
**COUNTY OF CHESHIRE,
NEW HAMPSHIRE**

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS'
REPORT THEREON)**

**FOR THE YEAR ENDED
DECEMBER 31, 2009**

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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, 2009, 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.

Management has not adopted GASB Statement #45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions) for the reporting of postemployment health insurance benefits. This arises because, as required by New Hampshire RSA's (Note VH), the health insurance benefit for retirees is included with the health insurance benefit for current employees when the health insurance company determines the amount of the overall health insurance premium, resulting in a subsidy for the health insurance benefits of retirees. Management has elected to not compute or record an amount for this subsidized benefit, which is contrary to accounting principles generally accepted in the United States of America. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities and business-type activities is not reasonably determinable and is NOT presumed to be material. At year end, there were five Medicare eligible retirees on the health insurance plan.

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, 2009 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 3 through 13 and 46 through 49 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

March 30, 2010

**COUNTY MANAGEMENT'S
DISCUSSION AND ANALYSIS**

CHESHIRE COUNTY, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION & ANALYSIS

The discussion and analysis of Cheshire County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- The County's total net assets increased by \$2,037,242, which represents a 17.96% increase from 2008.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of 7,807,185, a decrease of \$16,400,220 from the prior year. Of this amount, \$7,616,332 is available for spending (unreserved fund balance).
- At the end of the current year, unreserved fund balance for the General Fund was \$3,005,182, which represents a 1.74% decrease from the prior year and represents 13.59% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

(Continued on next page)

CHESHIRE COUNTY, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION & ANALYSIS

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

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

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

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The funds of Cheshire County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. In 2009, 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, Freed Up Medicaid Funds, JAG Grant Fund, Water System Project 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 \$13,379,302 (\$10,953,682 in governmental activities and \$2,425,620 in business-type activities) as of December 31, 2009. This is an increase in net assets of \$2,037,242 from 2008.

Cheshire County, New Hampshire Net Assets as of December 31, 2009 and December 31, 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 12,131,382	\$ 28,548,791	\$ 28,499	\$ 375,326	\$ 12,159,881	\$ 28,924,117
Direct Financing Lease A/R	2,027,220	2,231,840	-	-	2,027,220	2,231,840
Capital Assets, Net	<u>40,045,642</u>	<u>21,675,704</u>	<u>4,112,378</u>	<u>4,301,789</u>	<u>44,158,020</u>	<u>25,977,493</u>
Total Assets	<u>54,204,244</u>	<u>52,456,335</u>	<u>4,140,877</u>	<u>4,677,115</u>	<u>58,345,121</u>	<u>57,133,450</u>
Other Liabilities	7,777,112	7,656,358	950,472	1,031,209	8,727,584	8,687,566
Long-Term Liabilities	<u>35,473,450</u>	<u>36,143,516</u>	<u>764,785</u>	<u>960,307</u>	<u>36,238,235</u>	<u>37,103,824</u>
Total Liabilities	<u>\$ 43,250,562</u>	<u>\$ 43,799,874</u>	<u>\$ 1,715,257</u>	<u>\$ 1,991,516</u>	<u>\$ 44,965,819</u>	<u>\$ 45,791,390</u>

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CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

**Cheshire County, New Hampshire Net Assets
as of December 31, 2009 and December 31, 2008**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Net Assets:						
Invested in Capital Assets,						
Net of						
Related Debt	\$ 9,065,337	\$ 7,190,977	\$ 3,360,770	\$ 3,360,101	\$ 12,426,107	\$ 10,551,078
Restricted	511,399	733,504	-	-	511,399	733,504
Unrestricted	<u>1,376,946</u>	<u>731,980</u>	<u>(935,150)</u>	<u>(674,502)</u>	<u>441,796</u>	<u>57,478</u>
Total Net Assets	<u>\$ 10,953,682</u>	<u>\$ 8,656,461</u>	<u>\$ 2,425,620</u>	<u>\$ 2,685,599</u>	<u>\$ 13,379,302</u>	<u>\$ 11,342,060</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 (\$12,426,107) is net of any related debt incurred to acquire those assets and represents 92.88% 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 (\$511,399 or 3.82%) 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 (\$441,796 or 3.30%) 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 the Medicaid reimbursement rates being lower than the actual cost to run the homes. The 2009 negative balance has increased by \$259,979 from 2008.

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CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

The next statement provided shows the changes in net assets for 2009 and 2008.

Cheshire County, Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues						
Charges for Services	\$ 2,160,095	\$ 2,162,841	\$ 10,158,214	\$ 9,449,583	\$ 12,318,309	\$ 11,612,424
Operating Grants and Contributions	808,467	790,926	2,535,765	1,972,833	3,344,232	2,763,759
Capital Grants and Contributions	-	-	-	-	-	-
Total Program Revenues	<u>2,968,562</u>	<u>2,953,767</u>	<u>12,693,979</u>	<u>11,422,416</u>	<u>15,662,541</u>	<u>14,376,183</u>
General Revenues						
Property Taxes	21,174,082	19,654,594	-	-	21,174,082	19,654,594
Gain (Loss) on Disposal of Capital Assets	-	-	2,198	(9,270)	2,198	(9,270)
Grants and Contributions	972,107	-	-	-	972,107	-
Interest and Investment	243,368	1,830,661	5,087	5,455	248,455	1,836,116
Other	240,472	71,244	13,096	12,851	253,568	84,095
Total General Revenue	<u>22,630,029</u>	<u>21,556,499</u>	<u>20,381</u>	<u>9,036</u>	<u>22,650,410</u>	<u>21,565,535</u>
Total Revenues	<u>25,598,591</u>	<u>24,510,266</u>	<u>12,714,360</u>	<u>11,431,452</u>	<u>38,312,951</u>	<u>35,941,718</u>
Transfers	<u>(2,510,148)</u>	<u>(3,239,126)</u>	<u>2,510,148</u>	<u>3,239,126</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	<u>23,088,443</u>	<u>21,271,140</u>	<u>15,224,508</u>	<u>14,670,578</u>	<u>38,312,951</u>	<u>35,941,718</u>
Expenses:						
General Government	5,982,058	5,010,970	-	-	5,982,058	5,010,970
Public Safety	5,749,327	4,874,436	-	-	5,749,327	4,874,436
Human Services	7,084,718	6,140,446	-	-	7,084,718	6,140,446
Farm	368,398	393,079	-	-	368,398	393,079
Interest on Long-term Debt	1,606,721	1,723,404	-	-	1,606,721	1,723,404
Cheshire County Nursing Home	-	-	15,484,487	13,922,448	15,484,487	13,922,448
Total Expenses	<u>20,791,222</u>	<u>18,142,335</u>	<u>15,484,487</u>	<u>13,922,448</u>	<u>36,275,709</u>	<u>32,064,783</u>
Increase (Decrease) in Net Assets	<u>\$ 2,297,221</u>	<u>\$ 3,128,805</u>	<u>\$ (259,979)</u>	<u>\$ 748,130</u>	<u>\$ 2,037,242</u>	<u>\$ 3,876,935</u>

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CHESHIRE COUNTY, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION & ANALYSIS

Governmental Activities

Charges to users of governmental services made up \$2,160,095 or 8.4% of total governmental revenues and include such services as provided by the Sheriff's Department, Department of Corrections, Court House Leases, Cheshire County Farm, Registry of Deeds and Assisted Living Apartments. Additionally, the County receives revenue from operating grants and other contributions. In 2009, this totaled \$808,467 or 3.16% of total governmental revenue. Operating grants are used to fund expenses associated with programs such as the Domestic Violence Prosecutor, the Victim Witness Program and the Regional Prosecutor Program. In 2009, the Sheriff's Department was the recipient of a grant from the U.S. Department of Justice that will be shared with six Cheshire County towns (including the City of Keene). Other contributions included in the amount are reimbursements from the State 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 \$21,174,082 or 82.72% of total governmental revenues. As noted previously, the County is able to recover some of its expenses through user charges, however, a great deal of County operations do not have revenue sources sufficient or available to meet their expenses and as a result are funded by Property Taxes.

