

County of Strafford, New Hampshire

Audited Financial Statements

December 31, 2007

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

COUNTY OF STRAFFORD, NEW HAMPSHIRE

DECEMBER 31, 2007

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COMMISSIONERS

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March 24, 2007

Strafford County is a local level of government located in the southeastern part of New Hampshire. The County is administered by a three-member Board of Commissioners who are elected for two-year terms by the voters. The County's budget, debt, and tax levies are authorized by a County Convention or "Delegation" consisting of all members of the House of Representatives elected from the cities and towns within the County. The County provides services to the citizens of Strafford County through the following departments; County Attorney's Office, Sheriff Department, Dispatch Center, Registry of Deeds, Commissioners and Treasurer's Office, Finance Department, Human Services Department, Department of Corrections, and the County Nursing Home.

The County Budget for 2007 reflected a tax increase of 5.92% over 2006, where budgeted expenditures increased by 8.94%, and anticipated revenues increased by 11.79%. The increase in expenditures was primarily the result of an 25.18% increase in Health Insurance costs for employees, a 17.8% increase in the cost to operate the House of Corrections. The increases in these expenditures are directly related to increases in revenues for employee contributions to health insurance and jail income for the room and board of inmates from other agencies and facilities. These increases were 65.25% and 44.37% respectively.

The County's Nursing Home has been suffering from the same market situations that many area nursing homes have experienced. Nearly one-third of New Hampshire nursing homes are in bankruptcy protection as a result of high wage demands due to a severe nursing shortage and falling Medicaid reimbursement rates. Approaches to deal with these situations vary by facility. Some nursing homes closed beds, as they could not find help to care for a full nursing home. Strafford County's approach was to continue the same high level of services that have always been provided. With other nursing homes closing beds and shifting the demand to other nursing homes, the County simply could not reduce services to its residents.

As a result of operations during 2007, the General Fund realized a surplus of \$3,605,395 and the Nursing Home realized an operating loss of \$5,355,117. Actual expenditures for 2007 were \$28,848,049 for the General Fund and \$19,340,466 for the Nursing Home for combined expenditures of \$48,188,515 which is \$305,094 under spent or .63% less than budgeted.

Actual General Fund revenues for 2007 were \$32,453,444 which is \$676,224 or 2.08% less than anticipated. The actual Nursing Home revenues for 2007 were \$13,687,351 which is \$1,378,592 less than anticipated or 8.97% less than anticipated. The result is that the increasing costs for maintaining the continued operation of the Nursing Home are borne by the Strafford County taxpayer.

Despite these challenges during this past year, the County continues to provide a high level of services to its citizens, continues to maintain an adequate fund balance, and continues to limit the impact of increased expenditures and flat revenues on the County's taxpayer.

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INDEPENDENT AUDITORS' REPORT

March 11, 2008

Board of Commissioners
County of Strafford, New Hampshire
Dover, New Hampshire

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 Strafford, New Hampshire, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Strafford, New Hampshire's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Strafford, New Hampshire 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 discussion and analysis and budgetary comparison information on pages 1 through 2 and 24, are not a required part of the basic financial statements but are supplementary 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 required supplementary information. However, we did audit the information and express no opinion on it.

Ron L. Beaulieu & Co.

