

COUNTY OF BELKNAP, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Belknap, New Hampshire

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, the major fund, and the aggregate remaining fund information of the County of Belknap, New Hampshire, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County of Belknap, New Hampshire's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gunstock Area Commission (a component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gunstock Area Commission, is based solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, the major fund, and the aggregate remaining fund information of the County of Belknap, New Hampshire, as of December 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

July 15, 2015

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 year ended December 31, 2014.

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

The Statement of Activities presents information showing how the County's net position changed during the most recent calendar year. All changes in net position 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 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, 2014. 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 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 the general fund. A budgetary comparison statement has been provided for the general fund 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 year, the total of assets exceeded liabilities by \$10,266,712 (i.e., net position), a change of \$(411,148) in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$3,796,419, a change of \$83,357 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$1,842,867, a change of \$75,463 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current year was \$1,930,000, a change of \$(580,000) 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 years.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current assets	\$ 5,674,741	\$ 5,320,888
Noncurrent assets	<u>9,713,301</u>	<u>10,480,429</u>
Total assets	15,388,042	15,801,317
Current liabilities	2,871,579	2,646,201
Noncurrent liabilities	<u>2,249,751</u>	<u>2,477,256</u>
Total liabilities	5,121,330	5,123,457
Net position:		
Net investment in capital assets	7,703,717	7,931,546
Restricted	44,163	48,096
Unrestricted	<u>2,518,832</u>	<u>2,698,218</u>
Total net position	\$ <u>10,266,712</u>	\$ <u>10,677,860</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 10,794,829	\$ 10,569,789
Operating grants and contributions	1,254,620	660,573
General revenues:		
County taxes	13,663,314	13,885,116
Investment income	15	517
Miscellaneous	221,839	482,114
Transfers from Gunstock Area Commission	<u>175,000</u>	<u>175,000</u>
Total revenues	26,109,617	25,773,109

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Expenses:		
General government	2,783,077	2,854,605
Public safety	2,103,391	2,033,949
Corrections	3,724,758	3,514,155
Human services	5,973,803	6,302,295
Cooperative extension	260,122	260,122
Economic development	850,020	75,000
Nursing home	10,702,310	10,581,056
Interest expense	123,284	151,284
Total expenses	<u>26,520,765</u>	<u>25,772,466</u>
Change in net position	(411,148)	643
Net position - beginning of year	<u>10,677,860</u>	<u>10,677,217</u>
Net position - end of year	<u>\$ 10,266,712</u>	<u>\$ 10,677,860</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$10,266,712, a change of \$(411,148) from the prior year.

The largest portion of net position \$7,703,717 reflects our investment in capital assets (e.g., land, buildings and improvements, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$44,163 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(411,148). Key elements of this change are as follows:

<u>Operating Results:</u>	
General fund	\$ 85,878
Nonmajor governmental funds	<u>(2,521)</u>
Subtotal operating results	83,357
Capital asset purchases	205,488
Depreciation expense in excess of principal debt service	(433,317)
Change in deferred debt financing expense	(9,721)
Change in accrued interest liability	4,289
Change in compensated absences	39,545
Change in net OPEB obligation	<u>(300,789)</u>
Total	<u>\$ (411,148)</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 year.

As of the end of the current year, the combined ending fund balance for all funds was \$3,796,419, a change of \$83,357 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and other financing sources in excess of expenditures	\$ 85,878
Nonmajor governmental fund expenditures in excess of revenues	<u>(2,521)</u>
Total	<u>\$ 83,357</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$1,842,867, while total fund balance was \$3,791,033. 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>12/31/14</u>	<u>12/31/13</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,842,867	\$ 1,767,404	\$ 75,463	7.3%
Total fund balance	\$ 3,791,033	\$ 3,705,155	\$ 85,878	15.0%

The fund balance of the general fund changed by \$85,878 during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,442,829
Expenditures less than appropriations	378,550
Use of fund balance as a funding source	(1,775,000)
Encumbrance timing differences	<u>39,499</u>
Total	<u>\$ 85,878</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There was no change in the total 2014 budget; however, the final budget reflects line item changes approved by the County Delegation.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$9,713,301 (net of accumulated depreciation), a change of \$(757,407) from the prior year. This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt. At the end of the current year, total bonded debt outstanding totaled \$1,930,000, 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 of Belknap, New Hampshire's finances for all those with an interest in the County'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 POSITION

