
To Judiciary Participants	4,435	-	-	-	-	-	-
To Inmates	-	-	-	-	41,743	-	-
To Nursing Home Residents/Activities	-	-	76,561	4,891	-	-	-
<b>TOTAL LIABILITIES</b>	<u>\$ 10,774</u>	<u>\$ 374,471</u>	<u>\$ 76,561</u>	<u>\$ 4,891</u>	<u>\$ 41,743</u>	<u>\$ 16,527</u>	<u>\$ 16,984</u>

The Accompanying Notes are an Integral Part of This Financial Statement

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS

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## 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  
NOTES TO THE FINANCIAL STATEMENTS

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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.

The House of Corrections Construction fund is used to account for the construction and equipping of a new House of Corrections as approved by the County Delegation to be funded by a \$37,000,000 bond issue.

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.

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COUNTY OF CHESHIRE, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS

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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 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 \$42,468 and are reported as temporary investments on the General Fund (\$930) and other governmental funds (\$41,538). 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  
NOTES TO THE FINANCIAL STATEMENTS

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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

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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:

Assets	Years
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

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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

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The details of this difference are as follows:

Bonds Payable	\$ (40,213,148)
Add: Accrued Interest Payable on Bonds and Capital Leases at Fiscal Year End	(537,989)
Capital Leases Payable	(183,435)
Compensated Absences	<u>(172,130)</u>
Net Adjustments to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	<u>\$ (41,106,702)</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	\$ 1,905,089
Depreciation Expense	<u>(492,365)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 1,412,724</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	(37,004,648)
<i>Principal Repayments:</i>	
General Obligation Debt	385,240
Payment on Capital Lease	<u>1,361</u>
Net Adjustment to Decrease Net Changes in Fund Balances – Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ (36,618,047)</u>

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COUNTY OF CHESHIRE, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS

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### 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**

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**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 \$38,111,322. At year end \$38,600,316 of the County's bank balance of \$39,036,404 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.	\$ 38,449,432
Uninsured and Uncollateralized	<u>150,884</u>
Total	<u>\$ 38,600,316</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	136,538	2,359	138,897
Intergovernmental	<u>114,287</u>	<u>116,020</u>	<u>230,307</u>
Gross Receivables	250,825	118,379	369,204
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 250,825</u>	<u>\$ 118,379</u>	<u>\$ 369,204</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	\$ 1,453,208
Due From Other Governments, Gross	362,736
Uncollectibles	<u>-</u>
Net Total Receivables	<u>\$ 1,815,944</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:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<i>Governmental Activities:</i>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 166,586	\$ 452,570	\$ -	\$ 619,156
Construction in Progress	<u>560,751</u>	<u>1,301,007</u>	<u>-</u>	<u>1,861,758</u>
<b>Total Capital Assets, Not Being Depreciated</b>	<u>727,337</u>	<u>1,753,577</u>	<u>-</u>	<u>2,480,914</u>
<b>Capital Assets, Being Depreciated:</b>				
Land Improvements	-	-	-	-
Water System	315,855	-	-	315,855
Wastewater System	166,232	-	-	166,232
Buildings and Improvements	10,763,363	-	-	10,763,363
Equipment and Vehicles	<u>1,089,258</u>	<u>198,285</u>	<u>-</u>	<u>1,287,543</u>
<b>Total Capital Assets Being Depreciated</b>	<u>12,334,708</u>	<u>198,285</u>	<u>-</u>	<u>12,532,993</u>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	-	-	-	-
Water System	(148,211)	(10,529)	(5,328)	(164,068)
Wastewater System	(121,554)	(5,541)	61,601	(65,494)
Buildings and Improvements	(6,597,008)	(347,339)	(56,674)	(7,001,021)
Equipment and Vehicles	<u>(501,050)</u>	<u>(128,956)</u>	<u>401</u>	<u>(629,605)</u>
<b>Total Accumulated Depreciation</b>	<u>(7,367,823)</u>	<u>(492,365)</u>	<u>-</u>	<u>(7,860,188)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>4,966,885</u>	<u>(294,080)</u>	<u>-</u>	<u>4,672,805</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 5,694,222</u>	<u>\$ 1,459,497</u>	<u>\$ -</u>	<u>\$ 7,153,7119</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	-	-	-	-
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	765,008	3,253	-	768,261
Wastewater System	430,289	1,123	-	431,412
Buildings and Improvements	7,068,989	9,999	-	7,078,988
Equipment and Vehicles	<u>1,769,985</u>	<u>199,367</u>	<u>-</u>	<u>1,969,352</u>
Total Capital Assets, Being Depreciated	<u>10,524,394</u>	<u>213,742</u>	<u>-</u>	<u>10,738,136</u>
Less Accumulated Depreciation for:				
Land Improvements	(373,325)	(24,916)	-	(398,241)
Water System	(444,435)	(31,490)	-	(475,925)
Wastewater System	(161,174)	(15,856)	-	(177,030)
Buildings and Improvements	(3,676,296)	(236,288)	-	(3,912,584)
Equipment and Vehicles	<u>(1,151,564)</u>	<u>(122,751)</u>	<u>-</u>	<u>(1,274,315)</u>
Total Accumulated Depreciation	<u>(5,806,794)</u>	<u>(431,301)</u>	<u>-</u>	<u>(6,238,095)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,717,600</u>	<u>(217,559)</u>	<u>-</u>	<u>4,500,041</u>
Business-Type Activities Capital Assets, Net	<u>\$4,792,811</u>	<u>\$ (217,559)</u>	<u>\$ -</u>	<u>\$4,575,252</u>