Certified Public Accountants

COUNTY OF STRAFFORD, NEW HAMPSHIRE
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ (14,385)	\$ 1,500	\$ (12,885)
Accounts receivable and accrued rev.	1,409,997	1,742,625	3,152,622
Due from other governments	-	3,824,262	3,824,262
Inventories	-	81,183	81,183
Prepaid expenses	3,274	6,080	9,354
Total current assets	<u>1,398,886</u>	<u>5,655,650</u>	<u>7,054,536</u>
Noncurrent assets:			
Internal balances	23,515,187	(23,515,187)	-
Capital assists, net	27,663,875	3,211,649	30,875,524
Sewer bond aid grant receivable	36,494	-	36,494
Total noncurrent assets	<u>51,215,556</u>	<u>(20,303,538)</u>	<u>30,912,018</u>
TOTAL ASSETS	<u>\$ 52,614,442</u>	<u>\$ (14,647,888)</u>	<u>\$ 37,966,554</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued exp.	4,480,737	1,251,385	5,732,122
Due to inmates	30,265	-	30,265
Line of credit	600,000	-	600,000
Bond anticipation note	4,303,000	-	4,303,000
Lease payable, current portion	271,260	-	271,260
Bond payable, current portion	1,511,900	223,100	1,735,000
Total current liabilities	<u>11,197,162</u>	<u>1,474,485</u>	<u>12,671,647</u>
Noncurrent liabilities:			
Accrued compensated absences	154,511	725,744	880,255
Lease payable, less current portion	369,232	-	369,232
Bonds payable, less current portion	20,189,600	838,238	21,027,838
Total noncurrent liabilities	<u>20,713,343</u>	<u>1,563,982</u>	<u>22,277,325</u>
TOTAL LIABILITIES	<u>31,910,505</u>	<u>3,038,467</u>	<u>34,948,972</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,321,883	2,150,311	7,472,194
Restricted	-	-	-
Unrestricted	15,382,054	(19,836,666)	(4,454,612)
TOTAL NET ASSETS	<u>20,703,937</u>	<u>(17,686,355)</u>	<u>3,017,582</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,614,442</u>	<u>\$ (14,647,888)</u>	<u>\$ 37,966,554</u>

See accompanying independent auditors' report and notes to financial statements.

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Administration	\$ 750,428	\$ 1,002,574	\$ -	\$ -	\$ 252,146	\$ -	\$ 252,146
County attorney	1,067,294	120,871	-	-	(946,423)	-	(946,423)
Child advocacy center	85,923	83,053	56,452	-	53,582	-	53,582
Domestic violence prosecution	510,428	3,997	155,298	-	(351,133)	-	(351,133)
Register of deeds	619,498	1,280,473	-	-	660,975	-	660,975
Sheriff	1,387,708	319,289	64,636	-	(1,003,783)	-	(1,003,783)
Dispatch	528,497	105,970	-	-	(422,527)	-	(422,527)
Maintenance	374,257	-	-	-	(374,257)	-	(374,257)
Human services	8,310,734	-	310,996	-	(7,999,738)	-	(7,999,738)
Cafeteria	90,185	56,360	-	-	(33,825)	-	(33,825)
Department of corrections	9,003,451	5,193,913	-	-	(3,809,538)	-	(3,809,538)
Jail industry program	253,199	67,665	-	-	(185,534)	-	(185,534)
Cooperative extensions	196,906	-	-	-	(196,906)	-	(196,906)
Insurances	1,876,552	-	-	-	(1,876,552)	-	(1,876,552)
Contract and social service agcs.	559,932	-	-	-	(559,932)	-	(559,932)
Other	1,187,129	-	226,931	-	(960,198)	-	(960,198)
Interest	1,747,704	-	-	-	(1,747,704)	-	(1,747,704)
Total governmental activities	<u>28,549,825</u>	<u>8,234,165</u>	<u>814,313</u>	<u>-</u>	<u>(19,501,347)</u>	<u>-</u>	<u>(19,501,347)</u>
Business-type activities:							
Riverside Rest Home	19,340,466	13,240,805	747,061	-	-	(5,352,600)	(5,352,600)
Total	<u>\$ 47,890,291</u>	<u>\$ 21,474,970</u>	<u>\$ 1,561,374</u>	<u>\$ -</u>	<u>(19,501,347)</u>	<u>(5,352,600)</u>	<u>(24,853,947)</u>
General revenues:							
Taxes from cities and towns					22,884,637	-	22,884,637
Interest					272,811	-	272,811
Miscellaneous revenues					368,891	(2,517)	366,374
Total general revenue					<u>23,526,339</u>	<u>(2,517)</u>	<u>23,523,822</u>
Change in net assets					<u>4,024,992</u>	<u>(5,355,117)</u>	<u>(1,330,125)</u>
Net assets - January 1					<u>16,684,910</u>	<u>(12,331,238)</u>	<u>4,353,672</u>
Prior period adjustment					<u>(5,965)</u>	<u>-</u>	<u>(5,965)</u>
Net assets - January 1 (restated)					<u>16,678,945</u>	<u>(12,331,238)</u>	<u>4,347,707</u>
Net assets - December 31					<u>\$ 20,703,937</u>	<u>\$ (17,686,355)</u>	<u>\$ 3,017,582</u>

See accompanying independent auditors' report and notes to financial statements.