The single largest expense 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. As of July 1, 2008, the County took on 100% of the non federal share for residents in Long Term Care Facilities and for County residents receiving their care at home (HCBC). As a result, the State of New Hampshire took over 100% of the non federal share of the other programs which include Board and Care of Children, Old Age Assistance, Aide to the Permanently and Totally Disabled and Provider Services. As the cost of Long Term Care and HCBC outweigh the cost of the other programs, there was a "Hold Harmless" provision included in the statute that protected the Counties from being exposed to additional expenditures above normal inflationary rates for the State's fiscal years 2009 and 2010. After 2010, the caps and any additional Hold Harmless provisions will be established by the legislature on a biennial basis.

The analysis 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.

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CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Cheshire County, Governmental Activities
For Year Ending December 31, 2009 and December 31, 2008

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
General Government	\$ 5,982,058	\$ 5,010,970	\$ 4,372,427	\$ 3,443,425
Public Safety	5,749,327	4,874,436	4,688,003	4,170,863
Human Services	7,084,718	6,140,446	7,084,718	5,857,528
Farm	368,398	393,079	145,411	73,006
Interest Expense	1,606,721	1,723,404	1,532,101	1,643,746
Total Expenses	<u>\$ 20,791,222</u>	<u>\$ 18,142,335</u>	<u>\$ 17,822,660</u>	<u>\$ 15,188,568</u>

Business-type Activities

Charges for services provided funding for 65.60% of total program expenses with the additional 16.38% coming from operating grants and contributions and 16.21% (\$2,510,148) 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 2008, the Nursing Home required the General Fund to subsidize the operations by 23.27% or \$3,239,126. In 2009, the subsidy decreased to 16.21% or \$2,510,148, a decrease of \$728,978. Although census levels for 2009 were up slightly from 2008 by 773 bed days, Medicaid bed days were the main contributing factor with an overall increase of 1,418 and Private Pay census down by 800 bed days.

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, 2009, the County's governmental funds reported a combined ending fund balance of \$7,807,185, a decrease of \$16,400,220 in comparison with the prior year. Approximately 97.56% of this total (\$7,616,332) represents unreserved fund balance, with 39.46% being the General Fund, 47.41% unspent proceeds for the House of Corrections Construction Project and 13.13% for the other combined governmental funds, which include County Extension Service, Incentive Fund, Heman Chase Fund, Nursing Home Contribution Fund, Wellington Fund, Deeds Surcharge, Freed Up Federal Medicaid Funds, JAG Grant Funds, Water System Project 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 (\$190,853).

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CHESHIRE COUNTY, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION & ANALYSIS

The General Fund is the primary operating fund of the County. At the end of 2009, unreserved fund balance was \$3,005,182, while total fund balance was \$3,100,412. Cheshire County's objective is to maintain an unreserved fund balance between 5% and 10 % of the County's total budget.

Cheshire County's total General Fund fund balance decreased by \$75,527 during 2009.

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, 2009 were at deficit levels of (\$1,543,729). The unrestricted net asset deficit increased by \$165 over the 2008 level of (\$1,543,564). Although the Nursing Home supplemental revenue 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, 2009, approximately 72% of the Nursing Home census consisted of residents needing Medicaid assistance in order to pay for their care. Based on the 2009 Medicaid cost report for Maplewood, the allowable per diem rate was calculated to be \$270.76. However, the actual paid per diem as of December 31, 2009 was \$153.49 or \$117.27 per day short of allowable 2009 costs. The supplemental revenue provided additional reimbursement averaging \$44.42 per day with the Proportionate Share Funds providing additional reimbursement of \$16.92 per day. In 2009 the County also received a temporary increase in the MQIP payments due to an increase in Federal funds from the American Recovery and Reinvestment Act. This increase enhanced the supplemental payment from \$44.42 per day to an average of \$55.42 per day. These additional payments still leave the allowable per diem rate short by approximately \$44.93 per day.

As of January 1, 2010 the Medicaid rate for Cheshire County decreased an additional \$10.57 per day to a daily rate of \$142.92. As the State of New Hampshire faces significant shortfalls in its budgets and with the number of clients in need of Medicaid Assistance higher than originally projected, every Nursing Home in New Hampshire received sizeable rate cuts to their daily Medicaid reimbursement rate.

The increase in Federal funds from the American Recovery and Reinvestment Act will continue to be received through 2010 by the Counties and will help to offset this rate decrease.

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 23, 2009, the County Convention adopted the 2009 budget. As adopted, the bottom line was up 3.95% (\$1,421,793) and taxes to be raised were 8.75% higher than 2008 (\$1,719,488) for total taxes to be raised of \$21,374,082.

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CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Areas that contributed to the increase included the following:

- 15 New Correctional Officer positions were hired at the end of 2008 thus adding to the payroll base for 2009 by approximately \$414,000. Additionally, the base payroll for all other County positions was up by \$300,000.
- A decrease in the interest income of \$460,000 from the Correctional Facility Bond proceeds.
- An increase of \$440,740 in our contribution toward Medicaid Assistance for Nursing Home and Home Based Care (HCBC).

In 2009, there was a supplemental budget brought before the delegation and approved. On July 13, 2009, the County budget was amended by \$1,005,225. This amendment was brought forward based on the receipt of State Proportional Share Funds in the amount of \$612,197 and additional Federal Medical Percentage funds (FMAP) for \$485,000. Additionally the delegation amended the budget to accept \$209,000 in grant funds from the Department of Justice Agency which became available under the Recovery Act (ARRA). Finally, the amendment increased the funding for the Regional Prosecutor's budget in order to add the City of Keene to the program.

In addition to using some of the Pro Share funds to purchase capital assets for the Nursing Home, the funds were used to reduce taxes to be raised by \$200,000.

As a result of the supplemental budget, the total budget increased to \$38,422,598 up 6.74% (\$2,427,018) over the 2008 budget and taxes to be raised to \$21,174,082 up 7.73% (\$1,519,488).

Capital Assets and Debt Administration

Capital Assets—The County's investment in capital assets for governmental and business-type activities as of December 31, 2009, was \$44,158,020 (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.

Major Capital projects and or equipment that was completed or purchased include \$18,560,126 in additional construction in progress for the new Correctional Facility, \$39,960 for a security system for the north stairwell at the Nursing Home, \$78,000 for resident bed frames, \$30,000 for a Nurse Call System, \$30,000 for a wood processor to process cord wood at the County Farm, \$32,000 to replace the fire box system at the Keene Administration Building and \$68,000 for repair work on the Farm Houses in Westmoreland.

Note IV (C) – Detailed Notes on All Funds (Capital Assets) provides additional information about capital asset activity during 2009.

Long-term Debt—At December 31, 2009, the County had total general obligation bonded debt outstanding of \$37,767,644. Of this amount, \$1,560,000 is for the Jaffrey District Court House and is reimbursed by the State of New Hampshire by way of a direct financing lease agreement. The annual payment schedule for the lease corresponds with the bond schedule principal and interest payments.

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CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

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, 2009 of \$930,000. Bonds for the study of a new County Jail had a balance remaining of \$300,000 at year-end. After making the second payment on the bonds for the construction of the County Correctional Facility, the balance outstanding at year end for this debt was \$33,300,000. The County sold bonds with a 15-year term for the construction of a Geothermal Heating and Cooling System for the new County Correctional Facility in the amount of \$1,300,000 with the first payment due in 2010. Additionally, \$377,644 for the Water Treatment Upgrade Project is being funded by the use of State of New Hampshire Revolving Loan Funds. When this is completed, the County will have borrowed from this fund approximately \$745,000 for this project.