Depreciation expense was charged to functions/programs as follows:

*Governmental Activities:*

General Government	\$ 165,216
Public Safety (Sheriff and Corrections)	263,124
Human Services	-
Farm	<u>64,025</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 492,365</u>

*Business-Type Activities:*

Cheshire County Nursing Home	<u>\$ 431,301</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 431,301</u>

*(Continued on next page)*



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:

<b>Receivable Fund:</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Nonmajor Governmental Funds	\$ 23,950
General	Internal Service Fund	7,019
General	Cheshire County Nursing Home	2,121,695
Cheshire County Nursing Home	Nonmajor Governmental Funds	66,012
Cheshire County Nursing Home	General	-
	<b>Total</b>	<b><u>\$ 2,218,676</u></b>

Interfund Transfers:

	<b>Transfer In</b>			<b>Total</b>
	<b>General</b>	<b>Nonmajor Governmental</b>	<b>Cheshire County Nursing Home</b>	
Transfer Out:				
General	\$ -	\$ 211,988	\$ 2,312,418	\$ 2,524,406
Nonmajor Governmental Funds	395,630	-	105,000	500,630
Cheshire County Nursing Home	-	-	-	-
Totals	<u>\$ 395,630</u>	<u>\$ 211,988</u>	<u>\$ 2,417,418</u>	<u>\$ 3,025,036</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:

<i>Asset:</i>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Vehicles	\$ -	\$ -
Energy Improvements	246,225	824,318
Less: Accumulated Depreciation	<u>(35,727)</u>	<u>(103,040)</u>
Total	<u>\$ 210,498</u>	<u>\$ 721,278</u>

*(Continued on next page)*

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
2008	\$ 32,946	\$ 110,299
2009	33,648	112,647
2010	22,993	76,978
2011	23,819	79,743
2012-2016	110,231	369,032
2017-2021	-	-
2022-2026	-	-
Total Minimum Lease Payment	223,637	748,699
Less: Amount Representing Interest	<u>(40,202)</u>	<u>(134,591)</u>
Present Value of Minimum Lease Payments	<u>\$ 183,435</u>	<u>\$ 614,108</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
2008	\$ 113,534
2009	104,160
2010	28,368
2011	<u>1,837</u>
Total	<u>\$ 247,899</u>

Operating lease expenditures totaled \$96,792 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.