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

	General Activities	Capital Dispatch	Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash	\$ (134,432)	\$ 120,047	\$ -	\$ -	\$ (14,385)
Accounts receivable and accrued rev.	1,409,997	-	-	-	1,409,997
Due from other governments	-	-	-	-	-
Due from enterprise fund	23,525,799	-	-	90,053	23,615,852
Due from other funds	-	-	3,677,669	-	3,677,669
Prepaid expenses	3,274	-	-	-	3,274
TOTAL ASSETS	\$ 24,804,638	\$ 120,047	\$ 3,677,669	\$ 90,053	\$ 28,692,407
LIABILITIES					
Accounts payable and accrued exp.	3,966,394	-	-	-	3,966,394
Line of credit	600,000	-	-	-	600,000
Deferred revenue	39,922	-	-	-	39,922
Due to other funds	3,677,669	-	-	100,665	3,778,334
Due to inmates	30,265	-	-	-	30,265
Bond anticipation note	-	-	4,303,000	-	4,303,000
TOTAL LIABILITIES	8,314,250	-	4,303,000	100,665	12,717,915
FUND BALANCES					
Reserved					
Noncurrent receivables	23,525,799	-	-	-	23,525,799
Other purposes	41,267	-	-	-	41,267
Unreserved, reported in:					
General fund	(7,076,678)	-	-	-	(7,076,678)
Special revenue funds	-	120,047	-	(10,612)	109,435
Capital projects funds	-	-	(625,331)	-	(625,331)
TOTAL FUND BALANCES	16,490,388	120,047	(625,331)	(10,612)	15,974,492
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,804,638	\$ 120,047	\$ 3,677,669	\$ 90,053	
			Capital assets used in governmental activities		27,663,875
			Sewer bond aid receivable		36,494
			Interest accrual from governmental activities		(474,421)
			Capital lease obligations		(640,492)
			Long-term liabilities from governmental activities		(21,856,011)
			Net assets of governmental activities		<u>\$ 20,703,937</u>

See accompanying independent auditors' report and notes to financial statements.

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

	General	Capital Dispatch	Capital Projects	Other Governmental Funds	Total
REVENUES					
Taxes from cities and towns	\$ 22,884,637	\$ -	\$ -	\$ -	\$ 22,884,637
Charges for services	8,128,195	105,970	-	-	8,234,165
Intergovernmental	799,235	-	-	15,078	814,313
Interest earned	272,486	325	-	-	272,811
Miscellaneous	368,891	-	-	-	368,891
TOTAL REVENUES	<u>32,453,444</u>	<u>106,295</u>	<u>-</u>	<u>15,078</u>	<u>32,574,817</u>
EXPENDITURES					
Administration	346,752	-	-	-	346,752
County attorney	1,061,737	-	-	-	1,061,737
Child advocacy center	85,923	-	-	-	85,923
Domestic violence prosecution	510,428	-	-	-	510,428
Register of deeds	529,034	-	-	-	529,034
Sheriff	1,319,857	-	-	-	1,319,857
Dispatch	469,335	59,162	-	-	528,497
Maintenance	374,257	-	-	-	374,257
Human services	8,310,734	-	-	-	8,310,734
Cafeteria	90,185	-	-	-	90,185
Department of corrections	7,765,143	-	-	-	7,765,143
Jail industry program	253,199	-	-	-	253,199
Cooperative extensions	196,906	-	-	-	196,906
Insurances	1,876,552	-	-	-	1,876,552
Contract and social service agencies	559,932	-	-	-	559,932
Facilities acquisition/construction	400,189	-	625,331	-	1,025,520
COM corrections	865,996	-	-	-	865,996
Academy	88,114	-	-	-	88,114
Drug court	344,565	-	-	-	344,565
Other	135,957	-	-	19,725	155,682
Debt service:					
Principal retirement	1,501,051	-	-	-	1,501,051
Interest expense	1,762,203	-	-	-	1,762,203
TOTAL EXPENDITURES	<u>28,848,049</u>	<u>59,162</u>	<u>625,331</u>	<u>19,725</u>	<u>29,552,267</u>

