

COUNTY OF BELKNAP, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual – All Budgeted Funds	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets	17
Notes to Financial Statements	18
Gunstock Area Commission Notes to Financial Statements	35
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	52



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

102 Perimeter Road
Nashua, NH 03063-1301
Tel (603) 882-1111 • Fax (603) 882-9456
www.melansonheath.com

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Belknap, New Hampshire

We have audited the accompanying financial statements of the governmental 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, 2011, 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, 2011 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, each major fund, and the aggregate remaining fund information of the County of Belknap, New Hampshire, as of December 31, 2011, and the respective changes in financial position, 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 52, 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
August 27, 2012

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, 2011.

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 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).

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, 2011. 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 two categories: governmental 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.

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.

Notes to 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 \$ 10,621,543 (i.e., net assets), a change of \$ (254,915) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 5,264,815, a change of \$ (513,267) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 344,509, a change of \$ (544,641) 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 \$ 3,768,724, a change of \$ (647,462) 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.

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current assets	\$ 6,932,229	\$ 6,850,502
Noncurrent assets	<u>10,245,682</u>	<u>10,429,161</u>
Total assets	17,177,911	17,279,663
Current liabilities	2,794,508	2,168,574
Noncurrent liabilities	<u>3,761,860</u>	<u>4,234,631</u>
Total liabilities	6,556,368	6,403,205
Net assets:		
Invested in capital assets, net	6,428,355	5,954,652
Restricted	3,314	6,932
Unrestricted	<u>4,189,874</u>	<u>4,914,874</u>
Total net assets	\$ <u>10,621,543</u>	\$ <u>10,876,458</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 9,269,093	\$ 9,072,744
Operating grants and contributions	1,342,302	1,329,967
General revenues:		
County taxes	14,072,183	14,333,387
Investment income	1,641	6,418
Other	<u>660,356</u>	<u>763,598</u>
Total revenues	25,345,575	25,506,114

(continued)

(continued)

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Expenses:		
Administration	632,108	545,247
Finance office	181,844	187,876
Preventive services	-	3,404
County attorney	627,324	577,922
Registry of deeds	505,542	489,465
Sheriff	2,068,945	2,008,693
Youth services	174,139	167,201
Information technology	62,229	-
Maintenance	849,428	686,097
Human services	5,389,948	4,559,024
Corrections	3,294,468	3,129,908
Economic Development Council	70,000	75,000
Gunstock Area Commission	-	3,725
Cooperative extension	169,029	155,396
Outside agencies	786,183	756,587
Nursing home	10,602,165	10,379,284
Interest expense	<u>187,138</u>	<u>97,083</u>
Total expenses	<u>25,600,490</u>	<u>23,821,912</u>
Change in net assets	(254,915)	1,684,202
Net assets - beginning of year	<u>10,876,458</u>	<u>9,192,256</u>
Net assets - end of year	<u>\$ 10,621,543</u>	<u>\$ 10,876,458</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 \$ 10,621,543, a change of \$ (254,915) from the prior year.

The largest portion of net assets \$ 6,428,355 reflects our investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery and equipment, and construction in progress); 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 \$ 3,314 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 4,189,874 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (254,915). Key elements of this change are as follows:

Operating Results:

General fund	\$ (509,649)
Nonmajor governmental funds	<u>(3,618)</u>
Subtotal operating results	(513,267)
Depreciation expense in excess of principal debt service	(259,646)
Change in deferred debt financing expense	(9,721)
Change in accrued interest	4,053
Capital asset purchases	733,349
Change in net OPEB obligation	(132,929)
Change in compensated absences	<u>(76,754)</u>
Total	<u><u>\$ (254,915)</u></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, unassigned 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 \$ 5,264,815, a change of \$ (513,267) in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues and transfers in	\$ (509,649)
Nonmajor governmental fund expenditures and transfers out in excess of revenues	<u>(3,618)</u>
Total	<u><u>\$ (513,267)</u></u>

In 2011, the County implemented *Governmental Accounting Standards Board Statement #54, Fund Balance Reporting and Governmental Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the Notes to Financial Statements.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 344,509, while total fund balance was \$ 5,261,501. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/11</u>	<u>12/31/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 344,509	\$ 889,150	\$ (544,641)	1.3%
Total fund balance	\$ 5,261,501	\$ 5,771,150	\$ (509,649)	20.4%

The fund balance of the general fund changed by \$ (509,649) during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,891,776
Expenditures less than appropriations	1,352,511
Use of fund balance as a funding source	(4,882,000)
Encumbrance timing differences	1,128,737
Nonmajor governmental fund activity	3,618
Other	<u>(4,291)</u>
Total	<u>\$ (509,649)</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes to the total budget during fiscal year 2011; however, the final budget includes line item transfers that were approved.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$ 10,197,079 (net of accumulated depreciation), a change of \$ (173,759) from the prior year. This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, and construction in progress.