*(Continued on next page)*

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
**NOTES TO THE FINANCIAL STATEMENTS**

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:

<b>Governmental Activities</b>	<b>Amount</b>
\$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%	\$ 1,038,500
\$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%.	1,820,000
\$37,000,000 – 2007 Correctional Facility Bonds, Due in Annual Installments of \$1,850,000 Through October 2027; Interest at 4.25%.	37,000,000
\$745,000-2007 State of New Hampshire Drinking Water Revolving Fund Loan-Payments to Begin on the First Anniversary of the Completion Date of the Project-Principal to be Paid Within Ten Years From the Date of the Bond-Interest to be the Lesser of 2.095% or the Adjusted Market Rate Less 1%.	4,648
\$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>350,000</u>
Total Governmental	<u>\$ 40,213,148</u>
<b>Business-Type Activities</b>	
\$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>511,500</u>
Total Business Type	<u>511,500</u>
Total Bonds and Note Payable	<u>\$ 40,724,648</u>

*(Continued on next page)*

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS

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
2008	\$ 2,212,700	\$ 1,788,875	\$ 102,300	\$ 25,370
2009	2,212,700	1,624,385	102,300	20,460
2010	2,212,700	1,529,383	102,300	15,447
2011	2,212,700	1,434,173	102,300	10,332
2012	2,212,700	1,338,963	102,300	5,217
2013-2017	10,025,000	5,363,585	-	-
2018-2022	9,874,648	3,219,400	-	-
2023-2027	<u>9,250,000</u>	<u>1,179,375</u>	-	-
Total	<u>\$40,123,148</u>	<u>\$17,478,139</u>	<u>\$ 511,500</u>	<u>\$ 76,826</u>

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	\$ 3,571,200	\$ 37,004,648	\$ (362,700)	\$40,213,148	\$ 2,212,148
Capital Leases	207,336	-	(23,901)	183,435	24,380
Compensated Absences	<u>151,607</u>	<u>20,523</u>	<u>-</u>	<u>172,130</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 3,930,143</u>	<u>\$37,025,171</u>	<u>\$ (386,601)</u>	<u>\$40,568,713</u>	<u>\$ 2,236,528</u>
<i>Business-Type Activities:</i>					
General Obligation Bonds	\$ 613,800	\$ -	\$ (102,300)	\$ 511,500	\$ 102,300
Capital Leases	689,568	-	(75,460)	614,108	-
Compensated Absences	<u>194,534</u>	<u>16,443</u>	<u>-</u>	<u>210,977</u>	<u>-</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 1,497,902</u>	<u>\$ 16,443</u>	<u>\$ (177,760)</u>	<u>\$ 1,336,585</u>	<u>\$ 102,300</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:

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
**NOTES TO THE FINANCIAL STATEMENTS**

	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>
County Tax Anticipation Notes Payable	\$ <u>          -</u>	\$ <u>12,691,996</u>	\$ <u>12,691,996</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 \$342,875 for property liability coverage, with no unpaid contributions at year-end.

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

*(Continued on next page)*

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
**NOTES TO THE FINANCIAL STATEMENTS**

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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.

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 8.74% regular employees, 11.84% for police officers of covered payroll. The contribution requirement for the year was \$1,344,468, which consisted of \$795,066 from the County and \$549,402 from employees. The County's contributions to the System for the years ended December 31, 2006 and 2005 were \$632,343 and \$533,041, 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:

<b>Year Ended December 31,</b>	<b>Amount</b>
2008	\$ 209,658
2009	204,620
2010	199,420
2011	194,210
2012	189,020
Thereafter	<u>1,444,570</u>
Total	<u>\$ 2,441,498</u>

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COUNTY OF CHESHIRE, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS

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***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:

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
2007	\$ 149,409	\$ 1,797,670	\$ (1,823,025)	\$ 124,054

***F. Commitments***

The County has certain commitments at year end for architectural, engineering and construction manager services related to the House of Corrections construction project (total of \$35,250,909 of fund balance available at year end). However, the County had no commitments for any construction contracts at year end on the project.