The County's long-term bonded debt decreased by payments made of \$2,315,000 during 2009 and increased by \$1,664,498 (new debt issued) for a net decrease of \$650,502.

The current outstanding debt for Cheshire County is as follows:

Cheshire County, Outstanding Debt
December 31, 2009

	Governmental Activities	Business-type Activities	Total
Nursing Home Expansion	\$ 623,100	\$ 306,900	\$ 930,000
Jail Expansion Study	300,000	-	300,000
Jaffrey District Court House	1,560,000	-	1,560,000
Jail Construction	33,300,000	-	33,300,000
Jail Geothermal System	1,300,000	-	1,300,000
Water Treatment Upgrade	377,644	-	377,644
Total Outstanding Debt	<u>\$ 37,460,744</u>	<u>\$ 306,900</u>	<u>\$ 37,767,644</u>

In 2005, the first capital lease payment associated with the Energy Efficiency Project was due. Total principal for this project was \$1,070,543 and was spread out over a twelve (12) year period. The fifth principal payment was made on May 30, 2009 for \$114,000. The remaining principal due for this project as of December 31, 2009 is \$577,543.

On July 21, 2009, the Delegation voted to raise and appropriate \$614,000 to finance the design, construction and equipping of the County Waste Water Treatment Plant. The County is in need of upgrading this treatment plant and learned that this project was awarded \$225,000 in funding from the New Hampshire Economic Stimulus Recovery Funds to offset the cost of the project. The contract has been awarded and plans are underway for completion in the spring of 2010 in order to meet the construction deadlines associated with accepting these funds.

(Continued on next page)

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Moody's has assigned an underlying rating of A1 to the outstanding general obligation debt of the County. In order to maintain this rating, the County will continue to pay close attention to the fund balance levels.

In addition to the bonded debt, the County's long-term obligations include \$390,478 in compensated absences. These compensated absences are an accumulation of unused accrued vacation and holiday time at December 31, 2009.

Economic Factors

- The Cheshire County unemployment rate for December 2009 was 6.0%, which compares favorably to the State's rate of 6.7 %, the New England rate of 8.7% and the national rate of 9.7 %. The County rate has increased over December 2008 at which time was 4.1 %.
- Most recent equalized assessed valuations of property used for appropriating Cheshire County's 2009 taxes were \$7,501,353,259. This is a slight decrease over the prior year assessed valuations of .68% or \$51,569,156.
- There were no outstanding tax payments due from any Cheshire County Town as of December 31, 2009.

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, 2009

	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and Equivalents	\$ 1,956,858	\$ 667,991	\$ 2,624,849
Temporary Investments	354,931	-	354,931
Accounts Receivable	215,000	1,752,381	1,967,381
Due from Other Governments	132,485	361,483	493,968
Internal Balances	2,843,649	(2,843,649)	-
Inventories	-	90,193	90,193
Deposits and Prepaids	15,185	100	15,285
Restricted Assets: Cash and Temporary Investments	6,613,274	-	6,613,274
Direct Financing Lease Receivable	2,027,220	-	2,027,220
Capital Assets:			
Land and Improvements	984,559	574,482	1,559,041
Water System	315,855	773,026	1,088,881
Wastewater System	166,232	436,433	602,665
Buildings and Improvements	10,885,257	7,120,660	18,005,917
Furniture, Equipment and Vehicles	1,475,334	2,291,470	3,766,804
Construction in Progress	34,996,207	-	34,996,207
Less Accumulated Depreciation	(8,777,802)	(7,083,693)	(15,861,495)
Total Capital Assets, Net of Depreciation	40,045,642	4,112,378	44,158,020
TOTAL ASSETS	\$ 54,204,244	\$ 4,140,877	\$ 58,345,121
LIABILITIES			
Accounts Payable	\$ 1,003,214	\$ 325,880	\$ 1,329,094
Contract Payable	601,817	-	601,817
Retainage Payable	1,963,017	-	1,963,017
Accrued Liabilities	706,839	308,192	1,015,031
Due to Other Governments	538,624	157,890	696,514
Deferred Revenue	624,681	-	624,681
Non-current Liabilities:			
Portion Due or Payable Within One Year:			
Bonds and Notes Payable	2,312,700	102,300	2,415,000
Capital Lease Obligations	26,220	56,210	82,430
Portion Due or Payable After One Year:			
Bonds and Notes Payable	35,148,044	204,600	35,352,644
Capital Lease Obligations	106,615	388,498	495,113
Compensated Absences	218,791	171,687	390,478
Total Liabilities	43,250,562	1,715,257	44,965,819
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	9,065,337	3,360,770	12,426,107
Restricted for:			
Juvenile Incentive	117,093	-	117,093
Deeds Surcharge	71,131	-	71,131
Capital Reserves	254,771	-	254,771
Other Purposes:			
Expendable	68,404	-	68,404
Unrestricted (Deficit)	1,376,946	(935,150)	441,796
Total Net Assets	\$ 10,953,682	\$ 2,425,620	\$ 13,379,302

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
General Government	\$ 5,982,058	\$ 1,188,322	\$ 421,309	\$ -	\$ (4,372,427)	\$ -	\$ (4,372,427)
Public Safety	5,749,327	748,786	312,538	-	(4,688,003)	-	(4,688,003)
Human Services	7,084,718	-	-	-	(7,084,718)	-	(7,084,718)
Farm	368,398	222,987	-	-	(145,411)	-	(145,411)
Interest on Long-term Debt	1,606,721	-	74,620	-	(1,532,101)	-	(1,532,101)
Total Governmental Activities	20,791,222	2,160,095	808,467	-	(17,822,660)	-	(17,822,660)
Business-type Activities							
Cheshire County Nursing Home	15,484,487	10,158,214	2,535,765	-	-	(2,790,508)	(2,790,508)
Total Business-type Activities	15,484,487	10,158,214	2,535,765	-	-	(2,790,508)	(2,790,508)
Total	\$ 36,275,709	\$ 12,318,309	\$ 3,344,232	\$ -	(17,822,660)	(2,790,508)	(20,613,168)
General Revenues:							
Taxes:							
County Tax Assessment					21,174,082	-	21,174,082
Grants and Contributions Not Restricted to Specific Purposes							
					972,107	-	972,107
Interest and Investment Earnings					243,368	5,087	248,455
Miscellaneous					240,472	13,096	253,568
Capital Contributions					-	2,198	2,198
Transfers					(2,510,148)	2,510,148	-
Total General Revenues, Special Items and Transfers					20,119,881	2,530,529	22,650,410
Change in Net Assets					2,297,221	(259,979)	2,037,242
Net Assets, Beginning of Year					8,656,461	2,685,599	11,342,060
Net Assets, End of Year					\$ 10,953,682	\$ 2,425,620	\$ 13,379,302