See accompanying independent auditors' report and notes to financial statements.

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

	General	Capital Dispatch	Capital Projects	Other Governmental Funds	Total
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	\$ 3,605,395	\$ 47,133	\$ (625,331)	\$ (4,647)	\$ 3,022,550
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AFTER OTHER FINANCING SOURCES (USES)	3,605,395	47,133	(625,331)	(4,647)	3,022,550
FUND BALANCE - JANUARY 1	12,884,993	72,914	-	-	12,957,907
Prior Period Adjustment	-	-	-	(5,965)	(5,965)
FUND BALANCE - JANUARY 1 (RESTATED)	12,884,993	72,914	-	(5,965)	12,951,942
FUND BALANCE - DECEMBER 31	\$ 16,490,388	\$ 120,047	\$ (625,331)	\$ (10,612)	\$ 15,974,492

See accompanying independent auditors' report and notes to financial statements.

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

Net change in fund balances - total government funds	\$ 3,022,550
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
This is the amount of capital outlays.	1,199,306
This is the amount of depreciation expense.	(1,782,101)
Expenses for accrued interest do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	14,499
Expenses for accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(23,755)
Payments of capital leases are expenditures in the governmental funds, but are a reduction of long-term liabilities in the statement of net assets.	93,442
Proceeds from bonds is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.	-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>1,501,051</u>
Change in net assets of governmental activities.	<u><u>\$ 4,024,992</u></u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF STRAFFORD, NEW HAMPSHIRE
BALANCE SHEET
PROPRIETARY FUND
DECEMBER 31, 2007

	Riverside Rest Home
ASSETS	
Current assets:	
Cash	\$ 1,500
Accounts receivable and accrued rev.	1,742,625
Due from other governments	3,824,262
Inventories	81,183
Prepaid expenses	6,080
Total current assets	5,655,650
Noncurrent assets:	
Capital assets, net	3,211,649
Total noncurrent assets	3,211,649
TOTAL ASSETS	\$ 8,867,299
LIABILITIES	
Current liabilities:	
Accounts payable and accrued exp.	1,251,385
Bond payable, current portion	223,100
Total current liabilities	1,474,485
Noncurrent liabilities:	
Due to other funds	23,515,187
Accrued compensated absences	725,744
Bond payable, less current portion	838,238
Total noncurrent liabilities	25,079,169
TOTAL LIABILITIES	26,553,654
NET ASSETS	
Invested in capital assets, net of related debt	2,150,311
Restricted	-
Unrestricted	(19,836,666)
TOTAL NET ASSETS	(17,686,355)
TOTAL LIABILITIES AND NET ASSETS	\$ 8,867,299

See accompanying independent auditors' report and notes to financial statements.

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

	Riverside Rest Home
OPERATING REVENUES	
Net patient service revenue - Medicaid - NH	\$ 7,370,266
Net patient service revenue - Medicaid - SBU	1,449,215
Net patient service revenue - Medicaid - Maine	-
Net patient service revenue - Medicare - NH	392,022
Net patient service revenue - Private	2,522,464
Net patient service revenue - Private - SBU	110,490
Medicaid proportionate share payment	747,061
Charges for services	163,399
Provider bed tax	1,232,949
Miscellaneous	(2,517)
TOTAL OPERATING REVENUES	13,985,349
OPERATING EXPENSES	
Administration	1,272,674
Purchasing	108,803
Dietary	1,815,059
Nursing	7,057,792
Socio-behavioral unit	1,048,215
Resident services	85,748
Maintenance	1,226,675
Laundry and sewing	384,845
Housekeeping	704,981
Physician and pharmacy	197,833
Staff development	143,062
Physical therapy	474,408
Activities	481,455
Occupational therapy	32,249
Social services	294,782
Insurances	2,846,799
Capital expenses	-
Miscellaneous	639,704
Depreciation	482,453
Interest	42,929
TOTAL OPERATING EXPENSES	19,340,466
OPERATING INCOME (LOSS)	(5,355,117)
NET ASSETS - JANUARY 1	(12,331,238)
NET ASSETS - DECEMBER 31	\$ (17,686,355)

