

**COUNTY OF BELKNAP, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
County of Belknap, 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 Belknap, New Hampshire, as of and for the year ended December 31, 2010, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Gunstock Area Commission, as of April 30, 2010 and for the year then ended, which is a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gunstock Area Commission, is based on the report of the other auditors.

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, based on our audit and the report of other auditors, 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 Belknap, New Hampshire, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for all funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Additional Offices:*

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

The management's discussion and analysis appearing on the following pages, and the supplementary information appearing on page 57, is not a required part of the basic financial statements but is 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 not audit the information and express no opinion on it.

*Melanson, Heath + Company P.C.*

Nashua, New Hampshire  
May 13, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the County of Belknap, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the County of Belknap, New Hampshire for the fiscal year ended December 31, 2010.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (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 our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include Administration, Finance Office, Preventive Services, County Attorney, Registry of Deeds, Sheriff, Youth Services, Maintenance, Human Services, Corrections, Economic Development Council, Gunstock Area Commission, Cooperative Extension, Outside Agencies, and Interest Expense. The business-type activities include Nursing Home activities.

The component unit column in the government-wide financial statements is the financial data of Gunstock Area Commission, which is reported as of its latest fiscal operating year ended April 30, 2010. A component unit is an entity that is legally separate from the County, but for which the County is financially accountable.

**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 objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of 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 in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-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.

An annual appropriated budget is adopted for all funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for nursing home operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 10,876,458 (i.e., net assets), a change of \$ 1,684,202 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 8,241,367, a change of \$ 1,480,660 in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 24,427, a change of \$ (3,368,745) in comparison to the prior year.
- Total long-term debt (i.e., bonds and capital lease payable) at the close of the current fiscal year was \$ 4,416,186, a change of \$ (653,174) in comparison to the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 5,634	\$ 4,469	\$ 1,216	\$ 1,165	\$ 6,850	\$ 5,634
Noncurrent assets	<u>7,476</u>	<u>7,284</u>	<u>2,953</u>	<u>3,341</u>	<u>10,429</u>	<u>10,625</u>
Total assets	13,110	11,753	4,169	4,506	17,279	16,259
Long-term liabilities outstanding	1,145	1,240	3,090	3,460	4,235	4,700
Other liabilities	<u>1,089</u>	<u>1,321</u>	<u>1,079</u>	<u>1,046</u>	<u>2,168</u>	<u>2,367</u>
Total liabilities	2,234	2,561	4,169	4,506	6,403	7,067
Net assets:						
Invested in capital assets, net	3,076	2,941	2,879	2,603	5,955	5,544
Restricted	7	3	-	-	7	3
Unrestricted	<u>7,793</u>	<u>6,248</u>	<u>(2,879)</u>	<u>(2,603)</u>	<u>4,914</u>	<u>3,645</u>
Total net assets	<u>\$ 10,876</u>	<u>\$ 9,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,876</u>	<u>\$ 9,192</u>

### CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,215	\$ 1,259	\$ 7,857	\$ 8,070	\$ 9,072	\$ 9,329
Operating grants and contributions	1,330	1,497	-	-	1,330	1,497
General revenues:						
County taxes	14,333	14,394	-	-	14,333	14,394
Investment income	6	6	-	-	6	6
Other	<u>758</u>	<u>509</u>	<u>6</u>	<u>548</u>	<u>764</u>	<u>1,057</u>
<b>Total revenues</b>	<u>17,642</u>	<u>17,665</u>	<u>7,863</u>	<u>8,618</u>	<u>25,505</u>	<u>26,283</u>
<b>Expenses:</b>						
Administration	545	164	-	-	545	164
Finance office	188	288	-	-	188	288
Preventive services	3	205	-	-	3	205
County attorney	578	387	-	-	578	387
Registry of deeds	489	348	-	-	489	348
Sheriff	2,009	2,298	-	-	2,009	2,298
Youth services	167	119	-	-	167	119
Information technology	-	12	-	-	-	12
Maintenance	686	323	-	-	686	323
Human services	4,559	4,263	-	-	4,559	4,263
Corrections	3,130	3,844	-	-	3,130	3,844
Economic Development Council	75	75	-	-	75	75
Gunstock Area Commission	4	101	-	-	4	101
Cooperative extension	155	144	-	-	155	144
Outside agencies	757	678	-	-	757	678
Interest expense	97	172	-	-	97	172
County Nursing Home	<u>-</u>	<u>-</u>	<u>10,379</u>	<u>10,727</u>	<u>10,379</u>	<u>10,727</u>
<b>Total expenses</b>	<u>13,442</u>	<u>13,421</u>	<u>10,379</u>	<u>10,727</u>	<u>23,821</u>	<u>24,148</u>
Change in net assets before transfers	4,200	4,244	(2,516)	(2,109)	1,684	2,135
Transfers in (out)	<u>(2,516)</u>	<u>(1,887)</u>	<u>2,516</u>	<u>2,109</u>	<u>-</u>	<u>222</u>
Increase (decrease) in net assets	1,684	2,357	-	-	1,684	2,357
Net assets - beginning of year, as restated	<u>9,192</u>	<u>6,835</u>	<u>-</u>	<u>-</u>	<u>9,192</u>	<u>6,835</u>
Net assets - end of year	<u>\$ 10,876</u>	<u>\$ 9,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,876</u>	<u>\$ 9,192</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 10,876,458, a change of \$ 1,684,202 from the prior year.

The largest portion of net assets \$ 5,954,652 reflects our investment in capital assets (e.g., land, land improvements, buildings and improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to



citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 6,932 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 4,914,874 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental and business-type activities.** Governmental and business-type activities for the year resulted in a change in net assets of \$ 1,684,202. Key elements of this change are as follows:

	<u>All Funds</u>
<u>Operating Results:</u>	
Excess of revenues over budget	\$ 1,153,043
Expenditures less than budgetary appropriations	<u>2,707,519</u>
Subtotal Operating Results	3,860,562
Use of fund balance as a funding source	(2,433,465)
<u>Timing Differences:</u>	
Depreciation expense in excess of principal debt service	(385,308)
Change in deferred debt financing expense	(737)
Change in accrued interest	2,797
Capital asset purchases	630,739
Change in net OPEB obligation	(44,968)
Change in deferred revenue	(25,000)
Change in compensated absences	26,019
Conversion of Nursing Home from accrual to modified accrual	<u>53,563</u>
Total	<u>\$ 1,684,202</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular,

unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the combined ending fund balance for all funds was \$ 8,241,367, a change of \$ 1,480,660 in comparison to the prior year. Key elements of this change are as follows:

Revenues greater than budget	\$ 1,153,043
Expenditures less than budget	2,707,519
Use of fund balance as a funding source	(2,433,465)
Non-budgeted depreciation of Nursing Home	(321,321)
Other Nursing Home adjustments	<u>374,884</u>
Total	<u>\$ 1,480,660</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 24,427, while total fund balance was \$ 8,234,435. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents .18 percent of total general fund expenditures, while total fund balance represents 60.0 percent of that same amount.

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ (2,878,935), a change of \$ (276,248) in comparison with the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no supplemental increases to the original budget during fiscal year 2010.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 10,370,838 (net of accumulated depreciation), a change of \$ (131,495) from the prior year. This investment in capital assets includes land, land improvements, buildings and improvements, and machinery and equipment.

Additional information on capital assets can be found in the notes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt and capital leases outstanding totaled \$ 4,416,186, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the notes to the financial statements.