COUNTY OF CHESHIRE, NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Major Funds		Other	Total
	General	House of	Governmental	Governmental
	Fund	Corrections	Funds	Funds
		Construction		
ASSETS				
Cash and Equivalents	\$ 1,131,642	\$ -	\$ 825,216	\$ 1,956,858
Temporary Investments	957	-	353,974	354,931
Accounts Receivable	213,073	-	1,927	215,000
Due From Other Funds	3,498,777	250,000	-	3,748,777
Due From Other Governments	132,485	-	-	132,485
Deposits and Prepaids	15,185	-	-	15,185
Restricted Assets: Cash and Temporary Investments	-	6,613,274	-	6,613,274
TOTAL ASSETS	\$ 4,992,119	\$ 6,863,274	\$ 1,181,117	\$ 13,036,510
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 833,550	\$ 169,664	\$ -	\$ 1,003,214
Contracts Payable	-	601,817	-	601,817
Retainage Payable	-	1,963,017	-	1,963,017
Accrued Liabilities	251,720	-	-	251,720
Due to Other Funds	256,676	517,924	85,196	859,796
Due to Other Governments	538,624	-	-	538,624
Deferred Revenues	11,137	-	-	11,137
Total Liabilities	1,891,707	3,252,422	85,196	5,229,325
Fund Balances				
Reserved for Encumbrances	80,045	-	95,623	175,668
Reserved for Prepaids	15,185	-	-	15,185
Unreserved, Reported in:				
General Fund	3,005,182	-	-	3,005,182
Nonmajor Special Revenue Funds	-	-	750,174	750,174
Major Capital Projects Funds	-	3,610,852	-	3,610,852
Nonmajor Capital Projects Funds	-	-	250,124	250,124
Total Fund Balances	3,100,412	3,610,852	1,095,921	7,807,185
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,992,119	\$ 6,863,274	\$ 1,181,117	\$ 13,036,510

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

<i>Total Governmental Fund Balances (Previous Page)</i>	\$ 7,807,185
 <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.	40,045,642
Other Long-term Assets Are NOT Available to Pay for Current-period Expenditures and Therefore Are Saved in the Funds.	2,027,220
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.	(45,332)
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.	(146,324)
Long-term Deferred Revenues Related to Long-term Receivables Are NOT Recognized on Statement 3.	(467,220)
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.	(38,267,489)
<i>Net Assets of Governmental Activities - Statement 1</i>	<u>\$ 10,953,682</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Major Funds			
	General Fund	House of Corrections Construction	Other Governmental Funds	Totals Governmental Funds
Revenues				
Taxes	\$ 21,174,082	\$ -	\$ -	\$ 21,174,082
Intergovernmental	1,399,447	-	497,013	1,896,460
Charges for Services	1,704,616	-	27,384	1,732,000
Interest	240,134	-	3,231	243,365
Other	682,149	-	531	682,680
Total Revenues	<u>25,200,428</u>	<u>-</u>	<u>528,159</u>	<u>25,728,587</u>
Expenditures				
Current:				
General Government	4,767,295	-	513,187	5,280,482
Public Safety	5,401,896	-	109,641	5,511,537
Farm	328,479	-	-	328,479
Human Services	6,858,897	-	-	6,858,897
Capital Outlay	395,747	18,279,410	280,714	18,955,871
Debt Service	4,347,891	-	-	4,347,891
Total Expenditures	<u>22,100,205</u>	<u>18,279,410</u>	<u>903,542</u>	<u>41,283,157</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,100,223</u>	<u>(18,279,410)</u>	<u>(375,383)</u>	<u>(15,554,570)</u>
Other Financing Sources (Uses)				
Proceeds of Long-term Debt	-	1,300,000	364,498	1,664,498
Operating Transfers In	-	250,000	415,602	665,602
Operating Transfers (Out)	(3,175,750)	-	-	(3,175,750)
Total Other Financing Sources (Uses)	<u>(3,175,750)</u>	<u>1,550,000</u>	<u>780,100</u>	<u>(845,650)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>(75,527)</u>	<u>(16,729,410)</u>	<u>404,717</u>	<u>(16,400,220)</u>
Fund Balances, Beginning of Year	<u>3,175,939</u>	<u>20,340,262</u>	<u>691,204</u>	<u>24,207,405</u>
Fund Balances, End of Year	<u>\$ 3,100,412</u>	<u>\$ 3,610,852</u>	<u>\$ 1,095,921</u>	<u>\$ 7,807,185</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, 2009

<i>Net Change in Fund Balances - Total Governmental Funds (Previous Page)</i>	\$ (16,400,220)
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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.	18,369,938
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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.	574,422
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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	16,962
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Estimated Compensated Absences Payable Are Recognized When Payable on Statement 4 But Are Accrued and Expensed at Year End on Statement 2.	(4,351)
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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.	74,620
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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.	(204,620)
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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	(137,659)
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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.	8,129
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<i>Change in Net Assets of Governmental Activities (Statement 2)</i>	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">\$ 2,297,221</div>
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COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business- type Activities <u>Cheshire County Nursing Home</u>	Governmental Activities <u>Internal Service Fund</u>
<i>ASSETS</i>		
Current Assets		
Cash and Equivalents	\$ 200	\$ 667,791
Accounts Receivable - Services	1,752,381	-
Due From Other Funds	-	6,676
Due From Other Governments	361,483	-
Inventories	90,193	-
Prepaid Expenses	100	-
Total Current Assets	<u>2,204,357</u>	<u>674,467</u>
Capital Assets:		
Land and Improvements	574,482	-
Water System	773,026	-
Wastewater System	436,433	-
Buildings and Improvements	7,120,660	-
Vehicles	152,518	-
Furniture and Equipment	2,138,952	-
Less Accumulated Depreciation	<u>(7,083,693)</u>	<u>-</u>
Total Capital Assets, Net of Depreciation	<u>4,112,378</u>	<u>-</u>
<i>TOTAL ASSETS</i>	<u><u>\$ 6,316,735</u></u>	<u><u>\$ 674,467</u></u>
<i>LIABILITIES</i>		
Current Liabilities		
Accounts Payable	\$ 214,660	\$ 111,220
Accrued Liabilities	308,192	-
Due To Other Funds	2,895,657	-
Due to Other Governments	157,890	-
Current Portion of Long-term Debt:		
Obligations Under Capital Lease	56,210	-
Bonds Payable	102,300	-
Total Current Liabilities	<u>\$ 3,734,909</u>	<u>\$ 111,220</u>
		(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business- type Activities <u>Cheshire County Nursing Home</u>	Governmental Activities <u>Internal Service Fund</u>
Noncurrent Liabilities:		
Obligations Under Capital Lease	\$ 388,498	\$ -
Bonds Payable	204,600	-
Compensated Absences	171,687	-
Total Noncurrent Liabilities	<u>764,785</u>	<u>-</u>
Total Liabilities	<u>4,499,694</u>	<u>111,220</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	3,360,770	-
Unrestricted (Deficit)	<u>(1,543,729)</u>	<u>563,247</u>
Total Net Assets	<u>1,817,041</u>	<u>563,247</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,316,735</u>	<u>\$ 674,467</u>

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

Total Net Assets Business-type Activities Above	\$ 1,817,041
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Business-type Activities	608,579
Total Net Assets Business-type Activities, Statement 1	<u>\$ 2,425,620</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business- type Activities Cheshire County Nursing Home	Governmental Activities Internal Service Fund
<i>Operating Revenues</i>		
Intergovernmental	\$ 1,923,568	\$ -
Charges for Services:		
Medicaid	5,323,481	-
Private	2,226,080	-
Atypical Unit	1,205,166	-
Medicare A and B (PT, OT, Speech and Other), Respite Care, Nurse Practitioner and Adult Day Care	781,660	-
Other User Charges	-	2,258,890
Total Charges for Services	9,536,387	2,258,890
Miscellaneous:		
Meals	621,827	-
Medicaid Proportional Share	612,197	-
Other	13,096	-
Total Miscellaneous	1,247,120	-
<i>Total Operating Revenues</i>	<i>12,707,075</i>	<i>2,258,890</i>
<i>Operating Expenses</i>		
General Operating Expenses:		
Administration	2,603,506	2,662,117
Quality Improvement	73,321	-
Dietary	1,565,759	-
Nursing	6,218,751	-
Atypical Unit	1,224,984	-
Facilities	1,037,561	-
Waste Water Treatment Plant	19,234	-
Water Treatment Plant	22,877	-
Laundry and Linens	689,784	-
Activities	279,701	-
Social Services	173,170	-
Occupational Therapy	177,597	-
Physical Therapy and Speech Therapy	386,269	-
Other Services for Residents	229,150	-
Capital Outlay - Minor Equipment	2,332	-
Depreciation	432,416	-
<i>Total Operating Expenses</i>	<i>15,136,412</i>	<i>2,662,117</i>
Operating Income (Loss)	(2,429,337)	(403,227)