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt and capital leases outstanding totaled \$ 3,768,724, 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 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, 2011

	Primary Government Governmental Activities	Gunstock Area Commission (Component Unit - April 30, 2011)
ASSETS		
Current:		
Cash and short-term investments	\$ 5,434,253	\$ 2,203,100
Restricted cash	35,217	-
Investments	-	189,291
Accounts receivable, net	810,726	143,913
Intergovernmental receivables, net	566,625	34,487
Due from fiduciary funds	28,234	-
Inventory	38,254	115,271
Other assets	9,199	-
Deferred debt financing expense	9,721	-
Prepaid expenses	-	178,985
Noncurrent:		
Deferred debt financing expense, net of current portion	48,603	-
Capital Assets:		
Land	154,786	2,197,595
Construction in progress	77,425	1,613,419
Capital assets, net of accumulated depreciation	<u>9,964,868</u>	<u>9,868,628</u>
TOTAL ASSETS	17,177,911	16,544,689
LIABILITIES		
Current:		
Accounts payable	466,543	382,573
Accrued expenses	240,609	378,250
Deposits payable	-	21,603
Due to other governments	978,233	-
Restricted cash liability	3,396	-
Deferred revenue	-	1,207,948
Current portion of long-term liabilities:		
Bonds payable	600,000	472,486
Capital lease payable	39,668	48,024
Compensated absences	466,059	-
Noncurrent:		
Bonds payable, net of current portion	3,100,000	5,519,972
Capital lease payable, net of current portion	29,056	50,808
Compensated absences, net of current portion	395,358	-
Net OPEB obligation	237,446	-
Other long term obligations	<u>-</u>	<u>500,000</u>
TOTAL LIABILITIES	6,556,368	8,581,664
NET ASSETS		
Invested in capital assets, net of related debt	6,428,355	7,088,352
Restricted for:		
Grants and other statutory restrictions	3,314	-
Unrestricted	<u>4,189,874</u>	<u>874,673</u>
TOTAL NET ASSETS	\$ <u>10,621,543</u>	\$ <u>7,963,025</u>

See notes to financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

		Program Revenues		Net (Expenses) Revenues and Changes in Net Assets	Gunstock Area Commission (Component Unit- for the year ended April 30, 2011)
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:					
Administration	\$ 632,108	\$ -	\$ 6,400	\$ (625,708)	
Finance office	181,844	-	-	(181,844)	
County attorney	627,324	2,252	62,657	(562,415)	
Registry of deeds	505,542	743,670	-	238,128	
Sheriff	2,068,945	340,914	77,278	(1,650,753)	
Youth services	174,139	-	43,049	(131,090)	
Information technology	62,229	-	-	(62,229)	
Maintenance	849,428	-	-	(849,428)	
Human services	5,389,948	-	1,102,706	(4,287,242)	
Corrections	3,294,468	63,305	10,000	(3,221,163)	
Economic Development Council	70,000	-	-	(70,000)	
Cooperative extension	169,029	-	-	(169,029)	
Outside agencies	786,183	-	-	(786,183)	
Nursing home	10,602,165	8,118,952	40,212	(2,443,001)	
Interest expense	187,138	-	-	(187,138)	
Total Governmental Activities	25,600,490	9,269,093	1,342,302	(14,989,095)	
Total Primary Government	\$ 25,600,490	\$ 9,269,093	\$ 1,342,302		
Component Unit:					
Gunstock Area Commission	\$ 8,442,615	\$ 9,043,594	\$ -		\$ 600,979
Total Component Unit	\$ 8,442,615	\$ 9,043,594	\$ -		600,979
General Revenues and Transfers:					
County taxes				14,072,183	-
Investment income				1,641	3,446
Miscellaneous				660,356	157,500
Transfers, net				-	797,947
Total general revenues and transfers				14,734,180	958,893
Change in Net Assets				(254,915)	1,559,872
Net Assets:					
Beginning of year				10,876,458	6,403,153
End of year				\$ 10,621,543	\$ 7,963,025