### **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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Board of Commissioners  
County of Belknap, New Hampshire  
34 County Drive  
Laconia, New Hampshire 03246

COUNTY OF BELKNAP, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

	Primary Government			Gunstock Area Commission (Component Unit - April 30, 2010)
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current:				
Cash and short-term investments	\$ 5,458,717	\$ 900	\$ 5,459,617	\$ 1,388,836
Restricted cash	50,658	-	50,658	-
Investments	-	-	-	154,576
Accounts receivable, net	36,256	623,673	659,929	131,328
Intergovernmental receivables, net	79,504	539,971	619,475	132,030
Due from primary government	-	-	-	19,750
Inventory	-	42,410	42,410	133,586
Deferred debt financing expense	737	8,984	9,721	-
Other assets	8,692	-	8,692	-
Prepaid expenses	-	-	-	216,677
Noncurrent:				
Deferred debt financing expense, net of current portion	4,421	53,902	58,323	-
Internal balances	3,328,008	(3,328,008)	-	-
Capital Assets:				
Land	144,829	9,957	154,786	2,197,595
Construction in progress	-	-	-	219,269
Capital assets, net of accumulated depreciation	3,999,092	6,216,960	10,216,052	10,442,725
<b>TOTAL ASSETS</b>	13,110,914	4,168,749	17,279,663	15,036,372
<b>LIABILITIES</b>				
Current:				
Accounts payable	126,718	223,743	350,461	541,617
Accrued expenses	105,853	140,400	246,253	325,061
Due to other governments	449,669	-	449,669	-
Due to fiduciary funds	800	-	800	-
Restricted cash liability	50,658	-	50,658	-
Deferred revenue	-	-	-	1,087,035
Current portion of long-term liabilities:				
Bonds payable	125,667	484,333	610,000	492,236
Capital lease payable	37,462	-	37,462	95,980
Compensated absences	192,910	230,361	423,271	-
Noncurrent:				
Bonds payable, net of current portion	836,351	2,863,649	3,700,000	5,992,459
Capital lease payable, net of current portion	68,724	-	68,724	98,831
Compensated absences, net of current portion	194,676	166,715	361,391	-
Net OPEB obligation	44,968	59,548	104,516	-
<b>TOTAL LIABILITIES</b>	2,234,456	4,168,749	6,403,205	8,633,219
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,075,717	2,878,935	5,954,652	6,180,083
Restricted for:				
Grants and other statutory restrictions	6,932	-	6,932	-
Unrestricted	7,793,809	(2,878,935)	4,914,874	223,070
<b>TOTAL NET ASSETS</b>	\$ 10,876,458	\$ -	\$ 10,876,458	\$ 6,403,153

See notes to the financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>			<u>Gunstock Area Commission (Component Unit- for the year ended April 30, 2010)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<b>Governmental Activities:</b>							
Administration	\$ 545,247	\$ -	\$ 132,587	\$ (412,660)	\$ -	\$ (412,660)	
Finance office	187,876	-	-	(187,876)	-	(187,876)	
Preventive services	3,404	-	-	(3,404)	-	(3,404)	
County attorney	577,922	1,298	43,791	(532,833)	-	(532,833)	
Registry of deeds	489,465	806,573	-	317,108	-	317,108	
Sheriff	2,008,693	345,420	199,945	(1,463,328)	-	(1,463,328)	
Youth services	167,201	-	15,904	(151,297)	-	(151,297)	
Maintenance	686,097	-	-	(686,097)	-	(686,097)	
Human services	4,559,024	-	867,862	(3,691,162)	-	(3,691,162)	
Corrections	3,129,908	62,205	69,878	(2,997,825)	-	(2,997,825)	
Economic Development Council	75,000	-	-	(75,000)	-	(75,000)	
Gunstock Area Commission	3,725	-	-	(3,725)	-	(3,725)	
Cooperative extension	155,396	-	-	(155,396)	-	(155,396)	
Outside agencies	756,587	-	-	(756,587)	-	(756,587)	
Interest expense	97,083	-	-	(97,083)	-	(97,083)	
Total Governmental Activities	13,442,628	1,215,496	1,329,967	(10,897,165)	-	(10,897,165)	
<b>Business-Type Activities:</b>							
Nursing Home	10,379,284	7,857,248	-	-	(2,522,036)	(2,522,036)	
Total Business-Type Activities	10,379,284	7,857,248	-	-	(2,522,036)	(2,522,036)	
Total Primary Government	\$ 23,821,912	\$ 9,072,744	\$ 1,329,967				
<b>Component Unit:</b>							
Gunstock Area Commission	\$ 7,995,680	\$ 8,060,920	\$ -				\$ 65,240
Total Component Unit	\$ 7,995,680	\$ 8,060,920	\$ -				65,240
<b>General Revenues and Transfers:</b>							
County taxes				14,333,387	-	14,333,387	-
Investment income				6,418	-	6,418	12,030
Miscellaneous				757,941	5,657	763,598	163,528
Transfers, net				(2,516,379)	2,516,379	-	79,714
Total general revenues and transfers				12,581,367	2,522,036	15,103,403	255,272
Change in Net Assets				1,684,202	-	1,684,202	320,512
<b>Net Assets:</b>							
Beginning of year, as restated				9,192,256	-	9,192,256	6,082,641
End of year				\$ 10,876,458	\$ -	\$ 10,876,458	\$ 6,403,153

See notes to the financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2010

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 5,430,144	\$ 28,573	\$ 5,458,717
Restricted cash	50,658	-	50,658
Accounts receivable	36,256	-	36,256
Intergovernmental receivables	79,504	-	79,504
Due from other funds	20,841	-	20,841
Advance to Nursing Home	3,328,008	-	3,328,008
Other assets	8,692	-	8,692
<b>TOTAL ASSETS</b>	<b>\$ 8,954,103</b>	<b>\$ 28,573</b>	<b>\$ 8,982,676</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 126,718	\$ -	\$ 126,718
Accrued expenses	92,623	-	92,623
Due to other governments	449,669	-	449,669
Due to other funds	-	21,641	21,641
Restricted cash liability	50,658	-	50,658
<b>TOTAL LIABILITIES</b>	<b>719,668</b>	<b>21,641</b>	<b>741,309</b>
Fund Balances:			
Reserved for:			
Special purposes	4,882,000	-	4,882,000
Advances	3,328,008	-	3,328,008
Unreserved:			
Undesignated, reported in:			
General fund	24,427	-	24,427
Special revenue funds	-	6,932	6,932
<b>TOTAL FUND BALANCES</b>	<b>8,234,435</b>	<b>6,932</b>	<b>8,241,367</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,954,103</b>	<b>\$ 28,573</b>	<b>\$ 8,982,676</b>

See notes to the financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

DECEMBER 31, 2010

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 8,241,367
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	4,143,921
<ul style="list-style-type: none"><li>• Deferred debt financing expense is not recognized in the current period and, therefore, is not reported in the governmental funds.</li></ul>	5,158
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(13,230)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, capital lease payable, compensated absences, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(1,500,758)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 10,876,458</u></u>

See notes to the financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
County taxes	\$ 14,333,387	\$ -	\$ 14,333,387
Charges for services	1,215,496	-	1,215,496
Intergovernmental	1,294,161	35,806	1,329,967
Investment income	6,411	7	6,418
Miscellaneous	<u>739,250</u>	<u>3</u>	<u>739,253</u>
Total Revenues	17,588,705	35,816	17,624,521
<b>Expenditures:</b>			
Current:			
Administration	416,295	-	416,295
Finance office	231,444	-	231,444
Preventive services	3,387	-	3,387
County attorney	571,424	-	571,424
Registry of deeds	486,030	-	486,030
Sheriff	2,024,133	35,806	2,059,939
Youth services	188,255	-	188,255
Maintenance	1,035,646	-	1,035,646
Human services	4,559,024	-	4,559,024
Corrections	2,863,590	-	2,863,590
Economic Development Council	75,000	-	75,000
Gunstock Area Commission	113,475	-	113,475
Cooperative extension	155,396	-	155,396
Outside agencies	756,587	-	756,587
Debt service:			
Principal	126,046	-	126,046
Interest	<u>99,144</u>	<u>-</u>	<u>99,144</u>
Total Expenditures	<u>13,704,876</u>	<u>35,806</u>	<u>13,740,682</u>
Excess (deficiency) of revenues over expenditures	3,883,829	10	3,883,839
<b>Other Financing Sources (Uses):</b>			
Proceeds of capital lease	113,200	-	113,200
Transfers out	<u>(2,516,379)</u>	<u>-</u>	<u>(2,516,379)</u>
Total Other Financing Sources (Uses)	<u>(2,403,179)</u>	<u>-</u>	<u>(2,403,179)</u>
Change in fund balance	1,480,650	10	1,480,660
Fund Equity, at Beginning of Year, as restated	<u>6,753,785</u>	<u>6,922</u>	<u>6,760,707</u>
Fund Equity, at End of Year	<u>\$ 8,234,435</u>	<u>\$ 6,932</u>	<u>\$ 8,241,367</u>

See notes to the financial statements.



