

**WATERVILLE ESTATES VILLAGE DISTRICT,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017**

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Commissioners
Waterville Estates Village District
Campton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, business-type activities, and major funds of the Waterville Estates Village District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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; 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 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 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 qualified and unmodified audit opinions.

Basis for Qualified Opinion on Business-type Activities and Proprietary Fund

We were unable to adequately observe the beginning and ending inventory counts related to the recreation fund. Beginning inventory was not observed due to the timing of accepting the engagement. Management changed their procedures for performing the year-end inventory during the year, and we were unable to adequately observe, or obtain sufficient appropriate audit evidence to support the ending inventory balance. Variances in inventory accounts would affect the assets, net position, and expenses of the business-type activities and proprietary fund. The amount by which this departure would affect the assets, net position, and expenses of the business type activities and proprietary fund is not readily determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Business-type Activities and Major Proprietary Fund" paragraph, the financial statements referred to above present fairly the financial position of the business-type activities and proprietary fund financial statements of the Waterville Estates Village District, as of December 31, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Waterville Estates Village District
Independent Auditor's Report***

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major general fund of the Waterville Estates Village District as of December 31, 2017, 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

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the Schedule of the District's Proportionate Share of Net Pension Liability and the Schedule of District Contributions 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 them 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 sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterville Estates Village District's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

March 7, 2019

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Statement of Net Position
For the Fiscal Year Ended December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 102,269	\$ 95,246	\$ 197,515
Taxes receivable	350,710	-	350,710
Accounts receivable	3,609	4,710	8,319
Inventory	-	22,014	22,014
Internal balances	13,513	(13,513)	-
Capital assets:			
Land and construction in progress	78,555	-	78,555
Other capital assets, net of depreciation	2,473,328	632,874	3,106,202
Total assets	<u>3,021,984</u>	<u>741,331</u>	<u>3,763,315</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	<u>40,478</u>	<u>53,850</u>	<u>94,328</u>
LIABILITIES			
Accounts payable	16,007	26,457	42,464
Accrued salaries and benefits	10,836	-	10,836
Accrued interest payable	1,310	-	1,310
Other	-	448	448
Long-term liabilities:			
Due within one year	37,082	-	37,082
Due in more than one year	222,689	246,925	469,614
Total liabilities	<u>287,924</u>	<u>273,830</u>	<u>561,754</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - recreation fees	-	2,500	2,500
Amounts related to pensions	<u>23,264</u>	<u>30,949</u>	<u>54,213</u>
Total deferred inflows of resources	<u>23,264</u>	<u>33,449</u>	<u>56,713</u>
NET POSITION			
Net investment in capital assets	2,477,720	632,874	3,110,594
Unrestricted	<u>273,554</u>	<u>(144,972)</u>	<u>128,582</u>
Total net position	<u>\$ 2,751,274</u>	<u>\$ 487,902</u>	<u>\$ 3,239,176</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2017

	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Change in Net Position		Total
			Governmental Activities	Business-type Activities	
Governmental activities:					
General government	\$ 427,038	\$ -	\$ (427,038)	\$ -	\$ (427,038)
Public safety	12,716	-	(12,716)	-	(12,716)
Highways and streets	268,850	-	(268,850)	-	(268,850)
Water distribution and treatment	138,268	-	(138,268)	-	(138,268)
Culture and recreation	497,667	-	(377,667)	-	(377,667)
Interest on long-term debt	3,013	-	(3,013)	-	(3,013)
Total governmental activities	<u>1,347,552</u>	<u>-</u>	<u>(1,227,552)</u>	<u>-</u>	<u>(1,227,552)</u>
Business-type activities:					
Recreation	994,652	927,620	-	(67,032)	(67,032)
Total	<u>\$ 2,342,204</u>	<u>\$ 927,620</u>	<u>(1,227,552)</u>	<u>(67,032)</u>	<u>(1,294,584)</u>
General revenues:					
Taxes:					
Property			1,244,706	-	1,244,706
Other			7,968	-	7,968
Miscellaneous			12,856	14	12,870
On-behalf capital contribution			-	59,493	59,493
Total general revenues			<u>1,265,530</u>	<u>59,507</u>	<u>1,325,037</u>
Change in net position			37,978	(7,525)	30,453
Net position, beginning, as restated (see Note 12)			2,713,296	495,427	3,208,723
Net position, ending			<u>\$ 2,751,274</u>	<u>\$ 487,902</u>	<u>\$ 3,239,176</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Governmental Fund
Balance Sheet
December 31, 2017