See notes to financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2011

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 5,434,235	\$ 18	\$ 5,434,253
Restricted cash	35,217	-	35,217
Accounts receivable, net	810,726	-	810,726
Intergovernmental receivables, net	566,625	-	566,625
Due from other funds	18,516	9,718	28,234
Inventory	38,254	-	38,254
Other assets	9,199	-	9,199
TOTAL ASSETS	\$ 6,912,772	\$ 9,736	\$ 6,922,508
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 460,121	\$ 6,422	\$ 466,543
Accrued expenses	209,521	-	209,521
Due to other governments	978,233	-	978,233
Restricted cash liability	3,396	-	3,396
TOTAL LIABILITIES	1,651,271	6,422	1,657,693
Fund Balances:			
Nonspendable	38,254	-	38,254
Restricted	-	3,314	3,314
Assigned	4,878,738	-	4,878,738
Unassigned	344,509	-	344,509
TOTAL FUND BALANCES	5,261,501	3,314	5,264,815
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,912,772	\$ 9,736	\$ 6,922,508

See notes to 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, 2011

TOTAL GOVERNMENTAL FUND BALANCES	\$ 5,264,815
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,197,079
<ul style="list-style-type: none">• Deferred debt financing expense is not recognized in the current period and, therefore, is not reported in the governmental funds.	58,324
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(31,088)
<ul style="list-style-type: none">• 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.	<u>(4,867,587)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 10,621,543</u></u>

See notes to financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
County taxes	\$ 14,072,183	\$ -	\$ 14,072,183
Charges for services	9,269,093	-	9,269,093
Intergovernmental	1,289,690	52,612	1,342,302
Investment income	1,639	2	1,641
Miscellaneous	<u>660,354</u>	<u>2</u>	<u>660,356</u>
Total Revenues	25,292,959	52,616	25,345,575
Expenditures:			
Current:			
Administration	471,277	2,804	474,081
Finance office	175,878	-	175,878
County attorney	613,003	-	613,003
Registry of deeds	499,938	-	499,938
Sheriff	2,010,468	-	2,010,468
Youth services	161,107	-	161,107
Information technology	96,218	-	96,218
Maintenance	1,375,916	-	1,375,916
Human services	5,389,948	-	5,389,948
Corrections	2,965,993	10,000	2,975,993
Economic Development Council	70,000	-	70,000
Cooperative extension	169,029	-	169,029
Outside agencies	786,183	-	786,183
Nursing home	10,229,398	40,212	10,269,610
Debt service:			
Principal	610,000	-	610,000
Interest	<u>181,470</u>	<u>-</u>	<u>181,470</u>
Total Expenditures	<u>25,805,826</u>	<u>53,016</u>	<u>25,858,842</u>
Excess (deficiency) of revenues over expenditures	(512,867)	(400)	(513,267)
Other Financing Sources (Uses):			
Transfers in	3,218	-	3,218
Transfers out	<u>-</u>	<u>(3,218)</u>	<u>(3,218)</u>
Total Other Financing Sources (Uses)	<u>3,218</u>	<u>(3,218)</u>	<u>-</u>
Change in fund balance	(509,649)	(3,618)	(513,267)
Fund Balance, at Beginning of Year, as restated	<u>5,771,150</u>	<u>6,932</u>	<u>5,778,082</u>
Fund Balance, at End of Year	<u>\$ 5,261,501</u>	<u>\$ 3,314</u>	<u>\$ 5,264,815</u>

See notes to 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, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (513,267)

- 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:

Capital asset purchases 733,349

Depreciation (907,108)

- 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. (9,721)

- 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:

Repayments of capital lease payable 37,462

Repayments of bonds payable 610,000

- In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 4,053

- 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.

Compensated absences (76,754)

Net OPEB obligation (132,929)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (254,915)