See accompanying independent auditors' report and notes to financial statements.

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

	<u>Riverside Rest Home</u>
OPERATING ACTIVITIES	
Receipts from customers	12,588,593
Payments to suppliers	(8,518,349)
Payments to employees	(10,314,625)
Internal activity - receipt from (payments to) other funds	7,128,441
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>884,060</u>
INVESTING ACTIVITIES:	
Purchase of fixed assets	(660,759)
Sale of fixed assets	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(660,759)</u>
FINANCING ACTIVITIES	
Proceeds of borrowing	-
Principal payments on long-term debt	(223,300)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(223,300)</u>
INCREASE (DECREASE) IN CASH	-
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>1,500</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u><u>1,500</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(5,355,117)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	482,453
Changes in operating assets and liabilities:	
Accounts receivable and accrued revenue	(295,721)
Due from other governments	(1,101,035)
Inventories	24,814
Prepaid expenses	(364)
Accounts payable and accrued expenses	(119,863)
Due to other funds	7,128,441
Accrued compensated absences	120,452
	<u>\$ 884,060</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	<u>\$ 42,929</u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF STRAFFORD, NEW HAMPSHIRE
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2007

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 147,074
Investments	<u>-</u>
TOTAL ASSETS	<u>147,074</u>
 LIABILITIES	
Due to specific governments	-
Due to specific individuals	<u>147,074</u>
TOTAL LIABILITIES	<u>147,074</u>
 NET ASSETS	 <u><u>\$ -</u></u>

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Part 1 - Government-wide financial statements

The statement of net assets and statement of activities focuses on the primary government of the County of Strafford, New Hampshire as a whole. All governmental and proprietary funds are included but are presented using the accrual basis of accounting. Fiduciary funds are excluded from these government-wide financial statements.

Measurement Focus and Basis of Accounting

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

Internal activity

Amounts reported in the governmental funds as "due to other funds" and "due from other funds" have been eliminated in the statement of net assets, except amounts due between the governmental and business-type activities. Any amounts that are "due to" or "due from" the fiduciary funds have been included in the statement of net assets.

Capitalization of assets and depreciation

Governmental and Proprietary Funds

Fixed assets are valued at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair value on the date of donation. Assets are depreciated using the straight-line method.

Part 2 - Fund financial statements

The accounting policies of the County of Strafford, New Hampshire, conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

Principles Determining Scope of Reporting Entity

The financial statements of the County consist only of the funds and account groups of the County. The County has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the County. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories, as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the revenues derived from specific taxes or other earmarked revenues.

Capital Project Funds - Capital Project Funds are used to account for the acquisition or construction of major capital facilities.

Proprietary Funds

Enterprise Fund - The Enterprise Fund is used to account for assets, liabilities, net assets, revenues, and expenses of the Riverside Rest Home. This fund is a self-sustaining fund independent of the general fund.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to accounts for assets received by the County and held in the capacity of a trustee, custodian, or agent.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All governmental, trust and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to the general rule include principal and interest on general long-term debt which is recognized when due.

The proprietary fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Budget

A. Budget Law and Practice

The County commissioners submit in the previous December an annual budget to the County Delegation in accordance with the New Hampshire Revised States Annotated. In March, the County Delegation adopts an annual budget for the current calendar year. Supplemental budgets are required for unexpected modifications to the estimated revenues and appropriations. Budgets are prepared on the modified accrual basis of accounting. Unencumbered non-special appropriations lapse at year end. Capital projects funds are carried forward each year until the project is completed or when the bond issue proceeds are totally expended.