(Continued)

The Accompanying Notes are an Integral Part of This Financial Statement

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business- type Activities Cheshire County Nursing Home	Governmental Activities Internal Service Fund
<i>Non-Operating Revenues (Expenses)</i>		
Interest Expense	\$ (41,948)	\$ -
Interest Revenue	-	5,087
Bad Debt Recovery (Expense)	(40,557)	-
<i>Net Non-Operating Revenues (Expenses)</i>	<u>(82,505)</u>	<u>5,087</u>
Income (Loss) Before Contributions and Transfers	<u>(2,511,842)</u>	<u>(398,140)</u>
<i>Contributions and Transfers In (Out)</i>		
Capital Contributions	2,198	-
Transfers In	2,510,148	-
Transfers (Out)	-	-
<i>Total Contributions and Transfers In (Out)</i>	<u>2,512,346</u>	<u>-</u>
Change in Net Assets	504	(398,140)
Total Net Assets, Beginning of Year, Restated	<u>1,816,537</u>	<u>961,387</u>
Total Net Assets, End of Year	<u>\$ 1,817,041</u>	<u>\$ 563,247</u>

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

Change in Net Assets Business-type Activities, Above	\$ 504
Adjustments to Reflect the Consolidation of Internal Service Fund Activity Related to Business-type Activities	(260,483)
Change in Net Assets Business-type Activities, Statement 2	<u>\$ (259,979)</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business- type Activities <u>Cheshire County Nursing Home</u>	Governmental Activities <u>Internal Service Fund</u>
<i>Cash Flows from Operating Activities</i>		
Cash Received From Services	\$ 10,667,471	\$ -
Cash Received from Other Governments	1,948,063	-
Cash Received for Interfund Services Provided	-	2,258,890
Cash Paid to Suppliers	(7,192,960)	(2,694,280)
Cash Paid to Employees	(7,372,427)	-
Other Expenses	(229,150)	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>(2,179,003)</u>	<u>(435,390)</u>
<i>Cash Flows From Noncapital Financing Activities</i>		
Operating Transfers From Other Funds	2,510,148	-
Loans From/(to) Other Funds	147,267	65,684
<i>Net Cash Provided (Used) for Capital and Related Financing Activities</i>	<u>2,657,415</u>	<u>65,684</u>
<i>Cash Flows From Capital and Related Financing Activities</i>		
Principal Paid on Bonds	(102,300)	-
Principal Paid on Capital Lease	(87,780)	-
Interest Paid on Bonds and Capital Lease	(45,327)	-
Acquisition of Improvements and Equipment	(243,005)	-
<i>Net Cash Provided (Used) for Capital and Related Financing Activities</i>	<u>(478,412)</u>	<u>-</u>
<i>Cash Flows From Investing Activities</i>		
Interest Earnings on Investments	-	5,087
<i>Net Cash Provided (Used) From Investing Activities</i>	<u>-</u>	<u>5,087</u>
Increase (Decrease) in Cash and Cash Equivalents	-	(364,619)
Cash and Cash Equivalents at Beginning of Year	200	1,032,410
Cash and Cash Equivalents at End of Year	<u>\$ 200</u>	<u>\$ 667,791</u>
<i>Noncash Transactions</i>		
Additions to Capital Assets from Contributions	\$ 2,198	\$ -
Capital Assets Retired During the Year	<u>\$ (28,019)</u>	<u>\$ -</u>

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business- type Activities <u>Cheshire County Nursing Home</u>	Governmental Activities <u>Internal Service Fund</u>
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>		
Operating Income (Loss)	\$ (2,429,337)	\$ (403,227)
<i>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities</i>		
Depreciation	432,416	-
Other Operating Expenses	(40,557)	-
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(116,036)	-
Inventories	425	-
Deposits and Prepaids	228	-
Due From Other Funds	-	-
Due From Other Governments	24,495	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(54,099)	(32,163)
Due to Other Funds	-	-
Accrued Liabilities	28,248	-
Due to Other Governments	12,226	-
Deferred Revenues	-	-
Compensated Absences	(37,012)	-
<i>Total Adjustments</i>	<u>250,334</u>	<u>(32,163)</u>
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ (2,179,003)</u>	<u>\$ (435,390)</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS - ALL AGENCY FUNDS
DECEMBER 31, 2009

	Agency Funds						Totals
	Sheriff's Escrow and Fees	Register of Deeds	Nursing Home Residents' Funds	Nursing Home Activity Fund	Jail Canteen/ Recreation Fund	Community Development Block Grants	
ASSETS							
Cash	\$ 9,437	\$ 336,900	\$ 69,345	\$ 5,037	\$ 46,801	\$ 13,962	\$ 481,482
Temporary Investments	-	-	-	-	-	-	-
Accounts Receivable	-	3,783	-	-	-	-	3,783
Due From Other Governments	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 9,437</u>	<u>\$ 340,683</u>	<u>\$ 69,345</u>	<u>\$ 5,037</u>	<u>\$ 46,801</u>	<u>\$ 13,962</u>	<u>\$ 485,265</u>
LIABILITIES							
Accounts Payable	\$ 8,417	\$ -	\$ 256	\$ -	\$ -	\$ 13,962	\$ 22,635
Due to Other Governments	-	340,683	-	-	-	-	340,683
Due to Specific Individuals and/or Groups:							-
To Judiciary Participants	1,020	-	-	-	-	-	1,020
To Inmates	-	-	-	-	46,801	-	46,801
To Nursing Home Residents/Activities	-	-	69,089	5,037	-	-	74,126
TOTAL LIABILITIES	<u>\$ 9,437</u>	<u>\$ 340,683</u>	<u>\$ 69,345</u>	<u>\$ 5,037</u>	<u>\$ 46,801</u>	<u>\$ 13,962</u>	<u>\$ 485,265</u>

The Accompanying Notes are an Integral Part of This Financial Statement

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

I | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cheshire County is a “body corporate” under the authority of the New Hampshire Revised Statute Annotated (RSA) 23:1. The elected County Commissioners are responsible for the day to day operation of the County. The Commissioners present a recommended budget to the County Convention for approval annually. If the Convention does not adopt its annual budget within 90 days after the beginning of the County’s fiscal year then, 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

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE

NOTES TO THE FINANCIAL STATEMENTS

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 – this 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, Baronoski Education Fund, Federal Stimulus Fund, JAG Grant 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 Water System Project and 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 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.

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE

NOTES TO THE FINANCIAL STATEMENTS

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type 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 \$26,667 and are reported as temporary investments on the General Fund (\$957) and other governmental funds (\$25,710). 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

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COUNTY OF CHESHIRE, NEW HAMPSHIRE

NOTES TO THE FINANCIAL STATEMENTS

delivered to Custodian) and reverse overnight repurchase agreements with primary dealers or dealer banks.”

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 "due to/from other funds”.

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 one year 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 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.

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.

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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.

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE

NOTES TO THE FINANCIAL STATEMENTS

7. FUND EQUITY

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

8. NET ASSETS

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

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

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

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

Other Purposes: Expendable - The balance of expendable trust funds is reported as a component of restricted net assets, as the funds are restricted to specific uses by the donors.

II | RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

The details of this difference are as follows:

Bonds Payable	\$ (37,460,744)
Add: Accrued Interest Payable on Bonds and Capital Leases at Fiscal Year End	(455,119)
Capital Leases Payable	(132,835)
Compensated Absences	<u>(218,791)</u>
Net Adjustments to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Assets – Governmental Activities	<u>\$ (38,267,489)</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	\$ 18,812,030
Depreciation Expense	<u>(442,092)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 18,369,938</u>

Another element of that reconciliation states “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:

Debt Issued or Incurred:

Capital Lease Financing	\$ -
Issuance of General Obligation Bonds	(1,664,498)

Principal Repayments:

General Obligation Debt	2,212,700
Payment on Capital Lease	<u>26,220</u>
Net Adjustment to Decrease Net Changes in Fund Balances – Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ 574,422</u>

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

III | STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

IV | DETAILED NOTES ON ALL FUNDS

A. Deposits and Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the County's deposits was 10,047,869. At year end, \$10,565,985 of the County's bank balance of \$10,617,435 was covered by either FDIC insurance or through the FDIC Transaction Account Guarantee Program which expires December 31, 2013. At year end \$51,450 of the County's year end bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 51,450
Total	<u>\$ 51,450</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:

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<i>Receivables:</i>			
County Taxes	\$ -	\$ -	\$ -
Accounts	213,073	1,927	215,000
Intergovernmental	<u>132,485</u>	<u>-</u>	<u>132,485</u>
Gross Receivables	345,558	1,927	347,485
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 345,558</u>	<u>\$ 1,927</u>	<u>\$ 347,485</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	\$ 1,792,938
Due From Other Governments, Gross	361,483
Uncollectibles	<u>(40,557)</u>
Net Total Receivables	<u>\$ 2,113,864</u>

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.

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

C. Capital Assets

Capital asset activity for the year ended was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 984,559	\$ -	\$ -	\$ 984,559
Construction in Progress	<u>16,436,081</u>	<u>18,560,126</u>	<u>-</u>	<u>34,996,207</u>
Total Capital Assets, Not Being Depreciated	<u>17,420,640</u>	<u>18,560,126</u>	<u>-</u>	<u>35,980,766</u>
Capital Assets, Being Depreciated:				
Land Improvements	-	-	-	-
Water System	315,855	-	-	315,855
Wastewater System	166,232	-	-	166,232
Buildings and Improvements	10,763,363	121,894	-	10,885,257
Equipment and Vehicles	<u>1,345,324</u>	<u>130,010</u>	<u>-</u>	<u>1,475,334</u>
Total Capital Assets Being Depreciated	<u>12,590,774</u>	<u>251,904</u>	<u>-</u>	<u>12,842,678</u>
Less: Accumulated Depreciation for:				
Land Improvements	-	-	-	-
Water System	(174,596)	(14,916)	-	(189,512)
Wastewater System	(71,035)	(8,001)	-	(79,036)
Buildings and Improvements	(7,341,992)	(295,249)	-	(7,637,241)
Equipment and Vehicles	<u>(748,087)</u>	<u>(123,926)</u>	<u>-</u>	<u>(872,013)</u>
Total Accumulated Depreciation	<u>(8,335,710)</u>	<u>(442,092)</u>	<u>-</u>	<u>(8,777,802)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,255,064</u>	<u>(190,188)</u>	<u>-</u>	<u>4,064,876</u>
Governmental Activities Capital Assets, Net	<u>\$21,675,704</u>	<u>\$18,369,938</u>	<u>\$ -</u>	<u>\$40,045,642</u>

(Continued on next page)

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	9,148	-	499,271
Water System	772,121	905	-	773,026
Wastewater System	431,412	5,021	-	436,433
Buildings and Improvements	7,078,988	41,672	-	7,120,660
Equipment and Vehicles	<u>2,105,212</u>	<u>192,185</u>	<u>(5,927)</u>	<u>2,291,470</u>
Total Capital Assets, Being Depreciated	<u>10,877,856</u>	<u>248,931</u>	<u>(5,927)</u>	<u>11,120,860</u>
Less Accumulated Depreciation for:				
Land Improvements	(421,334)	(19,509)	-	(440,843)
Water System	(507,599)	(31,983)	-	(539,582)
Wastewater System	(192,966)	(16,941)	-	(209,907)
Buildings and Improvements	(4,148,681)	(235,829)	-	(4,384,510)
Equipment and Vehicles	<u>(1,380,697)</u>	<u>(128,154)</u>	<u>-</u>	<u>(1,508,851)</u>
Total Accumulated Depreciation	<u>(6,651,277)</u>	<u>(432,416)</u>	<u>-</u>	<u>(7,083,693)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,226,579</u>	<u>(183,485)</u>	<u>(5,927)</u>	<u>4,037,167</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,301,790</u>	<u>\$ (183,485)</u>	<u>\$ (5,927)</u>	<u>\$ 4,112,378</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 169,586
Public Safety (Sheriff and Corrections)	219,827
Farm	<u>52,679</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 442,092</u>

Business-Type Activities:

Cheshire County Nursing Home	\$ 432,416
Total Depreciation Expense – Business-Type Activities	<u>\$ 432,416</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:

Receivable Fund:	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 7,056
General	Internal Service Fund	6,676
General	Cheshire County Nursing Home	2,895,657
General	House of Corrections Construction	596,064
House of Corrections	General	<u>250,000</u>
	Total	<u>\$ 3,755,453</u>

Interfund Transfers:

	Transfer In			Total
	House of Corrections Construction	Nonmajor Governmental	Cheshire County Nursing Home	
Transfer Out:				
General	<u>\$ 250,000</u>	<u>\$ 415,602</u>	<u>\$ 2,510,148</u>	<u>\$ 3,175,750</u>
Totals	<u>\$ 250,000</u>	<u>\$ 415,602</u>	<u>\$ 2,510,148</u>	<u>\$ 3,175,750</u>

E. Leases

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
<i>Asset:</i>		
Vehicles	\$ -	\$ -
Energy Improvements	246,225	824,318
Less: Accumulated Depreciation	<u>(55,401)</u>	<u>(185,472)</u>
Total	<u>\$ 190,824</u>	<u>\$ 638,846</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
2010	\$ 22,993	\$ 76,978
2011	23,819	79,743
2012	24,570	82,256
2013	25,476	85,288
2014	26,295	88,032
2015-2016	<u>33,890</u>	<u>113,456</u>
Total Minimum Lease Payment	157,043	525,753
Less: Amount Representing Interest	<u>(24,208)</u>	<u>(81,045)</u>
Present Value of Minimum Lease Payments	<u>\$ 132,835</u>	<u>\$ 444,708</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
2010	\$ 79,459
2011	19,843
2012	5,580
2013	<u>1,510</u>
Total	<u>\$ 106,392</u>

Operating lease expenditures totaled \$128,471 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 outstanding are as follows:

Governmental Activities	Amount
\$4,400,000-1997 Assisted Living /Nursing Home Improvements Bonds, Due in Annual Installments of \$325,000 to \$310,000 Through August 2012; Interest at 4.50% to 5.10%	\$ 623,100
\$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%.	1,560,000
\$37,000,000 – 2007 Correctional Facility Bonds, Due in Annual Installments of \$1,850,000 Through October 2027; Interest at 4.25%.	33,300,000
\$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%.	377,644
\$1,300,000 – 2009 Jail Thermal Project Bond, Due in Annual Installments of \$50,000 Through August 2024; Interest Varies from 3% for 2010, 2% from 2011 to 2013, 2.5% for 2014, 2.75% for 2015, 3% for 2016 and 2017, 3.25% for 2018, 3.5% for 2019, 3.75% for 2010 to 2021 and 4% for 2022 to 2024.	1,300,000
\$500,000 – 2001 Correctional Facility Design Bonds, Due in Annual Installments of \$25,000 Through October 2021; Interest at 3.875% to 4.85%.	<u>300,000</u>
Total Governmental	<u>\$ 37,460,744</u>
Business-type Activities	Amount
\$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>306,900</u>
Total Business Type	<u>306,900</u>
Total Bonds and Note Payable	<u>\$ 37,767,644</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
2010	\$ 2,312,700	\$ 1,568,008	\$ 102,300	\$ 15,447
2011	2,312,700	1,469,798	102,300	10,332
2012	2,312,700	1,372,588	102,300	5,217
2013	2,105,000	1,275,015	-	-
2014	2,105,000	1,187,880	-	-
2015-2019	10,525,000	4,614,115	-	-
2020-2024	9,860,000	2,412,725	-	-
2025-2027	<u>5,550,000</u>	<u>471,750</u>	<u>-</u>	<u>-</u>
**Total	<u>\$ 37,083,100</u>	<u>\$ 14,371,879</u>	<u>\$ 306,900</u>	<u>\$ 30,996</u>