See notes to 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, 2011

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
General Fund:				
County taxes	\$ 14,072,183	\$ 14,072,183	\$ 14,072,183	\$ -
Charges for services	8,313,522	8,313,522	9,270,166	956,644
Intergovernmental	189,900	189,900	1,289,690	1,099,790
Investment income	5,000	5,000	1,639	(3,361)
Miscellaneous	877,485	877,485	663,572	(213,913)
Other Funds:				
Grants and other	-	-	52,616	52,616
Total Revenues	<u>23,458,090</u>	<u>23,458,090</u>	<u>25,349,866</u>	<u>1,891,776</u>
Expenditures:				
General Fund:				
Administration	507,587	507,587	471,277	36,310
Finance office	288,061	288,061	175,878	112,183
County attorney	690,797	690,797	613,003	77,794
Registry of deeds	515,651	515,651	499,938	15,713
Sheriff	2,110,295	2,110,295	2,010,468	99,827
Youth services	139,669	164,669	161,107	3,562
Information technology	96,380	96,380	96,218	162
Maintenance	2,552,196	2,552,196	2,504,653	47,543
Human services	5,809,500	5,809,500	5,389,948	419,552
Corrections	2,994,407	2,969,407	2,965,993	3,414
Economic Development Council	70,000	70,000	70,000	-
Cooperative extension	169,029	169,029	169,029	-
Outside agencies	786,183	786,183	786,183	-
Nursing home	10,645,964	10,645,964	10,229,398	416,566
Contingency	100,000	100,000	-	100,000
Debt service - principal	610,000	610,000	610,000	-
Debt service - interest	254,371	254,371	181,470	72,901
Other Funds:				
Grants and other	-	-	53,016	(53,016)
Total Expenditures	<u>28,340,090</u>	<u>28,340,090</u>	<u>26,987,579</u>	<u>1,352,511</u>
Excess (deficiency) of revenues over expenditures	(4,882,000)	(4,882,000)	(1,637,713)	3,244,287
Other Financing Sources:				
Use of fund balance	<u>4,882,000</u>	<u>4,882,000</u>	<u>4,882,000</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,244,287</u>	<u>\$ 3,244,287</u>

See notes to financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2011

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ 67,110
Accounts receivable	<u>24,642</u>
Total Assets	<u>\$ 91,752</u>
<u>LIABILITIES</u>	
Accrued expenses	\$ 42,070
Due to others	21,448
Due to other funds	<u>28,234</u>
Total Liabilities	<u>\$ 91,752</u>

See notes to financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

Notes to 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, 2011, which differs from the County's fiscal operating year of December 31, 2011. 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 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 are the 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 fund:

- 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.

The *Agency Fund* is used to account for money held by the County on behalf of others (e.g., inmate funds and patient funds).

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 and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand 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.

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).

G. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method.

H. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, and construction in progress are reported 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 is included as part of the capitalized value of the assets constructed.

Capital assets are 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 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, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets.

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The County reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The County’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the County (i.e., the County Delegation).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the County uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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 County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

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 opera-

tions are presented in accordance with budgetary accounting principles to provide a meaningful comparison to 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) - Governmental Funds	\$ 25,345,575	\$ 25,858,842
Other financing sources/uses (GAAP Basis)	<u>3,218</u>	<u>3,218</u>
Subtotal (GAAP Basis)	25,348,793	25,862,060
Add end of year appropriation carryforwards to expenditures	-	1,128,737
Nursing Home allowance reclassification	1,073	-
Reverse unbudgeted transfer	<u>-</u>	<u>(3,218)</u>
Budgetary Basis	<u>\$ 25,349,866</u>	<u>\$ 26,987,579</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, 2011, \$ 243,000 of the County's bank balance of \$ 13,353,259 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Allowance for Doubtful Accounts

The allowance for doubtful accounts for Nursing Home receivables has been estimated at \$ 110,496 at December 31, 2011, based on a detailed review of past due accounts. 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 2011.

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, 2011 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 18,516	\$ -
Nonmajor Governmental Funds	9,718	-
Agency Funds	-	28,234
Total	\$ <u>28,234</u>	\$ <u>28,234</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 42	\$ -	\$ -	\$ 42
Buildings and improvements	18,639	333	-	18,972
Machinery and equipment	<u>3,050</u>	<u>324</u>	<u>(32)</u>	<u>3,342</u>
Total capital assets, being depreciated	21,731	657	(32)	22,356
Less accumulated depreciation for:				
Land improvements	(41)	(1)	-	(42)
Buildings and improvements	(9,354)	(690)	-	(10,044)
Machinery and equipment	<u>(2,121)</u>	<u>(216)</u>	<u>32</u>	<u>(2,305)</u>
Total accumulated depreciation	<u>(11,516)</u>	<u>(907)</u>	<u>32</u>	<u>(12,391)</u>
Total capital assets, being depreciated, net	10,215	(250)	-	9,965
Capital assets, not being depreciated:				
Land	155	-	-	155
Construction in progress	<u>-</u>	<u>77</u>	<u>-</u>	<u>77</u>
Total capital assets, not being depreciated	<u>155</u>	<u>77</u>	<u>-</u>	<u>232</u>
Governmental activities capital assets, net	<u>\$ 10,370</u>	<u>\$ (173)</u>	<u>\$ -</u>	<u>\$ 10,197</u>

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

Governmental Activities:	
Administration	\$ 153,154
Registry of deeds	668
Sheriff	89,440
Youth services	4,003
Maintenance	51,314
Corrections	272,446
Nursing home	<u>336,083</u>
Total depreciation expense - governmental activities	<u>\$ 907,108</u>

8. Accounts Payable

Accounts payable represents 2011 expenditures paid after December 31, 2011.