DECEMBER 31, 2014

	Primary Government Governmental Activities	Gunstock Area Commission (Component Unit - April 30, 2014)
ASSETS		
Current:		
Cash and short-term investments	\$ 3,849,809	\$ 1,778,490
Restricted cash	42,179	-
Investments	-	173,544
Accounts receivable, net	1,739,206	38,305
Due from agency funds	8,937	-
Inventory	34,610	432,152
Prepaid expenses	-	61,289
Total current assets	5,674,741	2,483,780
Noncurrent:		
Other	29,162	-
Capital assets:		
Land	144,829	2,197,595
Capital assets, net of accumulated depreciation	9,539,310	11,969,952
Total noncurrent assets	9,713,301	14,167,547
TOTAL ASSETS	15,388,042	16,651,327
LIABILITIES		
Current:		
Accounts payable	1,697,917	373,436
Accrued expenses	195,498	356,285
Deposits payable	-	24,557
Restricted cash liability	3,402	-
Current portion of noncurrent liabilities:		
Bonds payable	570,000	645,000
Capital lease payable	15,846	81,203
Compensated absences	388,916	-
Total current liabilities	2,871,579	1,480,481
Noncurrent:		
Bonds payable	1,360,000	4,955,000
Capital lease payable	34,576	128,996
Compensated absences	124,119	-
Net OPEB obligation	731,056	-
Total noncurrent liabilities	2,249,751	5,083,996
TOTAL LIABILITIES	5,121,330	6,564,477
Deferred Inflows of Resources	-	1,107,257
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,121,330	7,671,734
NET POSITION		
Net investment in capital assets	7,703,717	8,357,348
Restricted	44,163	-
Unrestricted	2,518,832	622,245
TOTAL NET POSITION	\$ 10,266,712	\$ 8,979,593

The accompanying notes are an integral part of these financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position	Gunstock Area Commission (Component Unit- for the year ended April 30, 2014)
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:					
General government	\$ 2,783,077	\$ 726,882	\$ 59,411	\$ (1,996,784)	
Public safety	2,103,391	346,543	57,618	(1,699,230)	
Corrections	3,724,758	128,535	14,947	(3,581,276)	
Human services	5,973,803	-	347,624	(5,626,179)	
Cooperative extension	260,122	-	-	(260,122)	
Economic development	850,020	-	775,020	(75,000)	
Nursing home	10,702,310	9,592,869	-	(1,109,441)	
Interest	123,284	-	-	(123,284)	
Total Governmental Activities and Primary Government	<u>\$ 26,520,765</u>	<u>\$ 10,794,829</u>	<u>\$ 1,254,620</u>	(14,471,316)	
Component Unit:					
Gunstock Area Commission	<u>\$ 10,188,784</u>	<u>\$ 11,236,546</u>	<u>\$ -</u>		<u>\$ 1,047,762</u>
Total Component Unit	<u>\$ 10,188,784</u>	<u>\$ 11,236,546</u>	<u>\$ -</u>		1,047,762
General Revenues and Transfers:					
				13,663,314	-
				15	1,904
				221,839	120,011
				175,000	(175,000)
Total general revenues and transfers				<u>14,060,168</u>	<u>(53,085)</u>
Change in Net Position				(411,148)	994,677
Net Position:					
Beginning of year				<u>10,677,860</u>	<u>7,984,916</u>
End of year				<u>\$ 10,266,712</u>	<u>\$ 8,979,593</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 3,836,551	\$ 13,258	\$ 3,849,809
Restricted cash	42,179	-	42,179
Accounts receivable, net	1,739,206	-	1,739,206
Due from agency funds	8,937	-	8,937
Inventory	34,610	-	34,610
TOTAL ASSETS	<u>\$ 5,661,483</u>	<u>\$ 13,258</u>	<u>\$ 5,674,741</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,690,045	\$ 7,872	\$ 1,697,917
Accrued expenses	177,003	-	177,003
Restricted cash liability	3,402	-	3,402
TOTAL LIABILITIES	1,870,450	7,872	1,878,322
Fund Balances:			
Nonspendable	34,610	-	34,610
Restricted	38,777	5,386	44,163
Assigned	1,874,779	-	1,874,779
Unassigned	1,842,867	-	1,842,867
TOTAL FUND BALANCES	<u>3,791,033</u>	<u>5,386</u>	<u>3,796,419</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,661,483</u>	<u>\$ 13,258</u>	<u>\$ 5,674,741</u>

The accompanying notes are an integral part of these financial statements.