**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, 2007

	Original Adopted Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
<b>REVENUES</b>	\$ 14,591,325	\$ -	\$ -	\$ -	\$ 14,591,325	\$ 14,591,325	\$ -
<i>Taxes</i>							
<i>Intergovernmental</i>							
Alternative Sentencing Metal Health Center	-	-	-	-	-	-	-
Federal Grants	539,396	-	-	-	539,396	95,040	(444,356)
Victim Witness Grant	25,000	-	-	-	25,000	25,000	-
Miscellaneous Non-Federal Grants	-	-	-	-	-	224	224
Domestic Violence Prosecutor Grant	34,259	-	-	-	34,259	34,259	-
Regional Prosecutor - Towns' Reimbursements	111,575	-	-	-	111,575	77,651	(33,924)
Bailiff Reimbursement	120,000	-	-	-	120,000	103,798	(16,202)
Drug Rebates	108,000	-	-	-	108,000	18,206	(89,794)
Case Management Reimbursement	-	-	-	-	-	-	-
<b>Total Intergovernmental</b>	<b>938,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>938,230</b>	<b>354,178</b>	<b>(584,052)</b>
<i>Charges for Services</i>							
Register of Deeds	825,000	-	-	-	825,000	728,773	(96,227)
Sheriff's Department Fees	50,500	-	-	-	50,500	43,942	(6,558)
Sheriff's Department Travel	32,000	-	-	-	32,000	41,020	9,020
Sheriff's Department Other	16,800	-	-	-	16,800	11,230	(5,570)
Sheriff's Department Deputy Reimbursement	25,000	-	-	-	25,000	22,859	(2,141)
House of Corrections	82,200	-	-	-	82,200	102,275	20,075
County Farm	285,720	-	-	-	285,720	327,020	41,300
Assisted Living and Transportation Aid	474,500	-	-	-	474,500	489,467	14,967
<b>Total Charges for Services</b>	<b>1,791,720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,791,720</b>	<b>1,766,586</b>	<b>(25,134)</b>
<i>Interest</i>							
Interest	175,000	-	-	-	175,000	212,948	37,948
<b>Total Interest</b>	<b>175,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>175,000</b>	<b>212,948</b>	<b>37,948</b>
<i>Other</i>							
Rental of Property	8,991	-	-	-	8,991	8,991	-
Unified and Jaffrey Court Leases	597,053	-	-	-	597,053	598,936	1,883
Workers Compensation Insurance Dividend	-	-	-	-	-	-	-
Unemployment Comp Insurance Dividend	3,000	-	-	-	3,000	-	(3,000)
County Attorney	750	-	-	-	750	790	40
Premium on Bond Issue	-	-	-	-	-	162,582	162,582
Miscellaneous	32,499	-	-	-	32,499	20,011	(12,488)
<b>Total Other</b>	<b>642,293</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>642,293</b>	<b>791,310</b>	<b>149,017</b>
<b>Fund Balance Used for Prior Year's Encumbrances</b>	<b>-</b>	<b>198,307</b>	<b>-</b>	<b>-</b>	<b>198,307</b>	<b>-</b>	<b>(198,307)</b>
<b>Appropriated From Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance Used to Reduce the Tax Rate</b>	<b>649,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>649,880</b>	<b>-</b>	<b>(649,880)</b>
<b>Total Revenues</b>	<b>\$ 18,788,448</b>	<b>\$ 198,307</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,986,755</b>	<b>\$ 17,716,347</b>	<b>\$ (1,270,408)</b>