9. Anticipation Notes Payable

The following summarizes notes payable activity during 2011:

	<u>Issue Amount</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Tax anticipation	\$ 7,500,000	05/06/11	1.12%	\$ -	\$ 7,500,000	\$ (7,500,000)	\$ -

10. Capital Lease Obligations

The County is the lessee of certain equipment under capital 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, 2011:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 39,668	\$ 4,032	\$ 43,700
2013	<u>29,056</u>	<u>1,696</u>	<u>30,752</u>
Total	\$ <u>68,724</u>	\$ <u>5,728</u>	\$ <u>74,452</u>

Equipment financed by capital lease payable totaling \$ 170,691 is reported in capital assets net of \$ 78,184 accumulated depreciation.

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 currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/11</u>
General purpose bonds	06/15/17	2 - 3%	\$ 1,985,000
Roof bonds	07/15/18	2.6 - 4.0%	<u>1,715,000</u>
Total Governmental Activities			\$ <u>3,700,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 600,000	\$ 109,085	\$ 709,085
2013	590,000	94,000	684,000
2014	580,000	78,206	658,206
2015	570,000	60,988	630,988
2016	560,000	42,568	602,568
2017 - 2018	<u>800,000</u>	<u>33,805</u>	<u>833,805</u>
Total	<u>\$ 3,700,000</u>	<u>\$ 418,652</u>	<u>\$ 4,118,652</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>1/1/11</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/11</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/11</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 4,310	\$ -	\$ (610)	\$ 3,700	\$ (600)	\$ 3,100
Other:						
Capital lease payable	106	-	(37)	69	(40)	29
Compensated absences	785	-	76	861	(466)	395
Net OPEB obligation	<u>104</u>	<u>345</u>	<u>(212)</u>	<u>237</u>	<u>-</u>	<u>237</u>
Totals	<u>\$ 5,305</u>	<u>\$ 345</u>	<u>\$ (783)</u>	<u>\$ 4,867</u>	<u>\$ (1,106)</u>	<u>\$ 3,761</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. Fund Balances

The following is a summary of fund balances at December 31, 2011:

	<u>Unassigned</u>	<u>Assigned</u>	<u>Restricted</u>	<u>Nonspendable</u>	<u>Total</u>
<u>General Fund</u>					
Reserve for inventory	\$ -	\$ -	\$ -	\$ 38,254	\$ 38,254
Encumbrances	-	1,128,738	-	-	1,128,738
Use of fund balance in subsequent year budget	-	3,750,000	-	-	3,750,000
Remaining fund balance	<u>344,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,509</u>
Total General Fund	344,509	4,878,738	-	38,254	5,261,501
<u>Nonmajor Governmental Funds</u>					
Unexpended grant funds	<u>-</u>	<u>-</u>	<u>3,314</u>	<u>-</u>	<u>3,314</u>
Total Nonmajor Governmental Funds	<u>-</u>	<u>-</u>	<u>3,314</u>	<u>-</u>	<u>3,314</u>
Total All Funds	<u>\$ 344,509</u>	<u>\$ 4,878,738</u>	<u>\$ 3,314</u>	<u>\$ 38,254</u>	<u>\$ 5,264,815</u>

14. Subsequent Events

Subsequent to December 31, 2011, the County issued a \$ 9,600,000 tax anticipation note to be used for working capital purposes, with a maturity date of December 30, 2012.

15. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues 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 Healthcare 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 Activities 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 healthcare 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 2011 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, 2011, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of January 1, 2010.