COUNTY OF BELKNAP, 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, 2010

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 1,480,660</b>
<ul style="list-style-type: none"> <li>Governmental funds report capital asset purchases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</li> </ul>	
Capital asset purchases	630,739
Depreciation	(549,528)
<ul style="list-style-type: none"> <li>In the Statement of Activities, deferred debt financing expense for refinanced bonds payable is amortized over the life of the bonds and does not require the use of current financial resources, and therefore, is not reported as an expenditure in the governmental funds.</li> </ul>	(737)
<ul style="list-style-type: none"> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements.</li> </ul>	(25,000)
<ul style="list-style-type: none"> <li>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:</li> </ul>	
Proceeds from capital lease payable	(113,200)
Repayments of capital lease payable	41,624
Repayments of bonds payable	126,046
Repayment of other long term obligation	109,750
<ul style="list-style-type: none"> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	2,797
<ul style="list-style-type: none"> <li>Some expenses reported in the Statement of Activities, such as compensated absences and net OPEB obligation, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</li> </ul>	
Compensated absences	26,019
Net OPEB obligation	<u>(44,968)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>1,684,202</u></b>

See notes to the financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

ALL BUDGETED FUNDS

STATEMENT OF REVENUES AND OTHER SOURCES,  
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2010

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u> )	Variance with Final Budget Positive ( <u>Negative</u> )
<b>Revenues:</b>				
<b>General Fund:</b>				
County taxes	\$ 14,333,387	\$ 14,333,387	\$ 14,333,387	\$ -
Charges for services	1,200,900	1,200,900	1,215,496	14,596
Intergovernmental	515,875	515,875	1,196,197	680,322
Investment income	5,000	5,000	6,411	1,411
Miscellaneous	480,829	480,829	739,250	258,421
<b>Other Funds:</b>				
Nursing Home	7,809,852	7,809,852	7,972,329	162,477
Grants and other	-	-	35,816	35,816
Total Revenues	24,345,843	24,345,843	25,498,886	1,153,043
<b>Expenditures:</b>				
<b>General Fund:</b>				
Administration	488,361	488,361	416,295	72,066
Finance office	282,922	282,922	231,444	51,478
Preventive services	-	-	3,387	(3,387)
County attorney	632,025	632,025	571,424	60,601
Registry of deeds	502,427	502,427	486,030	16,397
Sheriff	1,995,305	1,995,305	1,902,862	92,443
Youth services	193,274	193,274	168,240	25,034
Maintenance	1,913,062	1,913,062	1,035,646	877,416
Human services	5,035,000	5,035,000	4,559,024	475,976
Corrections	2,991,508	2,991,508	2,793,712	197,796
Economic Development Council	75,000	75,000	75,000	-
Gunstock Area Commission	117,420	117,420	113,475	3,945
Cooperative extension	155,396	155,396	155,396	-
Outside agencies	756,587	756,587	756,587	-
Contingency	75,000	75,000	-	75,000
Debt service - principal	123,014	123,014	126,046	(3,032)
Debt service - interest	161,283	161,283	99,144	62,139
<b>Other Funds:</b>				
Nursing Home	11,281,724	11,281,724	10,542,271	739,453
Grants and other	-	-	35,806	(35,806)
Total Expenditures	26,779,308	26,779,308	24,071,789	2,707,519
Excess (deficiency) of revenues over expenditures	(2,433,465)	(2,433,465)	1,427,097	3,860,562
<b>Other Financing Sources:</b>				
Use of fund balance	2,433,465	2,433,465	-	(2,433,465)
Excess of revenues over expenditures	\$ -	\$ -	\$ 1,427,097	\$ 1,427,097

See notes to the financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

	Business-Type Activities Enterprise Funds
	Nursing Home
<b><u>ASSETS</u></b>	
Current:	
Cash and short-term investments	\$ 900
Accounts receivable, net	623,673
Intergovernmental receivables, net	539,971
Inventory	42,410
Deferred debt financing expense	8,984
Total current assets	1,215,938
Noncurrent:	
Deferred debt financing expense, net of current portion	53,902
Capital assets:	
Land	9,957
Capital assets, net of accumulated depreciation	6,216,960
Total noncurrent assets	6,280,819
<b>TOTAL ASSETS</b>	<b>7,496,757</b>
<b><u>LIABILITIES</u></b>	
Current:	
Accounts payable	223,743
Accrued expenses	140,400
Current portion of long-term liabilities:	
Bonds payable	484,333
Compensated absences	230,361
Total current liabilities	1,078,837
Noncurrent:	
Advance from General Fund	3,328,008
Bonds payable, net of current portion	2,863,649
Compensated absences, net of current portion	166,715
Net OPEB obligation	59,548
Total noncurrent liabilities	6,417,920
<b>TOTAL LIABILITIES</b>	<b>7,496,757</b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	2,878,935
Unrestricted	(2,878,935)
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>

See notes to the financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities Enterprise Funds
	<u>Nursing Home</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 7,857,248
Other	<u>5,657</u>
Total Operating Revenues	7,862,905
<b>Operating Expenses:</b>	
Administrative	607,258
Maintenance and operations	666,064
Physical, speech, and occupational therapy	159,063
Dietary	1,202,312
Nursing	5,565,982
Laundry	151,157
Housekeeping	396,970
Physician/pharmacy	427,682
Special services	6,859
Activities	327,459
Hairdressing	<u>46,934</u>
Total Operating Expenses	<u>9,557,740</u>
Operating Income (Loss)	(1,694,835)
<b>Nonoperating Revenues (Expenses):</b>	
Bed tax expense	(389,811)
Depreciation	(321,321)
Interest expense	<u>(110,412)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(821,544)</u>
Income (Loss) Before Transfers	(2,516,379)
<b>Transfers:</b>	
Transfers in	<u>2,516,379</u>
Change in Net Assets	-
Net Assets at Beginning of Year	<u>-</u>
Net Assets at End of Year	<u><u>\$ -</u></u>

See notes to the financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities Enterprise Funds
	<u>Nursing Home</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts for services provided	\$ 7,796,384
Miscellaneous receipts	5,657
Operating expenses	(9,405,505)
Bed tax expense	<u>(389,811)</u>
Net Cash Used For Operating Activities	(1,993,275)
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Transfers in	2,516,379
Net change in advance from General Fund	<u>175,894</u>
Net Cash Provided By Noncapital Financing Activities	2,692,273
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Acquisition and construction of capital assets	(108,616)
Principal payments on bonds and notes	(488,954)
Interest expense	<u>(101,428)</u>
Net Cash Used For Capital and Related Financing Activities	<u>(698,998)</u>
Net Change in Cash and Short-Term Investments	-
Cash and Short-Term Investments, Beginning of Year	<u>900</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>900</u></u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating loss	\$ (1,694,835)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Bed tax expense	(389,811)
Changes in assets and liabilities:	
Receivables	(60,864)
Inventory	740
Accounts payable	103,176
Accrued expenses	(266,420)
Compensated absences	255,190
Net OPEB obligation	<u>59,549</u>
Net Cash Used For Operating Activities	\$ <u><u>(1,993,275)</u></u>

See notes to the financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2010

	Agency Funds
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ 53,961
Accounts receivable	17,088
Due from other funds	<u>800</u>
Total Assets	<u><u>\$ 71,849</u></u>
<b><u>LIABILITIES</u></b>	
Accrued expenses	\$ 28,741
Due to others	<u>43,108</u>
Total Liabilities	<u><u>\$ 71,849</u></u>

See notes to the financial statements.

## COUNTY OF BELKNAP, NEW HAMPSHIRE

### Notes to the Financial Statements

#### 1. **Summary of Significant Accounting Policies**

The accounting policies of the County of Belknap, New Hampshire (the County) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

##### *A. Reporting Entity*

The government is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

##### Discretely Presented Component Unit

The component unit columns in the government-wide financial statements include the financial data of the County's component unit, Gunstock Area Commission (the Commission). It is reported in a separate column to emphasize that they are legally separate from the County. The Commission, which is incorporated as a body politic and an agency of the County by the State of New Hampshire in 1959, is included because the County is responsible for selection of the Commissioners and debt issued by the County on behalf of the Commission. Debt issued is backed by the full faith and credit of the County.

The County may make appropriations directly to the Commission (see Note 19). The Commission is reported as of its latest fiscal operating year, April 30, 2010, which differs from the County's fiscal operating year of December 31, 2010. Separately issued financial statements of Gunstock Area Commission may be obtained by writing to their Board of Commissioners at P.O. Box 1307, Laconia, New Hampshire 03247.

##### *B. Government-Wide and Fund Financial Statements*

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### Fund Financial Statements

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

#### Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.