GAAP is the budgetary basis used in the preparation of this schedule.  
(Continued)  
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COUNTY OF CHESHIRE, NEW HAMPSHIRE  
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Adopted Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
<b>EXPENDITURES</b>							
<b>General Government:</b>							
Commissioner's Office	\$ 221,364	\$ -	\$ -	\$ -	\$ 221,364	\$ 242,429	\$ (21,065)
Treasurer	7,696	-	-	-	7,696	7,800	(104)
County Delegation	7,696	-	-	-	7,696	12,130	(4,434)
County Attorney	579,033	-	-	-	579,033	591,899	(12,866)
Prosecutor's Grant	79,287	-	-	-	79,287	74,568	4,719
Regional Prosecutor	194,929	-	-	-	194,929	145,634	49,275
Finance	135,442	-	-	-	135,442	125,027	10,415
Victim Witness Grant	65,438	-	-	-	65,438	67,678	(2,240)
Computer Operations	95,257	-	-	-	95,257	81,652	13,605
Register of Deeds	523,608	-	-	-	523,608	494,489	29,119
Medical Referee	11,200	-	-	-	11,200	25,875	(14,675)
Human Resources	143,442	-	-	-	143,442	132,122	11,320
Personnel Administration	788,991	462	-	-	789,453	783,148	6,305
Maintenance of Facilities	611,750	-	-	-	611,750	540,635	71,115
Assisted Living	396,606	-	-	-	396,606	381,158	15,448
Safety	120,567	-	-	-	120,567	122,667	(2,100)
Conservation District	17,470	-	-	-	17,470	17,470	-
Contingency	-	-	-	-	-	3,250	(3,250)
<b>Total General Government</b>	<b>3,999,776</b>	<b>462</b>	<b>-</b>	<b>-</b>	<b>4,000,238</b>	<b>3,849,651</b>	<b>150,587</b>
<b>Public Safety:</b>							
Sheriff's Department and Dispatch	1,182,254	10,618	-	-	1,192,872	1,081,357	111,515
House of Corrections	2,377,612	3,688	-	-	2,381,300	2,499,144	(117,844)
Fire Mutual Aid	493,118	-	-	-	493,118	493,118	-
<b>Total Public Safety</b>	<b>4,052,984</b>	<b>14,306</b>	<b>-</b>	<b>-</b>	<b>4,067,290</b>	<b>4,073,619</b>	<b>(6,329)</b>
<b>County Farm</b>							
<b>Human Services:</b>	<b>280,899</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280,899</b>	<b>284,334</b>	<b>(3,435)</b>
Human Services	5,910,959	31,083	-	-	5,942,042	5,762,027	180,015
HCS Community Care	98,752	-	-	-	98,752	98,752	-
Women's Crises Center	8,000	-	-	-	8,000	8,000	-
Monadnock Substance Abuse Center	7,750	-	-	-	7,750	7,750	-
Keene Community Kitchen, Inc.	6,000	-	-	-	6,000	6,000	-
Monadnock Family Services	79,757	-	-	-	79,757	79,757	-
Monadnock Development Services	35,000	-	-	-	35,000	35,000	-
Alternative Sentencing Program	320,949	-	-	-	320,949	268,459	52,490
<b>Total Human Services</b>	<b>6,467,167</b>	<b>31,083</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6,498,250</b>	<b>6,265,745</b>	<b>232,505</b>