Annual Required Contribution (ARC)	\$ 340,372
Interest on net OPEB obligation	4,182
Adjustment to ARC	<u>(6,045)</u>
Annual OPEB cost	338,509
Contributions made	<u>(205,579)</u>
Increase in net OPEB obligation	132,930
Net OPEB obligation - beginning of year	<u>104,516</u>
Net OPEB obligation - end of year	<u><u>\$ 237,446</u></u>

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>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 338,509	60.7%	\$ 237,446
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)	\$ 2,397,223
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,397,223</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>37.3%</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 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 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Funding Policy

Covered sheriff and correctional plan members and all other employee plan members are required to contribute 11.55% and 7%, 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 14.63% of covered payroll through June 30, 2011 and 25.57% thereafter. The rate for all other employees is 9.16% of covered payroll through June 30, 2011 and 12.31% thereafter. The County's contributions to the System for the years ended December 31, 2011, 2010, and 2009 were \$ 900,203, \$ 843,640, and \$ 834,087, 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, 2011, was \$ 8,074,297. In accordance with State House Bill 2, the provision in RSA 100-A:16 requiring State contributions has been eliminated as of July 1, 2011. The amount contributed by the State for the first half of the County's fiscal year was determined to be immaterial. Contribution requirements for the year ended December 31, 2011, were as follows:

County contributions	\$ 900,203
Employees' contributions	<u>568,682</u>
Total	<u>\$ 1,468,885</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.

Provisions of the agreement provide that the Commission will make an annual payment of \$ 150,000 to the County prior to March 31st 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, 2011, a total of \$ 175,000 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 2011.

20. **Beginning Fund Balance Restatement**

The beginning (January 1, 2011) fund balances of the County have been restated as follows:

	<u>Governmental Funds</u>			<u>Business- Type Activities Nursing Home</u>
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
As previously reported	\$ 8,234,435	\$ 6,923	\$ 8,241,358	\$ -
Reclassification of Nursing Home from enterprise fund to governmental fund	<u>(2,463,285)</u>	<u>-</u>	<u>(2,463,285)</u>	<u>-</u>
As restated	<u>\$ 5,771,150</u>	<u>\$ 6,923</u>	<u>\$ 5,778,073</u>	<u>\$ -</u>

GUNSTOCK AREA COMMISSION

Notes to 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, 2011 and 2010, 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, 2011 or 2010.

3. Deposits and Investments

Deposits and investments as of April 30, 2011 and 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 2,203,100	\$ 1,388,836
Investments	<u>189,291</u>	<u>154,576</u>
Total	<u>\$ 2,392,391</u>	<u>\$ 1,543,412</u>

Deposits and investments as of April 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 8,000	\$ 14,428
Deposits with financial institutions	<u>2,384,391</u>	<u>1,528,984</u>
Total	<u>\$ 2,392,391</u>	<u>\$ 1,543,412</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, 2011 and 2010, \$ 1,699,196 and \$ 1,048,837, respectively of the Commission's deposits with financial institutions were collateralized. The Commission did not have any uninsured deposits as of April 30, 2011 and 2010.

4. Accounts Receivable

All receivables are considered collectible in full and will be received within one year. A summary of the principal items of accounts receivable is as follows:

	<u>2011</u>	<u>2010</u>
Belknap County	\$ -	\$ 19,750
Other	112,850	117,917
Tower lease income	<u>31,063</u>	<u>13,411</u>
Total	<u>\$ 143,913</u>	<u>\$ 151,078</u>

5. Due From Other Governments

Receivables from other governments at April 30, 2011 and April 30, 2010 consist of a federal and state funded project. These receivables are considered collectible in full and will be received within one year. The receivable balances of \$ 34,487 and \$ 132,030 represents reimbursement for eligible costs on the Commission's bridge project for the years ended April 30, 2011 and April 30, 2010, respectively.

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>2011</u>	<u>2010</u>
Trams and tow repair parts (net of reserve, \$ 41,049 in 2011 and in 2010)	\$ 124,176	\$ 110,330
Mobile equipment repair parts	28,476	22,431
Insurance	8,505	63,654
Deposits on capital improvements	<u>17,828</u>	<u>20,262</u>
Total	<u>\$ 178,985</u>	<u>\$ 216,677</u>

7. Capital Assets

The following is a summary of changes in capital assets during the years ended April 30, 2011 and 2010:

	Balance 5/1/10	Additions	Reductions	Balance 4/30/11
Capital assets, not being depreciated:				
Land	\$ 2,197,595	\$ -	\$ -	\$ 2,197,595
Construction in progress	219,269	1,397,740	(3,590)	1,613,419
Total capital assets, not being depreciated	2,416,864	1,397,740	(3,590)	3,811,014
Other capital assets:				
Land improvements	1,314,161	91,845	-	1,406,006
Buildings and improvements	3,970,352	73,423	(22,257)	4,021,518
Equipment	21,152,639	395,755	(266,430)	21,281,964
Leasehold improvements	374,946	-	-	374,946
Total other capital assets at historical cost	26,812,098	561,023	(288,687)	27,084,434
Less accumulated depreciation for:				
Land improvements	(722,815)	(81,295)	-	(804,110)
Buildings and improvements	(2,698,548)	(128,285)	22,257	(2,804,576)
Equipment	(12,848,158)	(874,997)	263,130	(13,460,025)
Leasehold improvements	(99,852)	(47,243)	-	(147,095)
Total accumulated depreciation	(16,369,373)	(1,131,820)	285,387	(17,215,806)
Total other capital assets, net	10,442,725	(570,797)	(3,300)	9,868,628
Total capital assets, net	\$ 12,859,589	\$ 826,943	\$ (6,890)	\$ 13,679,642