### Fund Financial Statements

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. Generally, all other revenue items are considered to be measurable and available only when cash is received by the government. 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.

The government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 government has elected not to follow subsequent private-sector guidance.

The government reports the following as a major proprietary fund:

- The *County Nursing Home* accounts for the activities related to the Nursing Home.

The *Agency Fund* is used to account for money held by the County on behalf of others (e.g., inmate funds, patient funds, and payroll and related benefits paid on behalf of the Belknap County Economic Development Council).

*D. Cash and Short-Term Investments*

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

*E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

*F. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

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

*G. Inventory*

Inventory is valued at cost using the first-in/first-out (FIFO) method. The cost of governmental fund-type inventory is recorded as an expenditure

when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

#### *H. Capital Assets*

Capital assets, which include land, land improvements, buildings and improvements, and machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 500 for assets acquired for use in the Nursing Home and \$ 2,500 for all other assets and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	10
Buildings and improvements	5 - 40
Machinery and equipment	3 -20

#### *I. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary 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.

#### *J. 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.

K. 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.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

M. Reclassifications

The accompanying financial statements reflect various changes in classification from the prior year.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

The County's budget represents functional appropriations as authorized by the County Delegation. The County Board of Commissioners may transfer funds between operating categories as they deem necessary. Currently there is an agreement in place requiring approval of the Delegation on transfers in excess of \$ 10,000. The County adopts its budget under State regulations.

B. Budgetary Basis

The final budget appearing on the "Budget and Actual" page of the financial statements represents the final amended budget after all transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for all funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>All Funds</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 25,487,426	\$ 24,119,966
Nursing Home allowance reclassification	109,425	109,425
Reverse capital lease not budgeted	-	(113,200)
To reverse the effect of non- budgeted State contributions for police retirement	(97,965)	(97,965)
Convert accrual basis Nursing Home to budget basis	-	53,563
Budgetary basis	<u>\$ 25,498,886</u>	<u>\$ 24,071,789</u>

### **3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. RSA 29:1, II states, "The amount of collected funds on deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus." The County's deposit policy states that no investment or deposit shall be made in any institution with a capital to asset ratio of less than 6%, unless the investment is within FDIC insured limits or is collateralized.

As of December 31, 2010, all of the County's bank balance of \$ 6,794,781 was fully insured or collateralized.

### **4. Allowance for Doubtful Accounts**

The allowance for doubtful accounts for Nursing Home receivables has been estimated at \$ 109,423 at December 31, 2010. Nursing Home receivables are also reported net of contractual allowances.

## 5. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2010.

## 6. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2010 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General Fund	\$ 20,841	\$ -	\$ 3,328,008	\$ -
Nonmajor Governmental Funds	-	21,641	-	-
Enterprise Funds: Nursing Home	-	-	-	3,328,008
Agency Funds	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>21,641</u>	\$ <u>21,641</u>	\$ <u>3,328,008</u>	\$ <u>3,328,008</u>

## 7. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 3	\$ -	\$ -	\$ 3
Buildings and improvements	8,303	355	-	8,658
Machinery and equipment	<u>1,508</u>	<u>276</u>	<u>-</u>	<u>1,784</u>
Total capital assets, being depreciated	9,814	631	-	10,445
Less accumulated depreciation for:				
Land improvements	(2)	(1)	-	(3)
Buildings and improvements	(4,942)	(408)	-	(5,350)
Machinery and equipment	<u>(952)</u>	<u>(141)</u>	<u>-</u>	<u>(1,093)</u>
Total accumulated depreciation	<u>(5,896)</u>	<u>(550)</u>	<u>-</u>	<u>(6,446)</u>
Total capital assets, being depreciated, net	3,918	81	-	3,999
Capital assets, not being depreciated:				
Land	<u>145</u>	<u>-</u>	<u>-</u>	<u>145</u>
Total capital assets, not being depreciated	<u>145</u>	<u>-</u>	<u>-</u>	<u>145</u>
Governmental activities capital assets, net	<u>\$ 4,063</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ 4,144</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 39	\$ -	\$ -	\$ 39
Buildings and improvements	9,981	-	-	9,981
Machinery and equipment	<u>1,158</u>	<u>109</u>	<u>-</u>	<u>1,267</u>
Total capital assets, being depreciated	11,178	109	-	11,287
Less accumulated depreciation for:				
Land improvements	(38)	(1)	-	(39)
Buildings and improvements	(3,741)	(263)	-	(4,004)
Machinery and equipment	<u>(970)</u>	<u>(58)</u>	<u>-</u>	<u>(1,028)</u>
Total accumulated depreciation	<u>(4,749)</u>	<u>(322)</u>	<u>-</u>	<u>(5,071)</u>
Total capital assets, being depreciated, net	6,429	(213)	-	6,216
Capital assets, not being depreciated:				
Land	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Total capital assets, not being depreciated	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Business-type activities capital assets, net	<u>\$ 6,439</u>	<u>\$ (213)</u>	<u>\$ -</u>	<u>\$ 6,226</u>

Depreciation expense was charged to functions of the County as follows:

Governmental Activities:

Administration	\$ 123,421
County attorney	3,974
Registry of deeds	668
Sheriff	101,669
Youth services	4,003
Maintenance	46,541
Corrections	<u>269,251</u>
Total depreciation expense - governmental activities	<u>\$ 549,527</u>

Business-Type Activities:

Nursing Home	<u>\$ 321,321</u>
Total depreciation expense - business-type activities	<u>\$ 321,321</u>

## 8. Accounts Payable and Accrued Expenses

Accounts payable represent 2010 expenditures paid after December 31, 2010.

## 9. Anticipation Notes Payable

The following summarizes notes payable activity during 2010:

	Issue Amount	Issue Date	Interest Rate	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Tax anticipation	\$ 7,300,000	3/24/2010	1.20%	<u>\$ -</u>	<u>\$ 7,300,000</u>	<u>\$ (7,300,000)</u>	<u>\$ -</u>

## 10. Capital Lease Obligations

The County is the lessee of certain equipment under capital and operating leases expiring in various years through fiscal year 2013. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2010:



<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 37,462	\$ 6,238	\$ 43,700
2012	39,668	4,032	43,700
2013	<u>29,056</u>	<u>1,696</u>	<u>30,752</u>
Total	\$ <u>106,186</u>	\$ <u>11,966</u>	\$ <u>118,152</u>

## 11. Long-Term Debt

### A. 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. General obligation bonds currently outstanding are as follows:

	Serial Maturities	Interest Rate(s) %	Amount Outstanding as of 12/31/10
<u>Governmental Activities:</u>	<u>Through</u>		
General purpose bonds	06/15/17	2 - 3%	\$ 178,018
Roof bonds	07/15/18	2.6 - 4.0%	<u>784,000</u>
Total Governmental Activities			\$ <u>962,018</u>
	Serial Maturities	Interest Rate(s) %	Amount Outstanding as of 12/31/10
<u>Business-Type Activities:</u>	<u>Through</u>		
General purpose bonds	06/15/17	2 - 3%	\$ 2,171,982
Roof bonds	07/15/18	2.6 - 4.0%	<u>1,176,000</u>
Total Business-Type Activities			\$ <u>3,347,982</u>

### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2010 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 125,667	\$ 32,343	\$ 158,010
2012	124,909	28,563	153,472
2013	124,151	24,798	148,949
2014	123,393	20,821	144,214
2015	122,635	16,736	139,371
2016-2018	<u>341,263</u>	<u>24,495</u>	<u>365,758</u>
Total	<u>\$ 962,018</u>	<u>\$ 147,756</u>	<u>\$ 1,109,774</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 484,333	\$ 92,028	\$ 576,361
2012	475,091	80,523	555,614
2013	465,849	69,202	535,051
2014	456,607	57,386	513,993
2015	447,365	44,252	491,617
2016-2018	<u>1,018,737</u>	<u>51,878</u>	<u>1,070,615</u>
Total	<u>\$ 3,347,982</u>	<u>\$ 395,269</u>	<u>\$ 3,743,251</u>

*C. Changes in General Long-Term Liabilities*

During the year ended December 31, 2010, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>1/1/10</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/10</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/10</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 1,088	\$ -	\$ (126)	\$ 962	\$ (126)	\$ 836
Other:						
Capital lease payable	35	113	(42)	106	(37)	69
Compensated absences	413	-	(25)	388	(193)	195
Net OPEB obligation	-	45	-	45	-	45
Other	<u>110</u>	<u>-</u>	<u>(110)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,646</u>	<u>\$ 158</u>	<u>\$ (303)</u>	<u>\$ 1,501</u>	<u>\$ (356)</u>	<u>\$ 1,145</u>

	Total Balance 1/1/10	Additions	Reductions	Total Balance 12/31/10	Less Current Portion	Equals Long-Term Portion 12/31/10
<u>Business-Type Activities</u>						
Bonds payable	\$ 3,837	\$ -	\$ (489)	\$ 3,348	\$ (484)	\$ 2,864
Other:						
Compensated absences	350	47	-	397	(230)	167
Net OPEB obligation	-	59	-	59	-	59
Totals	<u>\$ 4,187</u>	<u>\$ 106</u>	<u>\$ (489)</u>	<u>\$ 3,804</u>	<u>\$ (714)</u>	<u>\$ 3,090</u>

## 12. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

## 13. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at December 31, 2010:

Reserved for Special Purposes – Represents amounts set aside by the Board of Commissioners for various projects.