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

DECEMBER 31, 2014

Total governmental fund balances	\$ 3,796,419
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,684,139
• Deferred debt financing expense is not recognized in the current period and, therefore, is not reported in the governmental funds.	29,162
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(18,495)
• Long-term liabilities, including bonds 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.	
• Bonds payable	(1,930,000)
• Capital lease payable	(50,422)
• Compensated absences	(513,035)
• Net OPEB obligation	<u>(731,056)</u>
Net position of governmental activities	<u>\$ 10,266,712</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
County taxes	\$ 13,663,314	\$ -	\$ 13,663,314
Nursing home	9,592,869	-	9,592,869
Charges for services	1,376,960	-	1,376,960
Intergovernmental	410,385	844,235	1,254,620
Investment income	15	-	15
Miscellaneous	<u>221,149</u>	<u>690</u>	<u>221,839</u>
Total Revenues	25,264,692	844,925	26,109,617
Expenditures:			
Current:			
General government	2,531,304	4,684	2,535,988
Public safety	2,087,312	57,619	2,144,931
Corrections	3,372,802	10,123	3,382,925
Human services	5,973,803	-	5,973,803
Cooperative extension	260,122	-	260,122
Economic development	75,000	775,020	850,020
Nursing home	10,193,537	-	10,193,537
Capital outlay	56,350	-	56,350
Debt service:			
Principal	580,000	-	580,000
Interest	<u>117,851</u>	<u>-</u>	<u>117,851</u>
Total Expenditures	<u>25,248,081</u>	<u>847,446</u>	<u>26,095,527</u>
Excess (deficiency) of revenues over expenditures	16,611	(2,521)	14,090
Other Financing Sources (Uses):			
Proceeds of capital lease	<u>69,267</u>	<u>-</u>	<u>69,267</u>
Total Other Financing Sources (Uses)	<u>69,267</u>	<u>-</u>	<u>69,267</u>
Change in fund balance	85,878	(2,521)	83,357
Fund Balance, at Beginning of Year	<u>3,705,155</u>	<u>7,907</u>	<u>3,713,062</u>
Fund Balance, at End of Year	<u>\$ 3,791,033</u>	<u>\$ 5,386</u>	<u>\$ 3,796,419</u>

The accompanying notes are an integral part of these 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, 2014

Net changes in fund balances - Total governmental funds	\$ 83,357
<ul style="list-style-type: none"> 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	205,488
Depreciation	(962,896)
<ul style="list-style-type: none"> 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)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and capital 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 position: 	
Repayments of bonds payable	580,000
Proceeds from capital lease payable	(69,267)
Repayments of capital lease payable	18,846
<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. 	4,289
<ul style="list-style-type: none"> 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	39,545
Net OPEB obligation	<u>(300,789)</u>
Change in net position of governmental activities	\$ <u>(411,148)</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
County taxes	\$ 13,663,314	\$ 13,663,314	\$ 13,663,314	\$ -
Nursing home	8,049,500	8,049,500	9,592,869	1,543,369
Charges for services	1,453,411	1,453,411	1,376,960	(76,451)
Intergovernmental	334,967	334,967	410,385	75,418
Investment income	15	15	15	-
Miscellaneous	<u>320,656</u>	<u>320,656</u>	<u>221,149</u>	<u>(99,507)</u>
Total Revenues	23,821,863	23,821,863	25,264,692	1,442,829
Expenditures:				
General government	2,546,743	2,552,497	2,528,498	23,999
Public safety	2,083,678	2,099,574	2,018,045	81,529
Corrections	3,531,535	3,460,035	3,372,802	87,233
Human services	6,003,721	5,998,721	5,973,803	24,918
Cooperative extension	260,122	260,122	260,122	-
Economic development	75,000	75,000	75,000	-
Nursing home	10,237,857	10,292,707	10,192,413	100,294
Capital outlay	100,000	100,000	99,779	221
Debt service:				
Principal	580,000	580,000	580,000	-
Interest	<u>178,207</u>	<u>178,207</u>	<u>117,851</u>	<u>60,356</u>
Total Expenditures	<u>25,596,863</u>	<u>25,596,863</u>	<u>25,218,313</u>	<u>378,550</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(1,775,000)	(1,775,000)	46,379	1,821,379
Other Financing Sources:				
Use of fund balance - reduce taxes	<u>1,775,000</u>	<u>1,775,000</u>	<u>1,775,000</u>	<u>-</u>
Excess of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,821,379</u>	<u>\$ 1,821,379</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF BELKNAP, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2014