B. Budgetary Control

An all inclusive budget is prepared in gross on a line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Within these control levels, the commissioners may transfer appropriations, otherwise the Executive Committee of the County Delegation must approve the transfer. Several revisions were made to the budget during the year.

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

It is the County's policy to state investments at market value at the balance sheet date.

Inventories

Inventories are priced at the lower of cost or market on the first-in, first out basis.

Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds."

Revenues

Tax revenue and other major county revenue sources are susceptible to accrual under the modified accrual basis of accounting. Property tax revenues are collected by the towns and cities in the County in December on an annual calendar year basis.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used for capital expenditures and special revenue funding.

NOTE 2 - CASH AND INVESTMENTS

The total amount of the County's cash, as well as the County's investments, consist of the following at December 31, 2007:

Cash	\$ (12,885)
------	-------------

The total amount of the County's deposits in financial institutions, per the bank statements, at December 31, 2007 was \$595,739, of which \$100,000, was covered by federal depository insurance. The remaining deposits were collateralized by pledged assets held by the Federal Reserve Bank in the name of the financial institution.

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets:

GOVERNMENTAL ACTIVITIES

	Balance 01/01/07	Additons	Deletions	Balance 12/31/07
Building and land:				
General government	\$ 6,157,080	\$ 795,920	\$ -	\$ 6,953,000
House of corrections	29,905,413	53,590	-	29,959,003
Equipment and vehicles:				
General government	2,674,049	165,624	-	2,839,673
House of corrections	1,087,792	184,172	-	1,271,964
Total capital assets	39,824,334	1,199,306	-	41,023,640
Less accum. depreciation	(11,577,664)	(1,782,101)	-	(13,359,765)
Net capital assets	<u>\$ 28,246,670</u>	<u>\$ (582,795)</u>	<u>\$ -</u>	<u>\$ 27,663,875</u>

Depreciation was charged to governmental functions as follows:

Administration	379,921
County attorney	5,557
Register of deeds	90,464
Sheriff	67,851
Department of corrections	1,238,308
	<u>\$ 1,782,101</u>

BUSINESS-TYPE ACTIVITIES

	Balance 01/01/07	Additons	Deletions	Balance 12/31/07
Land	207,983	-	-	207,983
Buildings and improvements	7,116,006	317,401	-	7,433,407
Equipment and vehicles	2,287,483	343,358	-	2,630,841
Total fixed assets	9,611,472	660,759	-	10,272,231
Less accum. depreciation	(6,578,129)	(482,453)	-	(7,060,582)
Net property, plant, equip.	<u>\$ 3,033,343</u>	<u>\$ 178,306</u>	<u>\$ -</u>	<u>\$ 3,211,649</u>

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of bonds outstanding at December 31, 2007

\$1,412,838 - 2001 Bonds for a Capital Improvement Program, due 2010, with annual principal installments of \$140,000 to \$145,000. Interest varies between 4.25% - 4.30%.	\$ 432,838
\$20,000,000 - 2002 Bonds for jail project, due 2023, with annual principal installments of \$1,000,000. Interest varies between 3.75% - 5.00%.	16,000,000
\$623,750 - 2002 Bonds to refinance previous bond, due 2012, with annual principal installments of \$60,000 to \$65,000. Interest varies between 3.80% - 4.20%.	300,000
\$2,012,387 - 2003 General Obligation Bonds, due 2013, with annual principal installments of \$200,00 to \$207,387. Interest varies between 2.90% - 3.25%.	1,200,000
\$4,200,000 - 2004 General Obligation Bonds, due 2025, with annual principal installments of \$388,380 to \$179,290. Interest varies between 3.50% - 5.00%.	3,780,000
\$1,168,110 - 2006 Jail Project bond, due 2016, with annual principal installments of \$120,000 to \$115,000. Interest varies between 4.00% - 5.00%.	<u>1,050,000</u>
Total bonds payable	<u><u>\$ 22,762,838</u></u>