Reserved for Advances – An account used to segregate a portion of fund balance to indicate that advances to other funds, although a component of assets, do not represent available spendable resources.

## 14. Subsequent Events

### A. Debt

Subsequent to December 31, 2010, the County is planning to issue a \$ 7,500,000 tax anticipation note to be used for working capital purposes and is expected to be received by May 18, 2011 with a maturity date of December 30, 2011.

## **15. Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits in which the County is involved. The County's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

## **16. Post-Employment Health Care and Life Insurance Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

### **A. Plan Description**

In addition to providing the pension benefits described, the County provides post-employment health care benefits for retired employees through the County's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2010, the actuarial valuation date, approximately 33 retirees and 163 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

### **B. Benefits Provided**

The County provides medical insurance to retirees and their covered dependents. All active employees who retire from the County and meet the eligibility criteria will receive these benefits.

### **C. Funding Policy**

Retirees contribute 100% of the cost of the health plan.

*D. Annual OPEB Costs and Net OPEB Obligation*

The County's fiscal 2010 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the County's annual OPEB cost for the year ending December 31, 2010, the amount actually contributed to the plan, and the change in the 's net OPEB obligation based on an actuarial valuation as of January 1, 2010.

Annual Required Contribution (ARC)	\$ 329,242
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	329,242
Contributions made	(224,726)
Increase in net OPEB obligation	104,516
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 104,516

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 329,242	68.3%	\$ 104,516

*E. Funded Status and Funding Progress*

The funded status of the plan as of January 1, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,338,932
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,338,932</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 6,425,803</u>
UAAL as a percentage of covered payroll	<u>36.4%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the County and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the County has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 10.0% which decreases to a 5.0% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 0.0%.

## 17. Retirement System

The County follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

### A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 4 Chenell Drive, Concord, New Hampshire 03301-8509.

### B. Funding Policy

Covered sheriff and correctional plan members and all other employee plan members are required to contribute 9.3% and 5%, respectively, of their annual covered salary and the County is required to contribute at an actuarially determined rate. The rate for sheriff and correctional plan members is 13.66% of covered payroll through June 30, 2010 and 14.63% thereafter. The rate for all other employees is 9.16% of covered payroll through June 30, 2010 and 9.16% thereafter. The County's contributions to the System for the years ended December 31, 2010, 2009, and 2008 were \$ 843,640, \$ 834,087, and \$ 782,083, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended December 31, 2010, was \$ 1,834,392. Contribution requirements for the year ended December 31, 2010, were as follows:

State of New Hampshire	\$ 97,965
County contributions	843,640
Employees' contributions	<u>488,514</u>
Total	\$ <u>1,430,119</u>

## 18. **Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

## 19. **Gunstock Area Commission**

Under the act providing for the creation of Gunstock Area Commission (the Commission) to manage and operate the County owned recreational area, serial notes or bonds of such Commission are considered to be the pledge of the full faith and credit of the County of Belknap, New Hampshire.

The County of Belknap, under agreement with Gunstock Area Commission, funds through its annual appropriations for principal and interest payments for four of the outstanding bond issuances of Gunstock Area Commission through December 31, 2016, at which time the agreement may be renegotiated again by both parties. The Commission's financial statements report principal payments as a reduction in the receivable due from the County and interest payments as an interest subsidy from the County. The principal portion of the subsidy was recorded at the date of inception of the agreement as a receivable due from the County. As of December 31, 2010, the County repaid the remaining principal portion of the bond issuances of \$ 109,750 of the Commission. The Commission's financial statements, as of April 30, 2010, report a receivable from the County of \$ 19,750.

For the 2010 budget year, the County delegation voted to include an appropriation to the Commission to pay for a portion of its current debt service requirements. The County paid \$ 113,475 for Commission debt and interest payments as authorized by the agreement. Provisions of the agreement further provide that the Commission will make an annual payment of \$ 150,000 to the County prior to March 31<sup>st</sup> of each year. An additional payment is to be remitted to the County based on a percentage of the gross income from the previous fiscal year. For the year ended April 30, 2010, a total of \$ 318,592 was recognized as a return of capital contributions to the County in the Commission's financial statements. This amount has been



recognized as miscellaneous income from the Commission in the County's General Fund during 2010.

## 20. **Beginning Fund Balance and Net Assets Restatement**

The beginning (January 1, 2010) fund balances and net assets of the County have been restated as follows:

### Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities		
		Nursing Home	Nonmajor Fund	Total
As previously reported	\$ 8,851,143	\$ -	\$ 3,209	\$ 3,209
Reclassification of nonmajor enterprise fund to a special revenue fund	3,209	-	(3,209)	(3,209)
Special revenue fund not previously reported	404	-	-	-
Capital assets not previously reported	337,500	-	-	-
As restated	<u>\$ 9,192,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### Fund Basis Financial Statements:

	Governmental Funds			Business-Type Activities		
	General Fund	Nonmajor Funds	Total	Nursing Home	Nonmajor Fund	Total
As previously reported	\$ 6,547,578	\$ 3,309	\$ 6,550,887	\$ -	\$ 3,209	\$ 3,209
Reclassification of nonmajor enterprise fund to a special revenue fund	-	3,209	3,209	-	(3,209)	(3,209)
Special revenue fund not previously reported	-	404	404	-	-	-
Compensated absences recorded as a fund basis liability	206,207	-	206,207	-	-	-
As restated	<u>\$ 6,753,785</u>	<u>\$ 6,922</u>	<u>\$ 6,760,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **GUNSTOCK AREA COMMISSION**

### **Notes to the Financial Statements**

#### **1. Summary of Significant Accounting Policies**

The accounting policies of the Gunstock Area Commission (the Commission) conform to accounting principles generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of the significant accounting policies.

##### **A. Financial Reporting Entity**

The Commission was incorporated as a body politic and an agency of the County of Belknap (the County) by Act of the New Hampshire General Court, effective September 15, 1959, to provide for the operation and maintenance of the former Belknap County Recreational Area. The Commission is authorized to borrow funds to accomplish its purposes upon approval by the County Convention. All debt has been authorized pursuant to New Hampshire laws and carries the pledge of the full faith and credit of the County of Belknap.

The Commission (a component unit of the County of Belknap, New Hampshire) is accounted for as a separate and distinct enterprise fund from the County.

##### **B. Basis of Accounting**

The financial statements of the Commission have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they are incurred. The Commission has elected not to follow the pronouncements as required by the FASB Accounting Standards Codification issued after November 30, 1989 in accounting and reporting for its proprietary operations.

##### **C. Investments**

Investments are stated at their fair value. Certificates of deposit with a maturity greater than ninety days from the date of issuance are included in investments.

##### **D. Inventories**

Merchandise available for sale is valued at the lower of cost (under the first-in, first-out method), or market.

#### E. Capital Assets

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements, buildings and equipment are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 25
Buildings and improvements	5 - 33
Equipment	3 -20
Leasehold improvements	8

#### F. Compensated Absences

Employees earn vacation leave as they provide services. Pursuant to the personnel policy, full time/year round employees earn twelve to twenty days of vacation leave on an annual basis dependent on length of service. Accrued and unused vacation leave has been included as a liability in these financial statements.

#### G. 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 on any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Commission. For the Commission, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary

costs incurred to provide the service that is the primary activity of the Commission. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### *I. Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense.