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ 73,763
Total Assets	<u>\$ 73,763</u>
<u>LIABILITIES</u>	
Due to other funds	\$ 8,937
Due to others	<u>64,826</u>
Total Liabilities	<u>\$ 73,763</u>

The accompanying notes are an integral part of these financial statement:

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 County is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the County and applicable component units for which the County 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. The Commission is reported as of its latest fiscal operating year, April 30, 2014, which differs from the County's calendar operating year of December 31, 2014. Separately issued financial statements of Gunstock Area Commission may be obtained by writing to their Finance Department 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 Position 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 inter-governmental revenues, are reported separately from certain legally sepa-

rate 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 County reports the following major governmental fund:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the 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. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the 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).

F. Inventory

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

G. Capital Assets

Capital assets, which include land, buildings and improvements, and machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the County 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>
Buildings and improvements	5 - 40
Machinery and equipment	3 - 20

H. Compensated Absences

It is the County'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.

I. 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 Position.

J. 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 position".

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., appropriations by 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 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 Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists 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 position is 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. The remaining net position is reported as unrestricted.

K. 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 year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The County's budget represents functional appropriations by department as authorized by the County Delegation. The County adopts its budget under State regulations.

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
<u>General Fund</u>		
Revenues/Expenditures (GAAP Basis)	\$ 25,264,692	\$ 25,248,081
Other financing sources/uses (GAAP Basis)	<u>69,267</u>	<u>-</u>
Subtotal (GAAP Basis)	25,333,959	25,248,081
Reverse beginning of year appropriation carryforwards to expenditures	-	(60,280)
Add end of year appropriation carryforwards to expenditures	-	99,779
Reverse capital lease proceeds	(69,267)	(69,267)
Recognize use of fund balance as a funding source	<u>1,775,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 27,039,692</u>	<u>\$ 25,218,313</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, 2014, none of the County's bank balance 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 approximately \$214,000 at December 31, 2014, 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 2014.

6. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,698	\$ -	\$ 20	\$ 20,718
Machinery and equipment	<u>2,888</u>	<u>445</u>	<u>(20)</u>	<u>3,313</u>
Total capital assets, being depreciated	23,586	445	-	24,031
Less accumulated depreciation for:				
Buildings and improvements	(11,446)	(783)	-	(12,229)
Machinery and equipment	<u>(2,083)</u>	<u>(180)</u>	<u>-</u>	<u>(2,263)</u>
Total accumulated depreciation	<u>(13,529)</u>	<u>(963)</u>	<u>-</u>	<u>(14,492)</u>
Total capital assets, being depreciated, net	10,057	(518)	-	9,539
Capital assets, not being depreciated:				
Land	145	-	-	145
Construction in progress	<u>239</u>	<u>-</u>	<u>(239)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>384</u>	<u>-</u>	<u>(239)</u>	<u>145</u>
Governmental activities capital assets, net	<u>\$ 10,441</u>	<u>\$ (518)</u>	<u>\$ (239)</u>	<u>\$ 9,684</u>

Depreciation expense was charged to functions of the County as follows (in thousands):

Governmental Activities:	
General government	\$ 214
Public safety	76
Corrections	273
Nursing home	<u>400</u>
Total depreciation expense - governmental activities	\$ <u>963</u>

7. Accounts Payable

Accounts payable represent 2014 expenditures paid after December 31, 2014.

8. Anticipation Notes Payable

The following summarizes notes payable activity during 2014:

	Issue Amount	Date of Issue	Interest Rate	Balance Beginning of Year	Advances	Repayments	Balance End of Year
Tax anticipation	\$ 8,600,000	03/26/14	0.43%	\$ -	\$ 8,600,000	\$ (8,600,000)	\$ -
Total				\$ -	\$ 8,600,000	\$ (8,600,000)	\$ -

9. Capital Lease Obligations

The County is the lessee of certain equipment under capital leases expiring in various years through 2017. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2014:

Fiscal Year	Principal	Interest	Total
2015	\$ 15,846	\$ 3,000	\$ 18,846
2016	16,789	2,057	18,846
2017	<u>17,787</u>	<u>1,059</u>	<u>18,846</u>
Total	\$ <u>50,422</u>	\$ <u>6,116</u>	\$ <u>56,538</u>

Equipment financed by capital lease payable totaling \$69,267 is reported in capital assets net of \$8,032 accumulated depreciation.