**** - Does Not Include the State Revolving Loan – No Final Re-Payment Schedule Has Been Determined Yet.**

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	\$ 38,008,946	\$ 1,664,498	\$ (2,212,700)	\$ 37,460,744	\$ 2,312,700
Capital Leases	159,055	-	(26,220)	132,835	26,220
Compensated Absences	<u>214,436</u>	<u>4,355</u>	<u>-</u>	<u>218,791</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 38,382,437</u>	<u>\$ 1,668,853</u>	<u>\$ (2,238,920)</u>	<u>\$ 37,812,370</u>	<u>2,338,920</u>
<i>Business-Type Activities:</i>					
General Obligation Bonds	\$ 409,200	\$ -	\$ (102,300)	\$ 306,900	\$102,300
Capital Leases	532,488	-	(87,780)	444,708	56,210
Compensated Absences	<u>208,699</u>	<u>-</u>	<u>(37,012)</u>	<u>171,687</u>	<u>-</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 1,150,387</u>	<u>\$ -</u>	<u>\$ (227,092)</u>	<u>\$ 932,295</u>	<u>\$ 158,510</u>

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

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

	Beginning Balance	Issued	Redeemed	Ending Balance
County Tax Anticipation Notes Payable	\$ <u>-</u>	\$ <u>20,914,126</u>	\$ <u>20,914,126</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 \$330,831 for property liability, workers compensation and unemployment 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.

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

C. Employee Pension Plan

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

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

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

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

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 9.09% for regular employees, 11.27% for police officers of covered payroll. The contribution requirement for the year was \$1,704,777, which consisted of \$1,061,650 from the County and \$643,127 from employees. The County's contributions to the System for the years ended December 31, 2008 and 2007 were \$950,504 and \$795,066, respectively, which were equal to the amount required under State statute to be contributed for each year.

(Continued on next page)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

D. Commitment – Direct Financing Lease and Contracts

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

Year Ended December 31,	Amount
2010	\$ 199,420
2011	194,210
2012	189,020
2013	183,690
2014	178,230
Thereafter	<u>1,082,650</u>
Total	<u>\$ 2,027,220</u>

E. Internal Service Health and Dental Fund – Self Insurance

During the year 2000, the County established a Health and Dental Insurance Fund (an internal service fund) to account for and finance its self-insurance program. Under this program, the Health and Dental Insurance Fund provides coverage for up to a maximum of \$70,000 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 fund's 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
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
2008	124,054	1,328,138	(1,308,809)	143,383
2009	\$ 143,383	\$ 2,065,974	\$ (2,098,137)	\$ 111,220

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COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS

F. Construction 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 \$3,610,852 of fund balance available at year end) and the Water System Improvements project.

Project	Spent to Date	Remaining Commitment
Jail Construction and Water Line Extension	\$ 31,007,945	\$ 2,838,865
Construction Administration/ Engineering	<u>1,882,091</u>	<u>43,182</u>
Total	<u>\$ 32,890,036</u>	<u>\$ 2,882,047</u>

G. GASB #45 and Post-employment Benefits

GASB # 45 addresses the reporting of post-employment benefits other than pensions. This includes the healthcare costs that arise from the implicit rate subsidy when current and retired employees are rated together by the insurance provider to determine the health insurance premium cost. New Hampshire RSA 100-A:50 requires that the insurance premiums be rated together ("retired employees shall be deemed to be part of the same group of active employees.....for purposes of determining medical insurance premiums"). This results in the blended insurance rate that is an increased cost for current employees and a lower cost for retired employees, even if the retiree pays 100% of their health insurance premium. The amount of this implicit subsidy has not been computed or recognized as a liability or an expense on Statements 1 or 2. In addition, at year end there were only five retirees who were on the health insurance program and they were all Medicare eligible retirees.

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, 2009

	Original Adopted Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
REVENUES							
<i>Taxes</i>	\$ 21,374,082	\$ -	\$ (200,000)	\$ -	\$ 21,174,082	\$ 21,174,082	\$ -
<i>Intergovernmental</i>							
Federal Grants	513,737	-	209,000	-	722,737	312,538	(410,199)
Victim Witness Grant	25,000	-	-	-	25,000	25,000	-
Domestic Violence Prosecutor Grant	30,000	-	-	-	30,000	30,000	-
Regional Prosecutor - Federal Grant	96,768	-	-	-	96,768	84,050	(12,718)
Regional Prosecutor - Towns' Reimbursements	180,344	-	76,125	-	256,469	239,018	(17,451)
Bailiff Reimbursement	100,000	-	-	-	100,000	94,058	(5,942)
Federal Stimulus Funds	-	-	485,000	-	485,000	485,000	-
Human Services Board and Care Reimbursement	39,000	-	-	-	39,000	129,783	90,783
<i>Total Intergovernmental</i>	<u>984,849</u>	<u>-</u>	<u>770,125</u>	<u>-</u>	<u>1,754,974</u>	<u>1,399,447</u>	<u>(355,527)</u>
<i>Charges for Services</i>							
Register of Deeds	759,000	-	-	-	759,000	580,483	(178,517)
Sheriff's Department Fees	50,500	-	-	-	50,500	56,553	6,053
Sheriff's Department Travel	32,000	-	-	-	32,000	34,631	2,631
Sheriff's Department Other	16,800	-	-	-	16,800	19,320	2,520
Sheriff's Department Deputy Reimbursement	25,000	-	-	-	25,000	22,188	(2,812)
House of Corrections	73,000	-	-	-	73,000	197,490	124,490
County Farm	343,924	-	-	-	343,924	223,556	(120,368)
Assisted Living and Transportation Aid	580,520	-	-	-	580,520	570,395	(10,125)
<i>Total Charges for Services</i>	<u>1,880,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,880,744</u>	<u>1,704,616</u>	<u>(176,128)</u>
<i>Interest</i>							
Interest	699,000	-	-	-	699,000	240,134	(458,866)
<i>Total Interest</i>	<u>699,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>699,000</u>	<u>240,134</u>	<u>(458,866)</u>
<i>Other</i>							
Rental of Property	8,991	-	-	-	8,991	8,991	-
Unified and Jaffrey Court Leases	626,192	-	-	-	626,192	598,354	(27,838)
County Attorney	1,000	-	-	-	1,000	1,067	67
Contributions and Donations	16,000	-	14,100	-	30,100	32,804	2,704
Miscellaneous	20,000	-	-	-	20,000	40,933	20,933
<i>Total Other</i>	<u>672,183</u>	<u>-</u>	<u>14,100</u>	<u>-</u>	<u>686,283</u>	<u>682,149</u>	<u>(4,134)</u>
<i>Fund Balance Used for Prior Year's Encumbrances</i>	<u>-</u>	<u>105,686</u>	<u>-</u>	<u>-</u>	<u>105,686</u>	<u>-</u>	<u>(105,686)</u>
<i>Appropriated From Fund Balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance Used to Reduce the Tax Rate</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Revenues</i>	<u>\$ 25,610,858</u>	<u>\$ 105,686</u>	<u>\$ 584,225</u>	<u>\$ -</u>	<u>\$ 26,300,769</u>	<u>\$ 25,200,428</u>	<u>\$ (1,100,341)</u>