The following is a summary of changes in bonds payable:

	Balance 01/01/07	Additions	Deletions	Balance 12/31/07
2001 Cap. Improvement	572,838	\$ -	\$ 140,000	\$ 432,838
2002 Jail project	17,000,000	-	1,000,000	16,000,000
2002 Refinance	365,000	-	65,000	300,000
2003 General	1,400,000	-	200,000	1,200,000
2004 Capital projects	3,990,000	-	210,000	3,780,000
2006 Jail project	1,168,110	-	118,110	1,050,000
	<u>\$ 24,495,948</u>	<u>\$ -</u>	<u>\$ 1,733,110</u>	<u>\$ 22,762,838</u>

The annual principal and interest requirements to maturity are as follows:

	Principal	Interest	Total Debt Service
2008	1,735,000	988,072	2,723,072
2009	1,735,000	923,147	2,658,147
2010	1,732,838	857,862	2,590,700
2011	1,585,000	793,460	2,378,460
2012	1,585,000	732,525	2,317,525
2013 - 2017	6,710,000	2,751,390	9,461,390
2018 - 2022	6,050,000	1,303,450	7,353,450
2023 - 2025	1,630,000	112,580	1,742,580
	<u>\$ 22,762,838</u>	<u>\$ 8,462,486</u>	<u>\$ 31,225,324</u>

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - ACCURED COMPENSATED ABSENCES

Summarized below are the accrued vacation and sick leave liabilities at December 31, 2007:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Vacation	\$ -	\$ 448,361	\$ 448,361
Holiday	-	74,269	74,269
Sick Leave	154,511	203,114	357,625
Totals	<u>\$ 154,511</u>	<u>\$ 725,744</u>	<u>\$ 880,255</u>

NOTE 7 - CAPITAL LEASES

The County is the lessee of various vehicles and two-way radios under capital leases expiring in 2012. The liabilities under the capital leases are recorded at the present value of the minimum lease payments.

2008	271,260
2009	207,667
2010	137,273
2011	75,491
2012	<u>67,032</u>
	758,723
Less interest	<u>(118,231)</u>
Present value	<u>\$ 640,492</u>

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2007, consisted of the following individual fund receivables and payables:

	<u>Receivables (Due from)</u>	<u>Payables (Due to)</u>
GOVERNMENTAL FUND		
Proprietary fund	<u>\$ 23,515,187</u>	<u>\$ -</u>
PROPRIETARY FUND		
Government fund	<u>\$ -</u>	<u>\$ 23,515,187</u>

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 - DESIGNATED FUND BALANCE - GENERAL FUND

At December 31, 2007 , the general fund designated fund balances consisted of the following:

Scholarships	\$ 13
6% grant funds	28,513
Employee appreciation fund	1,116
Family reception area	2,429
Deeds	3,143
Register of deeds equipment	5
Canoe launch	-
Sheriff's department	2,413
Jail ministries	993
Inmate funds	116
Cafeteria	43
B. Kimball Memorial	130
Pepp program	-
Donations	1,246
Walkman fund	(6,373)
Facility recognition fund	-
Meadow/Lagoon project	-
RSAT grant	-
Inmate photos	835
20% inmate fund	14,879
ATM fund	(8,467)
CAC donations	233
Trail grant	-
	\$ 41,267

NOTE 10 - EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

A. Plan Description

County employees contribute to the New Hampshire Retirement System (NHRS), a contributory defined benefit public employee pension plan that acts as a common investment and administrator for its participants.

The NHRS provides retirement, annual cost-of-living adjustments, death and disability benefits to members and beneficiaries. These benefit provisions and all other requirements are established by state statute. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to New Hampshire Retirement System, 4 Chenell Drive, Concord, New Hampshire, 03301-8509.

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 10 - EMPLOYEE BENEFIT PLANS (CONTINUED)

B. Funding Policy

The contribution requirements of plan members are established and may be amended by the NHRS. In fiscal year 2007, Group I members contributed 5.0% and Group II members contributed 9.3% of gross earnings. The State of New Hampshire and the County are required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by the statute. The County's contributions to the system for the years ended December 31, 2007, 2006 and 2005 were \$1,194,786, \$1,057,126 and \$983,094, respectively.