10. Long-Term Debt

A. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. 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 12/31/14</u>
General purpose bonds	06/15/17	2 - 3%	\$ 950,000
Roof bonds	07/15/18	2.6 - 4.0%	<u>980,000</u>
Total Governmental Activities			<u>\$ 1,930,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 570,000	\$ 60,988	\$ 630,988
2016	560,000	42,568	602,568
2017	555,000	24,005	579,005
2018	<u>245,000</u>	<u>9,800</u>	<u>254,800</u>
Total	<u>\$ 1,930,000</u>	<u>\$ 137,361</u>	<u>\$ 2,067,361</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 1/1/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 12/31/14</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 12/31/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 2,510	\$ -	\$ (580)	\$ 1,930	\$ (570)	\$ 1,360
Other:						
Capital lease payable	-	69	(19)	50	(16)	34
Compensated absences	553	-	(40)	513	(389)	124
Net OPEB obligation	<u>430</u>	<u>357</u>	<u>(56)</u>	<u>731</u>	<u>-</u>	<u>731</u>
Totals	<u>\$ 3,493</u>	<u>\$ 426</u>	<u>\$ (695)</u>	<u>\$ 3,224</u>	<u>\$ (975)</u>	<u>\$ 2,249</u>

11. Restricted Net Position

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

12. Governmental Fund Balances

The following is a summary of fund balances at December 31, 2014:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 34,610	\$ -	\$ 34,610
Total Nonspendable	34,610	-	34,610
Restricted:			
Deeds surcharge account	38,777	-	38,777
Unexpended grant funds	-	5,386	5,386
Total Restricted	38,777	5,386	44,163
Assigned:			
Use of fund balance			
for subsequent year budget	1,775,000	-	1,775,000
Encumbrances	99,779	-	99,779
Total Assigned	1,874,779	-	1,874,779
Unassigned:			
Remaining fund balance	1,842,867	-	1,842,867
Total Unassigned	1,842,867	-	1,842,867
Total Fund Balances	\$ 3,791,033	\$ 5,386	\$ 3,796,419

13. Subsequent Events

On March 12, 2015, the County issued an \$8,400,000 tax anticipation note with a maturity date of December 30, 2015 and an interest rate of 0.45%.

14. 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.

15. Post-Employment Healthcare 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 Position 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, 2014, the actuarial valuation date, 11 retirees and 153 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 2014 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, 2014, 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, 2014.

Annual Required Contribution (ARC)	\$ 364,111
Interest on net OPEB obligation	17,211
Adjustment to ARC	<u>(24,399)</u>
Annual OPEB cost	356,923
Contributions made	<u>(56,134)</u>
Increase in net OPEB obligation	300,789
Net OPEB obligation - beginning of year	<u>430,267</u>
Net OPEB obligation - end of year	<u>\$ 731,056</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>
2014	\$356,923	15.7%	\$731,056
2013	\$256,289	61.1%	\$430,267
2012	\$349,291	54.8%	\$395,157
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, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,780,329
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,780,329</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 7,019,767</u>
UAAL as a percentage of covered payroll	<u>39.6%</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, 2014 actuarial valuation the projected unit credit 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 6.22% initially; in the second year the trend is increased to 9.0% and then decreased by 1.0% to a 5.0% long-term rate for all healthcare benefits after four years. The amortization costs for the initial UAAL is a level dollar amount over a period of 30 years, on an open amortization period for pay-as-you-go. This has been calculated at a rate of 4.0% pay-as-you-go.

16. 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 25.30% of covered payroll. The rate for all other employees is 10.77% of covered payroll. The County's contributions to the System for the years ended December 31, 2014, 2013, and 2012 were \$1,101,443, \$1,008,588, and \$900,203, respectively, which were equal the annual required contributions for each year.

The payroll for employees covered by the System for the year ended December 31, 2014, was \$7,801,496. Contribution requirements for the year ended December 31, 2014 were as follows:

County contributions	\$ 1,101,443
Employees' contributions	<u>627,905</u>
Total	<u><u>\$ 1,729,348</u></u>

17. 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 years.

18. 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 \$175,000 to the County prior to March 31 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, 2014, 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 2014.

19. Implementation of New GASB Standards

The GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015. Management's current assessment is that this pronouncement will have a significant impact on the County's basic financial statements by recognizing as a liability and expense, the County's applicable portion of the New Hampshire Retirement System's actuarially accrued liability.

