



STATE OF NEW HAMPSHIRE
Department of Natural and Cultural Resources
OFFICE OF THE COMMISSIONER

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Date: December 12, 2017

To: Philip Bryce, Director of Parks
Michael Housman, Supervisor of Parks
Cc: Jeffrey Rose, Commissioner
Christopher Marino, Business Office Administrator
Gail Wolek, Deputy Director
From: Paul Danielson, Internal Auditor
Re: Mount Sunapee Lease Agreement, Payment Terms

The Internal Auditor from DNCR visited Okemo Mountain on November 9, 2017 to conduct an audit of compliance regarding the Mount Sunapee Lease. Okemo Mountain Resort is under the ownership of Triple Peaks, LLC, who also maintains ownership of the lease for the ski operations at Mount Sunapee State Park. The lease records are kept at Okemo Mountain.

The meeting at Okemo Mountain on November 9, 2017 involved Paul Danielson-DNCR Internal Auditor, Earl Perkins-Okemo Chief Accounting Officer, and Katherine Benson-Okemo Controller. The management team was very cooperative. The requested information for the audit was discussed. The actual documents were sent to the Auditor electronically.

Documents provided for proof of Lease payment compliance:

- Year-End Income Statements for FY14, FY15, FY16, and FY17.
- Each monthly Income Statement for FY17
- Bank Statements for all FY2017
- Detailed Journal for FY2017
- Listing of all items that make up the categories of the Revenue section in the Income Statements

Additional documents provided for proof of compliance on other Lease terms:

- Copy of the \$1,000,000 Surety Bond
- Copy of the Certificate of Liability Insurance
- Annual Operating Plan for Mount Sunapee Resort
- 5 year Master Development Plan (through 2020)

The last audit review was administered in 2014, for Fiscal Year ending 6/30/13. Since then, there has been personnel turnover within the Business Office at DNCR, and the yearly audit of Mt Sunapee has not been completed. This years' audit is covering FY14, FY15, FY16 and FY17.

Each year, Mount Sunapee is also audited by an independent auditing firm, and DNCR receives an Auditors' Report from this independent auditing firm. Their audits of the reported revenue are done on an income tax basis. Each year the report spells this out and states that there is no difference between this method and that of the Generally Accepted Accounting Principles.

The lease consists of two yearly payments. The first payment is paid in June of each year and is comprised of a \$150,000 Base Lease amount that has been adjusted for inflation each year since its inception in 1998. The most recent payment was \$223,861. This amount was determined by taking the prior years' Base Lease payment and adding the CPI percentage of 2.1% as of December 31, 2016. The webpage for the U.S. Bureau of Labor Statistics is used as the source for the CPI information. This source is the same for each of the four years within this audit period. The calculation of CPI was verified for each of the years.

The second portion of payment is calculated by taking 3% of the annual gross revenue at the end of the fiscal year. These payments are always made in December. The payment for receipt in December 2017 has been calculated at \$395,024. Using the supplied detailed ledger, the payment amount was verified. Using the Year-End Income Statements, the Auditor was able to verify the Variable portion of the yearly Lease payments. All Variable payments made during the audit period, using 3% of Total Revenue, were accurate. The only variances were a result of rounding, and did not exceed a dollar. Total Revenue is broken into several categories. Each category was verified. There is a list included in this audit package showing all categories that make up Total Revenue.

The Auditor constructed a spreadsheet to capture the payment information for comparison purposes. This spreadsheet will be expanded for each year going forward.

The lease requires that Mount Sunapee Resort submit an Annual Operating Plan (AOP), on or before May 15th for the upcoming seasonal activities. This report is on file at the DNCR Business Office and was submitted on May 15, 2017. An Environmental Management Plan is included within the Annual Operating Plan.

The lease also requires Mount Sunapee Resort to submit a Master Development Plan (MDP). This MDP is required every five years. The current Revised MDP on file in the DNCR Business Office covers the timeframe of 2016 through 2020.

Mount Sunapee is required to maintain a Performance Bond, with the State of New Hampshire being named as the Owner. This bond must be for a minimum of \$1,000,000. The Sunapee Difference, LLC (d/b/a Mount Sunapee Resort) is the Principal on the bond, while Okemo Mountain Inc. is listed as the Surety. This bond provides the Owner, State of New Hampshire, indemnification from all loss in the case of poor performance by the Principal. A valid copy of this bond was provided by Okemo during this audit.

The lease asks Mount Sunapee Resort to maintain Liability Insurance throughout the life of the lease. A copy of the current Certificate of Liability Insurance was provided.

The Internal Auditor, based on review of all documents for the audit period, has concluded all requirements in the lease agreement involving Mount Sunapee Resort are in compliance.