	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>

Depreciation expense was charged as follows:

	<u>2011</u>	<u>2010</u>
Departmental expenses:		
Trams and tows	\$ 591,165	\$ 484,346
Restaurant	1,830	1,362
Ski shop rentals	81,643	81,596
Ski touring	5,116	1,140
Camping and swimming pool	44,521	44,301
Programs (functions)	9,559	4,574
General expenses	378,290	360,290
Administrative expenses	<u>19,696</u>	<u>29,542</u>
Total depreciation expense	<u>\$ 1,131,820</u>	<u>\$ 1,007,151</u>

The balance of the assets acquired through capital leases as of April 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 461,075	\$ 461,075
Less: Accumulated depreciation	<u>(105,567)</u>	<u>(67,342)</u>
Total depreciation expense	<u>\$ 355,508</u>	<u>\$ 393,733</u>

8. Pension Plan

A. 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, 2011 and 2010 were \$ 1,343,452 and \$ 1,335,798. The Commission's contributions to the plan during fiscal years 2011 and 2010 were \$ 67,173 and \$ 66,790.

B. 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>2011</u>	<u>2010</u>
Vacation	\$ 141,095	\$ 129,962
Payroll	82,465	34,149
Pension contribution	67,173	66,790
Real estate taxes	549	549
State dated checks	6,897	1,239
Rooms and meals tax	-	6,099
Interest	<u>80,071</u>	<u>86,273</u>
Total	\$ <u><u>378,250</u></u>	\$ <u><u>325,061</u></u>

10. Short-Term Obligations – 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, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Balance - May 1	\$ -	\$ -
Additions	1,000,000	600,000
Reductions	<u>(1,000,000)</u>	<u>(600,000)</u>
Balance - April 30	\$ <u><u>-</u></u>	\$ <u><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, 2011 and 2010 are as follows:

<u>Type</u>	<u>Balance</u> <u>5/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/11</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 6,484,695	\$ -	\$ (492,237)	\$ 5,992,458	\$ 472,486
Capital leases	194,811	-	(95,979)	98,832	48,024
Other long-term obligations	-	500,000	-	500,000	-
Totals	<u>\$ 6,679,506</u>	<u>\$ 500,000</u>	<u>\$ (588,216)</u>	<u>\$ 6,591,290</u>	<u>\$ 520,510</u>

<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	130,985	190,000	(126,174)	194,811	95,980
Totals	<u>\$ 7,122,916</u>	<u>\$ 190,000</u>	<u>\$ (633,410)</u>	<u>\$ 6,679,506</u>	<u>\$ 588,216</u>

B. General Obligation Bonds

Bonds payable at April 30, 2011 and 2010 are comprised of the following individual issues:

	<u>2011</u>	<u>2010</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%	\$ 2,450,000	\$ 2,675,000
\$ 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
\$ 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%	2,975,000	3,150,000
\$ 525,000 bonds due in annual installments of \$ 52,500 through October 2018; interest at 3.99%	420,000	472,500
\$ 250,000 bonds due in annual installments of \$ 12,500 through January 2019; interest at 4.98%	100,000	112,500
\$ 100,000 bonds due in annual installments of \$ 5,000 through January 2019; interest at 5.0%	40,000	45,000
\$ 47,320 bonds due in annual installments of \$ 2,486 through September 2014; interest at 0%	<u>7,458</u>	<u>9,945</u>
Total	<u>\$ 5,992,458</u>	<u>\$ 6,484,695</u>

Debt service requirements to retire general obligation bonds outstanding at April 30, 2011 are as follows:

Year Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 472,486	\$ 209,569	\$ 682,055
2013	472,486	195,914	668,400
2014	497,486	181,397	678,883
2015	495,000	165,930	660,930
2016	495,000	149,900	644,900
2017 - 2021	2,335,000	482,310	2,817,310
2022 - 2026	875,000	181,565	1,056,565
2027 - 2028	<u>350,000</u>	<u>22,750</u>	<u>372,750</u>
Total	\$ <u>5,992,458</u>	\$ <u>1,589,335</u>	\$ <u>7,581,793</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.