GUNSTOCK AREA COMMISSION

Notes to Financial Statements

April 30, 2014 and 2013

1. Summary of Significant Accounting Principles

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.

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.

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.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of checking accounts, savings accounts, and cash on hand.

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.

Inventories

Merchandise available for sale is valued at the lower of cost (under the first-in, first-out method), or market. During the years ended April 30, 2014 and 2013, inventory is reported at net of reserve of obsolescence of \$21,761 and \$21,761, respectively.

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

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.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Sales collected before the revenues are earned are recorded as unearned revenue.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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.

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.

Reclassification

Certain reclassifications have been made to the April 30, 2013 financial statement presentation to correspond to the current year format. These reclassifications had no effect on the change in net position for the year ending April 30, 2013, as previously reported.

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, 2014, the Commission participated in public entity risk pools (Trusts) for worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in the past year. 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 expenditures 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, 2014.

3. Deposits and Investments

Deposits and investments as of April 30, 2014 and 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,778,490	\$ 1,137,421
Investments	<u>173,544</u>	<u>91,167</u>
	<u>\$ 1,952,034</u>	<u>\$ 1,228,588</u>

Deposits and investments as of April 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 9,520	\$ 8,711
Deposits with financial institutions	<u>1,942,514</u>	<u>1,219,877</u>
	<u>\$ 1,952,034</u>	<u>\$ 1,228,588</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 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 Safekeeping Program with the Bank of New York - Mellon.

Under the terms of the agreement, as of April 30, 2014 and 2013, \$1,070,053 and \$869,693, respectively of the Commission's deposits with financial institutions were collateralized. As of April 30, 2014, \$334,357 of the Commission's funds were considered uncollateralized and uninsured.

4. Capital Assets

The following is a summary of changes in capital assets during the years ended April 30, 2014 and 2013:

	Balance 5/1/13	Additions	Reductions	Balance 4/30/14
Capital assets, not being depreciated:				
Land	\$ 2,197,595	\$ -	\$ -	\$ 2,197,595
Construction in progress	49,245	-	(49,245)	-
Total capital assets, not being depreciated	2,246,840	-	(49,245)	2,197,595
Other capital assets:				
Land improvements	2,720,713	59,606	-	2,780,319
Buildings and improvements	4,222,274	119,644	-	4,341,918
Equipment	23,614,730	1,284,062	(224,496)	24,674,296
Leasehold improvements	374,946	-	-	374,946
Total other capital assets at historical cost	30,932,663	1,463,312	(224,496)	32,171,479
Less accumulated depreciation for:				
Land improvements	(1,016,607)	(103,279)	-	(1,119,886)
Buildings and improvements	(3,087,593)	(147,946)	-	(3,235,539)
Equipment	(14,666,436)	(1,115,181)	224,339	(15,557,278)
Leasehold improvements	(241,581)	(47,243)	-	(288,824)
Total accumulated depreciation	(19,012,217)	(1,413,649)	224,339	(20,201,527)
Total other capital assets, net	11,920,446	49,663	(157)	11,969,952
Total capital assets, net	\$ 14,167,286	\$ 49,663	\$ (49,402)	\$ 14,167,547

	Balance 5/1/12	Additions	Reductions	Balance 4/30/13
Capital assets, not being depreciated:				
Land	\$ 2,197,595	\$ -	\$ -	\$ 2,197,595
Construction in progress	-	49,245	-	49,245
Total capital assets, not being depreciated	2,197,595	49,245	-	2,246,840
Other capital assets:				
Land improvements	2,718,323	2,390	-	2,720,713
Buildings and improvements	4,154,624	67,650	-	4,222,274
Equipment	23,710,711	446,469	(542,450)	23,614,730
Leasehold improvements	374,946	-	-	374,946
Total other capital assets at historical cost	30,958,604	516,509	(542,450)	30,932,663
Less accumulated depreciation for:				
Land improvements	(908,280)	(108,327)	-	(1,016,607)
Buildings and improvements	(2,942,281)	(145,312)	-	(3,087,593)
Equipment	(14,118,247)	(1,088,629)	540,440	(14,666,436)
Leasehold improvements	(194,338)	(47,243)	-	(241,581)
Total accumulated depreciation	(18,163,146)	(1,389,511)	540,440	(19,012,217)
Total other capital assets, net	12,795,458	(873,002)	(2,010)	11,920,446
Total capital assets, net	\$ 14,993,053	\$ (823,757)	\$ (2,010)	\$ 14,167,286

Depreciation expense was charged as follows:

	2014	2013
Departmental expenses:		
Trams and tows	\$ 607,437	\$ 596,793
Restaurant	1,850	1,285
Summer attractions	239,561	216,840
Ski shop rentals	24,429	52,771
Ski touring	11,109	11,109
Camping and swimming pool	21,751	22,077
Programs (functions)	10,383	8,804
General expenses	448,652	461,520
Administrative expenses	48,477	18,312
	\$ 1,413,649	\$ 1,389,511

The balance of the assets acquired through capital leases as of April 30, 2014 and 2013 is as follows:

	2014	2013
Equipment	\$ 343,393	\$ 224,543
Less: Accumulated depreciation	(53,335)	(43,779)
	\$ 290,058	\$ 180,764

5. Pension Plan

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. Once a participant reaches the normal retirement age of 62 the remainder of their funds is available.

Covered wages paid under this plan during the fiscal years ended April 30, 2014 and 2013 were \$1,500,900 and \$1,345,819, respectively. The Commission's contributions to the plan during fiscal years 2014 and 2013 were \$75,045 and \$52,946, respectively.

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. Maximum contribution amounts are set up by IRS regulations. 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.

6. Deferred Inflows of Resources

Unearned Revenue

Unearned revenue at April 30, 2014 and 2013 consists of sales collected to various events or products where the revenue was not earned by year end. All revenues are expected to be recognized within one year of receipt. A summary of the principal items of unearned revenue is as follows:

	<u>2014</u>	<u>2013</u>
Camping	\$ 46,209	\$ 63,543
Bike week	24,111	31,940
Seasonal	102,556	80,121
Soulfest	79,936	79,629
Season pass sales - skiing	620,770	610,466
Outstanding gift certificates	230,148	198,618
Other unearned revenues	<u>3,527</u>	<u>13,813</u>
	<u>\$ 1,107,257</u>	<u>\$ 1,078,130</u>

7. 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 received during the winter months.

The changes in short-term revenue anticipation note obligations for the years ended April 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Balance - May 1	\$ -	\$ -
Additions	650,000	650,000
Reductions	<u>(650,000)</u>	<u>(650,000)</u>
Balance - April 30	<u>\$ -</u>	<u>\$ -</u>

8. Long-Term Obligations

Changes in Long-Term Obligations

The changes in long-term debt obligations for the years ended April 30, 2014 and 2013 are as follows:

Type	Balance 5/1/13	Additions	Reductions	Balance 4/30/14	Amounts Due Within One Year
Bonds payable	\$ 6,247,486	\$ -	\$ (647,486)	\$ 5,600,000	\$ 645,000
Capital leases	92,706	256,200	(138,707)	210,199	81,203
	<u>\$ 6,340,192</u>	<u>\$ 256,200</u>	<u>\$ (786,193)</u>	<u>\$ 5,810,199</u>	<u>\$ 726,203</u>

Type	Balance 5/1/12	Additions	Reductions	Balance 4/30/13	Amounts Due Within One Year
Bonds payable	\$ 6,869,972	\$ -	\$ (622,486)	\$ 6,247,486	\$ 647,486
Capital leases	148,955	62,443	(118,692)	92,706	70,742
	<u>\$ 7,018,927</u>	<u>\$ 62,443</u>	<u>\$ (741,178)</u>	<u>\$ 6,340,192</u>	<u>\$ 718,228</u>

General Obligation Bonds

Bonds payable at April 30, 2014 and 2013 are comprised of the following individual issues:

	2014	2013
\$ 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%	\$ 1,750,000	\$ 2,000,000
\$ 1,500,000 bonds due in annual installments of \$ 150,000 through April 29, 2021; interest at 2.59%	1,050,000	1,200,000
\$ 3,250,000 bonds due in an annual installment of \$ 100,000 in January 2010 and \$ 175,000 thereafter until January 2028; interest at 3.500% - 4.375%	2,450,000	2,625,000
\$ 525,000 bonds due in annual installments of \$ 52,500 through October 2018; interest at 3.99%	262,500	315,000
\$ 250,000 bonds due in annual installments of \$ 12,500 through January 2019; interest at 4.98%	62,500	75,000
\$ 100,000 bonds due in annual installments of \$ 5,000 through January 2019; interest at 5.0%	25,000	30,000
\$ 47,320 bonds due in annual installments of \$ 2,486 through September 2014; interest at 0%	-	2,486
	<u>\$ 5,600,000</u>	<u>\$ 6,247,486</u>