## **2. Risk Management**

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended April 30, 2010 and 2009, the Commission was a member of the New Hampshire Public Risk Management Exchange (PRIMEX). The Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

PRIMEX was organized to provide statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of PRIMEX, the Commission shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program through annual member premiums. The worker's compensation benefits and employer's liability provides coverage up to \$ 2,000,000 and includes a Loss Fund from which is paid up to \$ 500,000 for each and every covered claim.

The Trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at April 30, 2010 or 2009.

### 3. Deposits and Investments

Deposits and investments as of April 30, 2010 and 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 1,388,836	\$ 3,702,708
Investments	<u>154,576</u>	<u>150,000</u>
Total	<u>\$ 1,543,412</u>	<u>\$ 3,852,708</u>

Deposits and investments as of April 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Cash on hand	\$ 14,428	\$ 12,900
Deposits with financial institutions	<u>1,528,984</u>	<u>3,839,808</u>
Total	<u>\$ 1,543,412</u>	<u>\$ 3,852,708</u>

The Commission's investment policy requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Commission limits its investments to demand deposits, certificates of deposit and repurchase agreements.

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Commission's cash management program is based on a zero balance bank account for operations. The available balance in this account is transferred to a money market account on a daily basis. The funds in the money market account are invested in overnight repurchase agreements. The Commission has entered into a Federal Reserve Joint Custody Safe-keeping Program with the Bank of New York - Mellon.

Under the terms of the agreement, as contracted with the Bank of New York - Mellon, securities are segregated in a Joint Custody account with the title of the Commission and the Bank. The Bank agrees to monitor the accounts and assign securities as collateral in an amount equal to the account balances.

Accordingly, as of April 30, 2010 and 2009, \$ 1,048,837 and \$ 3,358,436, respectively of the Commission's deposits with financial institutions were collateralized. The Commission did not have any uninsured deposits as of April 30, 2010 and 2009.

#### **4. Accounts Receivable**

All receivables are considered collectible in full and will be received within one year, except as indicated (see note 11). A summary of the principal items of accounts receivable is as follows:

	<u>2010</u>	<u>2009</u>
Belknap County	\$ 19,750	\$ 129,500
Other	117,917	288,729
Tower lease income	<u>13,411</u>	<u>4,798</u>
Total	151,078	423,027
Less: long-term portion	<u>-</u>	<u>(19,750)</u>
Total current portion	<u>\$ 151,078</u>	<u>\$ 403,277</u>

#### **5. Due From Other Governments**

Receivables from other governments at April 30, 2010 consist of a federal and state funded project. This receivable is considered collectible in full and will be received within one year. The receivable balance of \$ 132,030 represents reimbursement for eligible costs on the Commission's bridge project.

#### **6. Prepaid Expenses**

Payments made to vendors for services and supplies that will benefit periods beyond April 30th are recorded as prepaid items. Prepaid expenses at year end are as follows:

	<u>2010</u>	<u>2009</u>
Supplies	\$ -	\$ 1,693
Miscellaneous expenses	-	2,432
Trams and tow repair parts (net of reserve, \$ 41,049 in 2010 and in 2009)	110,330	99,822
Mobile equipment repair parts	22,431	25,745
Insurance	63,654	105
Deposits on capital improvements	<u>20,262</u>	<u>-</u>
Total	<u>\$ 216,677</u>	<u>\$ 129,797</u>

## 7. Capital Assets

The following is a summary of changes in capital assets during the years ended April 30, 2010 and 2009:

	Balance 5/1/09	Additions	Reductions	Balance 4/30/10
Capital assets, not being depreciated:				
Land	\$ 2,014,333	\$ 183,262	\$ -	\$ 2,197,595
Construction in progress	<u>329,735</u>	<u>2,580,977</u>	<u>(2,691,443)</u>	<u>219,269</u>
Total capital assets, not being depreciated	2,344,068	2,764,239	(2,691,443)	2,416,864
Other capital assets:				
Land improvements	1,303,998	10,163	-	1,314,161
Buildings and improvements	3,926,445	43,907	-	3,970,352
Equipment	18,424,599	3,084,083	(356,043)	21,152,639
Leasehold improvements	<u>358,432</u>	<u>16,514</u>	<u>-</u>	<u>374,946</u>
Total other capital assets at historical cost	24,013,474	3,154,667	(356,043)	26,812,098
Less accumulated depreciation for:				
Land improvements	(645,700)	(77,115)	-	(722,815)
Buildings and improvements	(2,573,321)	(125,227)	-	(2,698,548)
Equipment	(12,415,905)	(758,918)	326,665	(12,848,158)
Leasehold improvements	<u>(53,961)</u>	<u>(45,891)</u>	<u>-</u>	<u>(99,852)</u>
Total accumulated depreciation	<u>(15,688,887)</u>	<u>(1,007,151)</u>	<u>326,665</u>	<u>(16,369,373)</u>
Total other capital assets, net	<u>8,324,587</u>	<u>2,147,516</u>	<u>(29,378)</u>	<u>10,442,725</u>
Total capital assets, net	<u>\$ 10,668,655</u>	<u>\$ 4,911,755</u>	<u>\$ (2,720,821)</u>	<u>\$ 12,859,589</u>

  

	Balance 5/1/08	Additions	Reductions	Balance 4/30/09
Capital assets, not being depreciated:				
Land	\$ 2,014,333	\$ -	\$ -	\$ 2,014,333
Construction in progress	<u>24,825</u>	<u>318,495</u>	<u>(13,585)</u>	<u>329,735</u>
Total capital assets, not being depreciated	2,039,158	318,495	(13,585)	2,344,068
Other capital assets:				
Land improvements	785,065	518,933	-	1,303,998
Buildings and improvements	3,824,608	101,837	-	3,926,445
Equipment	17,232,376	1,280,844	(88,621)	18,424,599
Leasehold improvements	<u>-</u>	<u>358,432</u>	<u>-</u>	<u>358,432</u>
Total other capital assets at historical cost	21,842,049	2,260,046	(88,621)	24,013,474
Less accumulated depreciation for:				
Land improvements	(615,741)	(29,959)	-	(645,700)
Buildings and improvements	(2,452,875)	(120,446)	-	(2,573,321)
Equipment	(11,870,369)	(633,967)	88,431	(12,415,905)
Leasehold improvements	<u>-</u>	<u>(53,961)</u>	<u>-</u>	<u>(53,961)</u>
Total accumulated depreciation	<u>(14,938,985)</u>	<u>(838,333)</u>	<u>88,431</u>	<u>(15,688,887)</u>
Total other capital assets, net	<u>6,903,064</u>	<u>1,421,713</u>	<u>(190)</u>	<u>8,324,587</u>
Total capital assets, net	<u>\$ 8,942,222</u>	<u>\$ 1,740,208</u>	<u>\$ (13,775)</u>	<u>\$ 10,668,655</u>

Depreciation expense was charged as follows:

	<u>2010</u>	<u>2009</u>
Departmental expenses:		
Trams and tows	\$ 484,346	\$ 413,435
Children's center	-	960
Restaurant	1,362	2,095
Ski shop rentals	81,596	31,621
Ski touring	1,140	-
Ski learning center	-	88
Camping and swimming pool	44,301	47,202
Programs (functions)	4,574	3,382
General expenses	360,290	307,153
Administrative expenses	<u>29,542</u>	<u>32,397</u>
Total depreciation expense	\$ <u>1,007,151</u>	\$ <u>838,333</u>

The balance of the assets acquired through capital leases as of April 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 461,075	\$ 282,713
Less: Accumulated depreciation	<u>(67,342)</u>	<u>(41,179)</u>
Total depreciation expense	\$ <u>393,733</u>	\$ <u>241,534</u>

## 8. Pension Plan

### A. Money Purchase Plan

Effective April 1, 1973, the Gunstock Area Commission entered into a comprehensive prototype insured pension trust agreement (money purchase plan). The plan provides for participation by employees who have 1,000 hours of service in a twelve consecutive month period, have completed two years of service, and have attained the age of 21. An employee must be actively working on April 30 to receive an employer contribution.

Prior service is not funded. The normal retirement benefit can begin upon attaining age sixty-five and be made under various payout options. Employer contributions are vested immediately upon entering the plan.

Effective June 1, 2001, the Gunstock Area Commission amended the employee pension plan. The amended plan reduces the eligibility requirement from two years of service to one year. Once eligible, employer contributions are vested in increments of 20% for each year of service.