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 year ended April 30, 2010 was \$ 168,592 and was included as a liability at year-end.

In October 2010, the agreement between the Commission and the County was renewed for an additional five years (see Note 15).

D. Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. Capital leases payable at April 30, 2011 and 2010 are comprised of the following individual issues:

	<u>2011</u>	<u>2010</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
\$ 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>98,832</u>	<u>144,223</u>
Total	\$ <u>98,832</u>	\$ <u>194,811</u>

Debt service requirements to retire capital lease obligations outstanding at April 30, 2011 are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 48,024	\$ 5,226	\$ 53,250
2013	<u>50,808</u>	<u>2,442</u>	<u>53,250</u>
Total	\$ <u>98,832</u>	\$ <u>7,668</u>	\$ <u>106,500</u>

E. Other Long-Term Obligations

On April 29, 2011, the Commission drew down \$ 500,000 of \$ 1,500,000 of a general obligation bond line of credit for the development of summer attractions at Gunstock Mountain Resort. Payments are scheduled in ten consecutive annual principal installments of \$ 150,000 commencing on April 15, 2012. Interest will be payable semi-annually on October 15 and April 15 with an interest rate of 2.59%. Subsequent to year-end (see Note 16) the Commission drew down the remaining balance of the bond.

F. Authorized and Unissued Debt

As of April 30, 2011, the Commission had the following debt authorized and unissued:

Development of Summer Attractions	\$ <u>1,000,000</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, 2011 and 2010, the annual income received from food service commissions was \$ 291,888 and \$ 279,139, 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, 2011 and 2010 the net book value of the leasehold improvements was \$ 227,850 and \$ 275,094, respectively, and the recognized capital contributions were \$ 457,244 and \$ 45,891, 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, 2011 and 2010, 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, 2011 and 2010, the annual income from tower leases was \$ 31,484 and \$ 42,991, 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, 2011 and 2010, the annual income from the Soul Festival was as follows:

	<u>2011</u>	<u>2010</u>
Camping	\$ 114,010	\$ 113,530
Chair lift rides	<u>45,960</u>	<u>38,855</u>
Total	<u>\$ 159,970</u>	<u>\$ 152,385</u>

13. Net Assets

Unrestricted net assets as of April 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Designated for future debt service payments	\$ 939,366	\$ 904,576
Undesignated (deficit)	<u>(64,693)</u>	<u>(681,506)</u>
Total	<u>\$ 874,673</u>	<u>\$ 223,070</u>

14. Operating and Financing Arrangements

During the years ended April 30, 2011 and 2010, the County provided the Commission a subsidy of \$ 20,062 and \$ 116,982, 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 \$ 312 and \$ 7,142 is recorded as an operating subsidy in the statement of operations for the years ended April 30, 2011 and 2010, respectively.

15. Commitments and Contingencies

A. Belknap County Agreement

In October 2010, the Commission and Belknap County entered into a five-year agreement which requires the Commission to make an annual payment of \$ 175,000 to the County; payable on or before March 31 of each year of the agreement. The purpose of this payment is to reduce the amount to be raised by taxes for funding of the budget of Belknap County and shall be derived from operating receipts through the operation of Gunstock.

B. 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.

C. 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.

D. Federal Grants

The Commission participates in a number of federally assisted programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

16. Subsequent Events

A. Revenue Anticipation Notes

The Commission secured a line of credit up to \$ 800,000 during September 2011. Any borrowings are guaranteed to be repaid from operating revenues of the Commission. Subsequent to year-end, the Commission has borrowed \$ 400,000 against this line of credit. The interest rate on this line of credit is 0.8%. The borrowed amount, and accrued interest, is due on February 28, 2012.

B. Bond Proceeds

During June 2011 and July 2011, the Commission drew down \$ 500,000, each month, for the construction of summer development project from the \$ 1,500,000 general obligation bond with the State of New Hampshire.

The Commission will make annual principal payments of \$ 150,000 over a 10-year period with an interest rate of 2.59%.

COUNTY OF BELKNAP, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011
(Unaudited)
(Amounts Expressed in thousands)

Other Post-Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Un 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	\$ -	\$ 2,397	\$ 2,397	0.0%	\$ 6,426	37.30%

See Independent Auditors' Report.