Debt service requirements to retire general obligation bonds outstanding at April 30, 2014 are as follows:

Year Ending April 30,	Principal	Interest	Totals
2015	\$ 645,000	\$ 193,450	\$ 838,450
2016	645,000	173,489	818,489
2017	645,000	153,064	798,064
2018	645,000	130,285	775,285
2019	645,000	107,325	752,325
2020 - 2024	1,675,000	280,545	1,955,545
2025 - 2028	700,000	74,376	774,376
	<u>\$ 5,600,000</u>	<u>\$ 1,112,534</u>	<u>\$ 6,712,534</u>

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. Capital leases payable at April 30, 2014 and 2013 are comprised of the following individual issues:

	<u>2014</u>	<u>2013</u>
\$62,443 computer hardware lease due in monthly installments of \$1,890, including interest at 5.649%, through April 2015.	\$ 22,054	\$ 42,650
\$146,300 equipment lease due in monthly installments of \$10,350 between the months of December and April each year, including interest at 3.9%, through April 2014	-	50,056
\$256,200 equipment lease due in monthly installments of \$13,920 between the months of December and April each year, including interest at 5.757% through April 2017	<u>188,145</u>	<u>-</u>
	<u>\$ 210,199</u>	<u>\$ 92,706</u>

Debt service requirements to retire capital lease obligations outstanding at April 30, 2014 are as follows:

Year Ending April 30,	Principal	Interest	Totals
2015	\$ 81,203	\$ 11,173	\$ 92,376
2016	62,646	6,954	69,600
2017	66,350	3,251	69,601
	<u>\$ 210,199</u>	<u>\$ 21,378</u>	<u>\$ 231,577</u>

9. Lease of Area Facilities

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 was renewed for an additional four year term in October 2011. 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, 2014 and 2013, the annual income received from food service commissions was \$389,916 and \$309,480, 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 lives.

For the years ended April 30, 2014 and 2013 the net book value of the leasehold improvements was \$86,122 and \$133,364, respectively, and the recognized capital contributions were \$47,243 and \$47,243, respectively.

Land Parcel

The Commission has contracted with a company to lease a parcel of land to operate a facility to conduct radio, telephone and other telecommunications operations. Per the agreement, 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. In addition, the Commission will receive 25% of rental income if the land parcel is subleased to another entity.

The agreement provides that the Commission will receive rent payable in equal monthly installments. During the years ended April 30, 2014 and 2013, the annual income from the land lease was \$53,300 and \$54,771, respectively. The lessee is responsible for real estate taxes and utilities.

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 Commission will receive an annual trade agreement of signal time from the lessee. During the years ended April 30, 2014 and 2013, the annual income from tower leases was \$21,889 and \$22,526, respectively.

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 were automatically renewed for the next five-year term with one more option for an automatic renewal for five years, with the last event to be held in August 2021. Terms of the agreement provide that the Commission will retain camp-site 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, 2014 and 2013, the annual income from the Soul Festival was as follows:

	<u>2014</u>	<u>2013</u>
Camping	\$ 109,130	\$ 110,920
Chair lift rides	<u>34,983</u>	<u>43,258</u>
	<u>\$ 144,113</u>	<u>\$ 154,178</u>

10. Commitments and Contingencies

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.

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 \$9,000,000 per incident with a general aggregate limit of \$12,000,000. In addition, the Commission has business interruption coverage of \$4,000,000. The Commission has a self-insurance retention plan of \$10,000 for umbrella liability. Insurance coverage for scheduled buildings and contents is \$16,799,799 and \$14,551,620 for inland marine, lifts, and snowmaking equipment; the Commission's deductible is \$10,000 per incident, except for flood or earthquake at \$25,000 per incident.

Litigation

Gunstock Area Commission is involved in certain litigations 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.

11. Subsequent Events

Capital Lease Obligation

During May 2014, the Commission entered into a capital lease agreement in the amount of \$108,500 for the purpose of acquiring a mountain mower. The capital lease obligation is due in monthly installments of \$3,329, including interest at 6.59%, through May 2017.

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

December 31, 2014
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (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	\$ -	\$ 2,485,133	\$2,485,133	0.0%	\$6,425,803	38.67%
01/01/12	\$ -	\$ 2,057,668	\$2,057,668	0.0%	\$7,235,525	28.44%
01/01/14	\$ -	\$ 2,780,329	\$2,780,329	0.0%	\$7,019,767	39.61%

See Independent Auditors' Report.