After six years of service, the employer contributions are 100% vested. The amended plan also reduces the employer contribution from 7% to 5% of each participant's compensation.

Effective September 1, 2008, the Commission's comprehensive prototype insured pension trust agreement (money purchase plan) was dissolved. The monies held in this plan were transferred into a new pension plan known as a Profit Sharing Plan. There were no covered wages paid under this plan during the fiscal years ended April 30, 2010 and 2009. The Commission did not contribute to the plan during fiscal years 2010 and 2009. Employee contributions to the plan during fiscal years 2010 and 2009 were \$ -0- and \$ 9,809, respectively.

**B. Profit Sharing Plan**

Effective September 1, 2008, the Gunstock Area Commission entered into a profit sharing pension plan. The plan provides for participation by employees who have 1,000 hours of service in a twelve month consecutive period and have attained the age of 21. Eligible employees may elect to enroll in this pension plan on a semi-annual basis and are eligible for normal retirement after age 62. Once eligible, employer contributions are vested in increments of 20% for each year of service. After six years of service, the employer contributions are 100% vested. The plan further provides that the Commission may contribute a uniform percentage of each participant's compensation at its sole discretion. An employee must be actively working on April 30 to receive an employer contribution.

If a participant terminates employment prior to attaining the normal retirement age, the maximum distribution amount is \$ 5,000. Prior to termination of employment, a participant may elect a distribution from his vested account in the event of hardship or if he has attained the age of 59½.

Covered wages paid under this plan during the fiscal year ended April 30, 2010 and 2009 were \$ 1,335,798 and \$ 1,155,948. The Commission's contributions to the plan during fiscal years 2010 and 2009 were \$ 66,790 and \$ 57,797.

**C. 457(b) Plan**

Effective September 1, 2008, the Gunstock Area Commission entered into a 457(b) pension plan. Employees may participate in the plan following one year of continuous service and have attained the age of 21. Under the plan, employees are eligible for normal retirement after age 62. There are no limits on an employee's contributions. In addition, participants are permitted to make age 50 catch-up contributions. No matching contribution is made by the Commission. A participant's contributions are 100% vested immediately without regard to additional service of employment. Prior to termination of employment, a participant may elect a distribution

from his vested account in the event of an unforeseeable emergency or if he has attained the age of 70½.

## 9. **Accrued Expenses**

Accrued expenses at year end are as follows:

	<u>2010</u>	<u>2009</u>
Vacation	\$ 129,962	\$ 122,078
Payroll	34,149	36,289
Pension contribution	66,790	57,797
Real estate taxes	549	549
State dated checks	1,239	-
Rooms and meals tax	6,099	-
Interest	<u>86,273</u>	<u>77,260</u>
Total	\$ <u><u>325,061</u></u>	\$ <u><u>293,973</u></u>

## 10. **Short-Term Obligations**

### A. **Revenue Anticipation Notes**

The Commission issues revenue anticipation notes during the year. These borrowings are to assist in the payment of operating expenses during the off-season and are guaranteed to be repaid from operating revenues of the Commission. The majority of the Commission's operating revenues are received during the winter months.

The changes in short-term revenue anticipation note obligations for the years ended April 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Balance - May 1	\$ -	\$ -
Additions	600,000	700,000
Reductions	<u>(600,000)</u>	<u>(700,000)</u>
Balance - April 30	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

**B. Bond Anticipation Notes**

Once the Commission has received approval by the County of Belknap Legislative Delegation to issue bond obligations, temporary financing arrangements may be made to borrow funds for the intended capital improvements. During the fiscal year ending April 30, 2009, the bond anticipation notes were paid in full, and the entire authorized debt of \$ 3,250,000 was issued in general obligation bonds. During the year ended April 30, 2010, the Commission did not issue any short-term bond anticipation notes. The changes in short-term bond anticipation note obligations for the year ended April 30, 2009 is as follows:

<u>Balance</u> <u>5/1/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/09</u>
\$ <u>-</u>	\$ <u>1,250,000</u>	\$ <u>(1,250,000)</u>	\$ <u>-</u>

**11. Long-Term Obligations**

**A. Changes in Long-Term Obligations**

The changes in long-term debt obligations for the years ended April 30, 2010 and 2009 are as follows:

<u>Type</u>	<u>Balance</u> <u>5/1/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/10</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 6,991,931	\$ -	\$ (507,236)	\$ 6,484,695	\$ 492,236
Capital leases	<u>130,985</u>	<u>190,000</u>	<u>(126,174)</u>	<u>194,811</u>	<u>95,980</u>
Totals	\$ <u>7,122,916</u>	\$ <u>190,000</u>	\$ <u>(633,410)</u>	\$ <u>6,679,506</u>	\$ <u>588,216</u>

<u>Type</u>	<u>Balance</u> <u>5/1/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/09</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 3,621,667	\$ 3,775,000	\$ (404,736)	\$ 6,991,931	\$ 507,236
Capital leases	<u>237,549</u>	<u>68,072</u>	<u>(174,636)</u>	<u>130,985</u>	<u>80,397</u>
Totals	\$ <u>3,859,216</u>	\$ <u>3,843,072</u>	\$ <u>(579,372)</u>	\$ <u>7,122,916</u>	\$ <u>587,633</u>

**B. General Obligation Bonds**

Bonds payable at April 30, 2010 and 2009 are comprised of the following individual issues:

	<u>2010</u>	<u>2009</u>
\$ 3,800,000 bonds due in annual installments of \$ 225,000 beginning May 2005 through May 2012 and \$ 250,000 through May 2020; interest at 3.20% - 3.80%	\$ 2,675,000	\$ 290,000
\$ 395,000 bonds due in annual installments of \$ 19,750 through July 2019; interest at 75% of prime rate through January 2003. On January 20, 2003, an agreement was signed modifying the interest rate to a fixed rate of 3.19%	19,750	39,500
\$ 1,615,000 bonds due in annual installments of \$ 90,000 through January 2010; interest at 6.15% - 6.90%	-	90,000
\$ 3,250,000 bonds due in an annual installment of \$ 100,000 in January 2010 and \$ 175,000 thereafter until January 2028; interest at 3.500% - 4.375%	3,150,000	3,250,000
\$ 525,000 bonds due in annual installments of \$ 52,500 through October 2018; interest at 3.99%	472,500	525,000
\$ 250,000 bonds due in annual installments of \$ 12,500 through January 2019; interest at 4.98%	112,500	125,000
\$ 100,000 bonds due in annual installments of \$ 5,000 through January 2019; interest at 5.0%	45,000	50,000
\$ 47,320 bonds due in annual installments of \$ 2,486 through September 2014; interest at 0%	<u>9,945</u>	<u>12,431</u>
Total	<u>\$ 6,484,695</u>	<u>\$ 4,381,931</u>

Debt service requirements to retire general obligation bonds outstanding at April 30, 2010 are as follows:

Year Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 492,236	\$ 223,989	\$ 716,225
2012	472,486	209,569	682,055
2013	472,486	195,914	668,400
2014	497,487	181,397	678,884
2015	495,000	165,930	660,930
2016 - 2020	2,405,000	570,585	2,975,585
2021 - 2025	1,125,000	220,877	1,345,877
2026 - 2028	<u>525,000</u>	<u>45,063</u>	<u>570,063</u>
Total	<u>\$ 6,484,695</u>	<u>\$ 1,813,324</u>	<u>\$ 8,298,019</u>

C. Debt Repayment

During May 2000, an agreement was reached between the Gunstock Area Commission and the County of Belknap Legislative Delegation. The terms of this agreement provide that County of Belknap will include in its annual budget the principal and interest payments for five of the outstanding bond issuances through December 31, 2005, at which time the agreement may be renegotiated by both parties. The remaining notes and bonds payable are to be paid directly by the Gunstock Area Commission. Additionally, any new notes or bonds payable shall be repaid from the operating receipts of the Gunstock Area Commission.

During January 2005, this agreement between the Gunstock Area Commission and the County of Belknap Legislative Delegation was renewed. The terms of this agreement provide that County of Belknap will continue to include in its annual budget the principal and interest payments for five of the outstanding bond issuances through December 31, 2010.