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Adopted Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
EXPENDITURES							
<i>General Government:</i>							
Commissioners' Office	\$ 291,298	\$ -	\$ 583	\$ -	\$ 291,881	\$ 330,167	\$ (38,286)
Treasurer	11,030	-	-	-	11,030	11,682	(652)
County Delegation	8,165	-	-	-	8,165	10,386	(2,221)
County Attorney	624,214	-	79,762	-	703,976	648,387	55,589
Prosecutor's Grant	80,624	-	-	-	80,624	79,419	1,205
Regional Prosecutor	343,463	-	-	-	343,463	321,759	21,704
Finance	432,416	-	2,079	-	434,495	425,871	8,624
Computer Operations	272,658	-	875	-	273,533	262,351	11,182
Register of Deeds	481,196	794	2,225	-	484,215	466,122	18,093
Medical Referee	11,000	-	-	-	11,000	11,204	(204)
Human Resources	139,939	-	583	-	140,522	129,806	10,716
Personnel Administration	831,149	-	-	-	831,149	812,164	18,985
Maintenance of Facilities	639,589	-	875	-	640,464	564,034	76,430
Assisted Living	550,953	-	6,810	-	557,763	522,295	35,468
Safety	136,837	-	292	-	137,129	130,451	6,678
Conservation District	41,197	-	-	-	41,197	41,197	-
Contingency	-	-	-	-	-	-	-
Total General Government	4,895,728	794	94,084	-	4,990,606	4,767,295	223,311
<i>Public Safety:</i>							
Sheriff's Department and Dispatch	1,335,008	658	5,535	-	1,341,201	1,276,624	64,577
House of Corrections	3,415,673	815	59,222	-	3,475,710	3,532,390	(56,680)
Fire Mutual Aid	585,882	-	-	-	585,882	592,882	(7,000)
Total Public Safety	5,336,563	1,473	64,757	-	5,402,793	5,401,896	897
<i>County Farm</i>							
	335,793	-	681	-	336,474	328,479	7,995
<i>Human Services:</i>							
Human Services	6,247,890	25,814	-	-	6,273,704	6,225,594	48,110
HCS Community Care	75,000	-	-	-	75,000	75,000	-
Monadnock Center for Violence Prevention	8,000	-	-	-	8,000	8,000	-
Monadnock Substance Abuse Center	5,750	-	-	-	5,750	5,750	-
Keene Community Kitchen, Inc.	6,000	-	-	-	6,000	6,000	-
Monadnock Family Services	79,757	-	-	-	79,757	79,757	-
Acting Out	2,000	-	-	-	2,000	2,000	-
Monadnock Development Services	35,000	-	-	-	35,000	35,000	-
Alternative Sentencing Program	344,849	-	1,095	-	345,944	421,796	(75,852)
Total Human Services	\$ 6,804,246	\$ 25,814	\$ 1,095	\$ -	\$ 6,831,155	\$ 6,858,897	\$ (27,742)

(Continued)

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

COUNTY OF CHESHIRE, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
<i>Capital Outlay</i>							
Downtown Campus	\$ -	\$ 7,481	\$ -	\$ -	\$ 7,481	\$ -	\$ 7,481
Lathis Roof	-	12,734	-	-	12,734	-	12,734
Computer/Telephone Equipment	95,150	15,655	-	-	110,805	100,965	9,840
Sheriff Equipment	263,237	1,900	168,000	-	433,137	5,125	428,012
Courthouse Improvements and Equipment	5,000	17,197	40,000	-	62,197	84,023	(21,826)
Administration Building	32,000	-	-	-	32,000	37,240	(5,240)
Wastewater Treatment Plant	-	1,638	-	-	1,638	16,863	(15,225)
Water Treatment Plant and Equipment	3,500	-	10,000	-	13,500	4,397	9,103
Wastewater Treatment Plant Equipment	6,000	-	-	-	6,000	2,233	3,767
House of Corrections Improvements	-	-	12,000	-	12,000	15,676	(3,676)
House of Corrections Equipment	11,024	1,000	-	-	12,024	9,410	2,614
Alternative Sentencing Program Equipment	1,800	-	-	-	1,800	2,304	(504)
Farm Improvements	23,000	-	73,000	-	96,000	69,651	26,349
Farm Equipment	21,000	20,000	15,000	-	56,000	47,860	8,140
<i>Total Capital Outlay</i>	<u>461,711</u>	<u>77,605</u>	<u>318,000</u>	<u>-</u>	<u>857,316</u>	<u>395,747</u>	<u>461,569</u>
<i>Debt Service</i>							
Principal on Long-Term Debt and Capital Lease	2,238,920	-	-	-	2,238,920	2,238,920	-
Interest:							
Long-Term Debt	1,631,813	-	-	-	1,631,813	1,631,813	-
Tax Anticipation Notes	319,000	-	-	-	319,000	477,158	(158,158)
<i>Total Interest</i>	<u>1,950,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,950,813</u>	<u>2,108,971</u>	<u>(158,158)</u>
TOTAL EXPENDITURES	<u>22,023,774</u>	<u>105,686</u>	<u>478,617</u>	<u>-</u>	<u>22,608,077</u>	<u>22,100,205</u>	<u>507,872</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,587,084</u>	<u>-</u>	<u>105,608</u>	<u>-</u>	<u>3,692,692</u>	<u>3,100,223</u>	<u>(592,469)</u>
<i>Proceeds of Long-Term Debt</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating Transfers In</i>							
Special Revenue Funds:							
From Extension Service	-	-	-	-	-	-	-
Total Special Revenue Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Projects Funds:							
From Capital Reserves	-	-	-	-	-	-	-
From Jail Capital Project Fund	-	-	-	-	-	-	-
Total Capital Projects Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Proprietary Funds:							
Internal Service Fund	-	-	-	-	-	-	-
Total Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
ACTUAL REVENUES AND EXPENDITURES COMPARED TO LEGALLY ADOPTED BUDGET
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget	Prior Year's Encumbrances	Supplemental Budgets	Budget Transfers	Final Adopted Budget	Actual	Variance From Final Budget
<i>Operating Transfers (Out)</i>							
Special Revenue Funds:							
To County Extension Service	\$ (184,287)	\$ -	\$ (508)	\$ -	\$ (184,795)	\$ (185,058)	\$ (263)
To Baronoski Expendable Trust Fund	-	-	(14,100)	-	(14,100)	(14,100)	-
To JAG Grant Fund	-	-	(209,000)	-	(209,000)	(209,336)	(336)
Total Special Revenue Funds	(184,287)	-	(223,608)	-	(407,895)	(408,494)	(599)
Capital Projects Funds:							
To Capital Reserves	-	-	-	-	-	(7,108)	(7,108)
To Jail Capital Project	-	-	(250,000)	-	(250,000)	(250,000)	-
Total Capital Projects Funds	-	-	(250,000)	-	(250,000)	(257,108)	(7,108)
Enterprise Funds:							
To Nursing Home	(3,402,797)	-	368,000	-	(3,034,797)	(2,510,148)	524,649
<i>Total Operating Transfers (Out)</i>	(3,587,084)	-	(105,608)	-	(3,692,692)	(3,175,750)	516,942
<i>Total Other Financing Sources (Uses)</i>	(3,587,084)	-	(105,608)	-	(3,692,692)	(3,175,750)	516,942
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	-	-	-	-	-	(75,527)	(75,527)
Fund Balances, Beginning of Year	3,175,939	-	-	-	3,175,939	3,175,939	-
Fund Balances, End of Year	\$ 3,175,939	\$ -	\$ -	\$ -	\$ 3,175,939	\$ 3,100,412	\$ (75,527)