	General
ASSETS	
Cash and cash equivalents	\$ 102,269
Taxes receivable	380,710
Accounts receivable	3,609
Interfund receivable	13,513
Total assets	<u>\$ 500,101</u>
LIABILITIES	
Accounts payable	\$ 16,007
Accrued salaries and benefits	10,836
Total liabilities	<u>26,843</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>136,856</u>
FUND BALANCES	
Unassigned	<u>336,402</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 500,101</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position
December 31, 2017

Total fund balances of the governmental fund (Exhibit C-1)		\$ 336,402
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the fund.		
Cost	\$ 5,015,859	
Less accumulated depreciation	<u>(2,463,976)</u>	
		2,551,883
Certain resources are not current financial resources in the governmental fund, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 40,478	
Deferred inflows of resources related to pensions	<u>(23,264)</u>	
		17,214
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental fund.		
Deferred inflows of resources - property taxes	\$ 136,856	
Allowance for uncollectible property taxes	<u>(30,000)</u>	
		106,856
Interest on long-term debt is not accrued in governmental fund.		
Accrued interest payable		(1,310)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the fund.		
Bond	\$ 74,163	
Compensated absences	7,746	
Net pension liability	<u>177,862</u>	
		<u>(259,771)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 2,751,274</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2017

	General
REVENUES	
Taxes	\$ 1,295,162
Miscellaneous	132,856
Total revenues	<u>1,428,018</u>
EXPENDITURES	
Current:	
General government	295,696
Public safety	12,716
Highways and streets	236,535
Water distribution and treatment	138,268
Culture and recreation	777,360
Debt service:	
Principal	37,081
Interest	3,625
Capital outlay	262,831
Total expenditures	<u>1,764,112</u>
Deficiency of revenues under expenditures	<u>(336,094)</u>
Net change in fund balances	(336,094)
Fund balances, beginning	672,496
Fund balances, ending	<u><u>\$ 336,402</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Fund to the Statement of Activities
For the Fiscal Year Ended December 31, 2017

Net change in fund balances of the governmental fund (Exhibit C-3)			\$ (336,094)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.			
	Capitalized capital outlay	\$ 542,523	
	Depreciation expense	<u>(162,677)</u>	
			379,846
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental fund.			
	Change in deferred inflows of resources - property taxes	\$ (12,488)	
	Change in allowance for uncollectible property taxes	<u>(30,000)</u>	
			(42,488)
The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position.			
	Repayment of bond principal		37,081
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the			
	Decrease in accrued interest expense	\$ 612	
	Increase in compensated absences payable	(1,802)	
	Changes in pension amounts related to GASB Statement No. 68	<u>823</u>	
			(367)
Changes in net position of governmental activities (Exhibit B)			<u><u>\$ 37,978</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,280,040	\$ 1,252,674	\$ (27,366)
Miscellaneous	239	132,856	132,617
Total revenues	<u>1,280,279</u>	<u>1,385,530</u>	<u>105,251</u>
EXPENDITURES			
Current:			
General government	291,835	295,696	(3,861)
Public safety	13,396	12,716	680
Highways and streets	272,996	236,535	36,461
Water distribution and treatment	166,635	138,268	28,367
Culture and recreation	618,846	777,360	(158,514)
Debt service:			
Principal	37,081	37,081	-
Interest	2,751	3,625	(874)
Capital outlay	415,830	262,831	152,999
Total expenditures	<u>1,819,370</u>	<u>1,764,112</u>	<u>55,258</u>
Excess (deficiency) of revenue over (under) expenditures	(539,091)	(378,582)	160,509
OTHER FINANCING SOURCES			
Transfers in	539,091	-	(539,091)
Transfers out	-	-	-
Total other financing sources (uses)	<u>539,091</u>	<u>-</u>	<u>(539,091)</u>
Net change in fund balances	<u>\$ -</u>	<u>(378,582)</u>	<u>\$ (378,582)</u>
Unassigned fund balance, beginning		821,840	
Unassigned fund balance, ending		<u>\$ 443,258</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Statement of Net Position
Proprietary Fund
December 31, 2017