The following is the future principal and interest payment to be paid directly by County of Belknap next year:

Year Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ <u>19,750</u>	\$ <u>593</u>	\$ <u>20,343</u>

Provisions of the agreement further provide that the Gunstock Area Commission will make an annual payment of \$ 150,000 to County of Belknap on or before March 31 of each year of this agreement. An additional payment is to be remitted to County of Belknap within 5 working days of receipt of the audited financial statements based on a percentage of the gross income for the previous fiscal year. The additional payment required for the years ended April 30, 2010 and 2009 is \$ 168,592 and \$ 172,641, respectively and has been included as a liability at year end.

Subsequent to year end, the agreement between the Gunstock Area Commission and County of Belknap was renewed (see Note 16).

D. Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. Capital leases payable at April 30, 2010 and 2009 are comprised of the following individual issues:

	<u>2010</u>	<u>2009</u>
\$ 190,125 equipment lease due in monthly installments of \$ 10,775 between the months of December and April each year, including interest at 7.583%, through April 2011	\$ 50,588	\$ 97,493
\$ 68,072 equipment lease due in monthly installments of \$ 9,392 between the months of December and March each year, including interest at 13.2%, through March 2020	-	33,492
\$ 190,000 equipment lease due in monthly installments of \$ 10,650 between the months of December and April each year, including interest at 5.649%, through April 2013	<u>144,223</u>	<u>-</u>
Total	<u>\$ 194,811</u>	<u>\$ 130,985</u>

Debt service requirements to retire general obligation bonds outstanding at April 30, 2010 are as follows:

Year Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 95,980	\$ 11,145	\$ 107,125
2012	48,023	5,226	53,249
2013	<u>50,808</u>	<u>2,442</u>	<u>53,250</u>
Total	<u>\$ 194,811</u>	<u>\$ 18,813</u>	<u>\$ 213,624</u>

## **12. Lease of Area Facilities**

### **A. Restaurant Facilities**

On October 15, 2007, the Commission entered into a four year agreement with an independent company to provide exclusive food services, including the sale of alcoholic beverages, at the Gunstock Area. The agreement will automatically renew for an additional four year term, unless either party notifies the other in writing prior to sixty days before the end of the initial term. The agreement stipulates that the Commission will receive an applicable percentage of gross receipts generated from food service sales. In any contract year in which the aggregate commissionable sales exceed \$ 1,350,000, the Commission will receive an additional 5% commission on the excess amount. The Commission is responsible for the utilities.

During the years ended April 30, 2010 and 2009, the annual income received from food service commissions was \$ 279,139 and \$ 298,662, respectively.

The agreement further stipulates that the independent company is responsible for maintenance costs and will provide \$ 375,000 in capital renovations and equipment purchases within the first eighteen months of the contract which will become the property of the Commission. Upon expiration of the agreement, the independent company will be reimbursed for the undepreciated balance of its capital purchases. The net book value of these capital renovations and equipment purchases are reported as leasehold improvements of the Commission and an offsetting payable at fiscal year end. Capital contributions are recognized by the Commission as the capitalized leasehold improvements are depreciated over their estimated useful life.

For the years ended April 30, 2010 and 2009 the net book value of the leasehold improvements was \$ 275,094 and \$ 304,471, respectively, and the recognized capital contributions were \$ 45,891 and \$ 53,961, respectively.

*B. Land Parcel*

During February 1993, the Commission entered into an initial five year agreement to lease a parcel of land to a corporation on which they may construct and operate a facility to conduct cellular radio, telephone and other telecommunications operations. Per the agreement, the lessee has the option to renew and extend this lease agreement for five separate and successive five year periods. During February 2008, the option to renew this agreement was extended for another five years until January 31, 2013.

On June 3, 1998 the Commission signed an amendment to the land parcel lease. This amendment provides that the Area will receive 25% of rental income if the land parcel is subleased to another entity.

During June 2009, the Commission signed an additional amendment to the land parcel lease to increase the size of the parcel of land being leased to a corporation. The monthly rent is subject to an increase of \$ 1,800 per month which shall not be effective until the earlier of ninety days from the issuance of a building permit to start construction of the new replacement tower on the premises or upon the commencement of tower lease rental payment for the new antennae on the replacement tower. This new agreement further provides that commencing February 1, 2013 and each five year anniversary thereafter, the rent for each five year term shall increase based on the percentage change in the Consumer Price Index published by the Bureau of Labor and Statistics of the United States Department of Labor for all Urban Consumers, US City Average.

The agreement provides that the Area will receive rent payable in equal monthly installments. During the years ended April 30, 2010 and 2009, the annual income from the land lease was \$ 31,484 and \$ 31,484, respectively. The lessee is responsible for real estate taxes and utilities.

**C. Tower Leases**

The Commission has entered into various agreements to lease tower space to several independent companies for telecommunication and radio operations. These lease agreements range from being renewed on an annual basis to long-term agreements for a period of five years.

Tower lease rentals are payable in monthly installments. In addition, the Area will receive an annual trade agreement of signal time from the lessee. During the years ended April 30, 2010 and 2009, the annual income from tower leases was \$ 42,991 and \$ 43,737, respectively.

**D. Soul Festival**

During June 2006, the Commission entered into a five year agreement with a corporation to grant them the right to conduct the Soul Festival at the Gunstock Area Commission. The first event was held in August 2005. At the conclusion of the 2011 event, the terms and conditions of the agreement shall automatically renew in two five-year terms with the last event to be held in August 2021. Terms of the agreement provide that the Commission will retain campsite sales up to \$ 100,000 and 50% of these sales thereafter. In addition, the Commission will retain the income from summit chair lift rides up to \$ 8,000. During the years ended April 30, 2010 and 2009, the annual income from the Soul Festival was as follows:

	<u>2010</u>	<u>2009</u>
Camping	\$ 113,530	\$ 117,200
Chair lift rides	<u>38,855</u>	<u>45,995</u>
Total	<u>\$ 152,385</u>	<u>\$ 163,195</u>

**13. Net Assets**

Unrestricted net assets as of April 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Designated for future debt service payments	\$ 904,576	\$ 900,000
Undesignated (deficit)	<u>(681,506)</u>	<u>1,636,902</u>
Total	<u>\$ 223,070</u>	<u>\$ 2,536,902</u>



**14. Operating and Financing Arrangements**

During the years ended April 30, 2010 and 2009, the County provided the Commission a subsidy of \$ 116,892 and \$ 175,620, respectively for the purposes of servicing a portion of the Commission's debt (see note 11). The principal portion of the subsidy was recorded at the date of inception of the agreement as a receivable due from the County. The interest portion of the subsidy of \$ 7,142 and \$ 15,870 is recorded as an operating subsidy in the statement of operations for the years ended April 30, 2010 and 2009, respectively.

**15. Commitments and Contingencies**

*A. Property and Liability Insurance*

The Commission has acquired property and liability insurance, which is administered through a commercial insurer. General liability provides coverage up to \$ 1,000,000 per incident and in the aggregate; the Commission's deductible is \$ 15,000 per incident and \$ 75,000 in the aggregate. Umbrella liability provides coverage up to \$6,000,000 per incident with a general aggregate limit of \$ 12,000,000. The Commission has a self-insurance retention plan of \$ 10,000 for umbrella liability. Insurance coverage for scheduled buildings and contents is \$ 3,000,000; the Commission's deductible is \$ 10,000 per incident, except for flood or earthquake at \$ 25,000 per incident.

*B. Litigation*

Gunstock Area Commission is involved in certain litigation in the ordinary course of business, primarily its ski operations. Management, based on discussions with its insurer, is of the opinion that the ultimate disposition of these matters will not result in a material effect on the financial condition or results of operations at Gunstock Area Commission.

**16. Subsequent Events**

*A. Revenue Anticipation Notes*

The Commission secured a line of credit up to \$ 1,200,000 during August 2010. Any borrowings are guaranteed to be repaid from operating revenues of the Commission. Subsequent to year end, the Commission has borrowed \$ 700,000 against this line of credit. The interest rate on this line of credit is 1.15%. The borrowed amount, and accrued interest, is due on February 28, 2011.

*B. Debt Repayment*

During October 2010, an agreement was reached between the Gunstock Area Commission and the County of Belknap Legislative Delegation. The terms of this agreement provide that the Gunstock Area Commission will pay \$ 175,000 annually to County of Belknap for the next five years.

**COUNTY OF BELKNAP, NEW HAMPSHIRE**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2010**  
**(Unaudited)**  
**(Amounts Expressed in thousands)**

<b>Other Post-Employment Benefits</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/10	\$ -	\$ 2,339	\$ 2,339	0.0%	\$ 6,426	36.40%

See Independent Auditors' Report.