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, 2007

	Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
<b>Capital Outlay</b>							
Downtown Campus	\$ -	7,481	\$ -	\$ -	7,481	\$ -	7,481
Lathis Roof	-	20,000	-	-	20,000	7,266	12,734
Computer/Telephone Equipment	138,231	58,047	30,000	-	226,278	194,341	31,937
Sheriff Equipment	476,937	7,025	-	-	483,962	45,475	438,487
Courthouse Improvements/Sprinklers	-	10,273	-	-	10,273	-	10,273
Courthouse Equipment	600	-	-	-	600	526	74
Administration Building	5,100	-	-	-	5,100	5,100	-
Administration Equipment	600	-	-	-	600	682	(82)
Wastewater Treatment Plant	1,800	-	-	-	1,800	43,398	(41,598)
Water Treatment Plant	1,300	-	-	-	1,300	4,648	(3,348)
Wastewater Treatment Plant Equipment	1,000	4,249	-	-	5,249	2,611	2,638
Water Treatment Plant Equipment	-	-	-	-	-	1,292	(1,292)
House of Corrections Improvements	36,100	3,586	-	-	39,686	29,523	10,163
House of Corrections Equipment	7,980	-	-	-	7,980	3,406	4,574
Alternative Sentencing Program Equipment	-	-	-	-	-	-	-
Nursing Home Capital Outlay	-	-	-	-	-	-	-
Riverbank Erosion Control	70,000	41,795	232,605	-	344,400	302,605	41,795
Farm Improvements	-	-	-	-	-	-	-
Farm Equipment	33,000	-	-	-	33,000	34,121	(1,121)
<b>Total Capital Outlay</b>	<b>772,648</b>	<b>152,456</b>	<b>262,605</b>	<b>-</b>	<b>1,187,709</b>	<b>674,994</b>	<b>512,715</b>
<b>Debt Service</b>							
Principal on Long-Term Debt and Capital Lease	386,601	-	-	-	386,601	386,601	-
Interest:							
Long-Term Debt	172,357	-	-	-	172,357	171,896	461
Tax Anticipation Notes	235,000	-	-	-	235,000	319,950	(84,950)
<b>Total Interest</b>	<b>407,357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>407,357</b>	<b>491,846</b>	<b>(84,489)</b>
<b>TOTAL EXPENDITURES</b>	<b>16,367,432</b>	<b>198,507</b>	<b>262,605</b>	<b>-</b>	<b>16,828,344</b>	<b>16,026,790</b>	<b>801,554</b>
Excess (Deficiency) of Revenues Over Expenditures	2,421,016	-	(262,605)	-	2,158,411	1,689,557	(468,854)
<b>Proceeds of Long-Term Debt</b>							
Operating Transfers In	-	-	-	-	-	4,648	(4,648)
Special Revenue Funds:							
From Extension Service	-	-	-	-	-	1,141	1,141
<b>Total Special Revenue Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,141</b>	<b>1,141</b>
Capital Projects Funds:							
From Capital Reserves	177,502	-	262,605	-	440,107	394,489	(45,618)
From Jail Capital Project Fund	-	-	-	-	-	-	-
<b>Total Capital Projects Funds</b>	<b>177,502</b>	<b>-</b>	<b>262,605</b>	<b>-</b>	<b>440,107</b>	<b>394,489</b>	<b>(45,618)</b>
Proprietary Funds:							
Internal Service Fund	-	-	-	-	-	-	-
<b>Total Operating Transfers In</b>	<b>177,502</b>	<b>-</b>	<b>262,605</b>	<b>-</b>	<b>440,107</b>	<b>395,630</b>	<b>(44,477)</b>

COUNTY OF CHESHIRE, NEW HAMPSHIRE  
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
<b>Operating Transfers (Out)</b>							
Special Revenue Funds:							
To County Extension Service	(211,304)	-	-	-	(211,304)	(211,988)	(684)
To Deeds Surcharge	-	-	-	-	-	-	-
Total Special Revenue Funds	<u>(211,304)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(211,304)</u>	<u>(211,988)</u>	<u>(684)</u>
Capital Projects Funds:							
To Capital Reserves	-	-	-	-	-	-	-
Total Capital Projects Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Enterprise Funds:							
To Nursing Home	(2,387,214)	-	-	-	(2,387,214)	(2,312,418)	74,796
Total Operating Transfers (Out)	<u>(2,598,518)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,598,518)</u>	<u>(2,524,406)</u>	<u>74,112</u>
Total Other Financing Sources (Uses)	<u>(2,421,016)</u>	<u>-</u>	<u>262,605</u>	<u>-</u>	<u>(2,158,411)</u>	<u>(2,124,128)</u>	<u>34,283</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)						(434,571)	(434,571)
Fund Balances, Beginning of Year	2,315,115	-	-	-	2,315,115	2,315,115	-
Fund Balances, End of Year	<u>\$ 2,315,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,315,115</u>	<u>\$ 1,880,544</u>	<u>\$ (434,571)</u>

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