NOTE 11 - DEFERRED COMPENSATION PLAN

There is a deferred compensation plan administered in the County's name, but as it is administered by nongovernmental third parties and the plan administrators invest plan assets at the direction of the plan's participants, the plan is not reported in the financial statements of the County.

NOTE 12 - POST - RETIREMENT HEALTH CARE BENEFITS

Retirement Benefits

The County provides the post-retirement health care benefits to all employees who retire from the County on or after attaining the age of 65 regardless of length of service; or 55 or over if there is 20 years of service. The premium is paid in full by the retiree. There is no associated cost to the County under this program. As of December 31, 2007, there are 38 retirees over the age of 65 and 10 under the of 65 who participate in this program.

NOTE 13 - OVERSPENT APPROPRIATIONS

The following budget line items were overspent at the County for the year ended December 31, 2007:

Domestic violence prosecution	\$	83,544
Sheriff		75,715
Dispatch		35,287
Cafeteria		12,232
Department of corrections		389,215
Jail industry programs		98,237
Cooperative extensions		1,358
Contract and social service agencies		11,856
Facilities acquisition/construction		293,967
Community corrections		223,374
Academy		5,211
Drug Court		40,979

COUNTY OF STRAFFORD, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The County participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2007 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective agents; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

COUNTY OF STRAFFORD, NEW HAMPSHIRE
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes from cities and towns	\$ 22,675,028	\$ 22,884,637	\$ 22,884,637	\$ -
Charges for services	8,206,845	8,206,845	8,128,195	(78,650)
Intergovernmental	864,120	864,120	799,235	(64,885)
Interest earned	231,000	231,000	272,486	41,486
Miscellaneous	943,066	943,066	368,891	(574,175)
TOTAL REVENUES	32,920,059	33,129,668	32,453,444	(676,224)
EXPENDITURES				
Current:				
Administration	357,429	357,429	346,752	10,677
County attorney	1,075,828	1,075,828	1,061,737	14,091
Child advocacy center	88,624	88,624	85,923	2,701
Domestic violence prosecution	426,884	426,884	510,428	(83,544)
Register of deeds	572,736	572,736	529,034	43,702
Sheriff	1,244,142	1,244,142	1,319,857	(75,715)
Dispatch	434,048	434,048	469,335	(35,287)
Maintenance	388,792	388,792	374,257	14,535
Human services	8,577,461	8,728,461	8,310,734	417,727
Cafeteria	77,953	77,953	90,185	(12,232)
Department of corrections	7,375,928	7,375,928	7,765,143	(389,215)
Jail industry program	154,962	154,962	253,199	(98,237)
Cooperative extensions	195,548	195,548	196,906	(1,358)
Insurances	2,791,561	2,791,561	1,876,552	915,009
Contract and social service agencies	524,360	548,076	559,932	(11,856)
Facilities acquisition/construction	106,222	106,222	400,189	(293,967)
Community corrections	642,622	642,622	865,996	(223,374)
Academy	82,903	82,903	88,114	(5,211)
Drug court	303,586	303,586	344,565	(40,979)
Other	106,820	141,713	135,957	5,756
Debt service:				
Principal retirement	1,733,110 *	1,733,110	1,501,051	232,059
Interest expense	1,782,277 *	1,782,277	1,762,203	20,074
TOTAL EXPENDITURES	29,043,796	29,253,405	28,848,049	405,356
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	3,876,263	3,876,263	3,605,395	(270,868)
OTHER FINANCING SOURCES (USES)				
Prior year surplus utilization	-	-	-	-
Bond proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AFTER OTHER				
FINANCING SOURCES (USES)	\$ 3,876,263	\$ 3,876,263	\$ 3,605,395	\$ (270,868)

* = Budget include debt service for Riverside Rest Home.

See accompanying independent auditors' report and notes to financial statements.