	Business-type Activities
	Enterprise Fund (Recreation Fund)
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 95,246
Receivables	4,710
Inventory	22,014
Noncurrent assets:	
Capital assets, net of depreciation	632,874
Total assets	<u>754,844</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	<u>53,850</u>
LIABILITIES	
Current liabilities:	
Accounts payable	26,457
Interfund payable	13,513
Other	448
Noncurrent liabilities:	
Due in more than one year	246,925
Total liabilities	<u>287,343</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - recreation fees	2,500
Amounts related to pensions	30,949
Total deferred inflows of resources	<u>33,449</u>
NET POSITION	
Net investment in capital assets	632,874
Unrestricted	(144,972)
Total net position	<u><u>\$ 487,902</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Statement of Revenues, Expenses, and Change in Net Position
Proprietary Fund
For the Fiscal Year Ended December 31, 2017

	Business-type Activities
	Enterprise Fund (Recreation Fund)
Operating revenues:	
Rental income	\$ 159,000
Management fee	100,000
Tax supplement income	106,422
Membership passes	36,922
Food and beverage income	134,218
Recreation income	8,234
Event and function income	203,769
Campton Mountain	179,055
Total operating revenues	<u>927,620</u>
Operating expenses:	
Salaries and wages	388,401
Operation and maintenance	74,401
Cost of food, beverage, and supplies	131,104
Lounge expenses	228,134
Repairs and maintenance	53,720
Ski area	65,392
Member services	2,872
Depreciation	50,628
Total operating expenses	<u>994,652</u>
Operating loss	<u>(67,032)</u>
Nonoperating revenue:	
Investment and interest income	14
On-behalf capital contribution	59,493
Total nonoperating revenues	<u>59,507</u>
Change in net position	(7,525)
Net position, beginning, as restated (see Note 12)	495,427
Net position, ending	<u><u>\$ 487,902</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-3
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2017

	Business-type Activities
	Enterprise Fund (Recreation Fund)
Cash flows from operating activities:	
Receipts from customers and users	\$ 910,730
Payments to employees	(387,099)
Payments to suppliers	(545,174)
Net cash provided (used) by operating activities	(21,543)
Cash flows from capital and related financing activities:	
Change in interfund borrowings	(72,726)
Cash flows from investing activities:	
Interest income	14
Net decrease in cash	(94,255)
Cash, beginning (<i>as restated for Petty Cash, see Note 13</i>)	189,501
Cash, ending	\$ 95,246

Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities

Operating loss	\$ (67,032)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	50,628
Increase in receivables	(4,710)
Increase in inventory	(661)
Increase in accounts payable	11,010
Increase in other liability	100
Decrease in deferred inflows of resources	(12,180)
Increase in compensated absences liability	2,396
Change in GASB Statement No. 68 balances relating to pensions	(1,094)
Total adjustments	45,489
Net cash used by operating activities	\$ (21,543)

The notes to the basic financial statements are an integral part of this statement.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017**

	<u>NOTE</u>
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WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Waterville Estates Village District, New Hampshire (the District), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the District's accounting policies are described below.

1-A Reporting Entity

The Waterville Estates Village District is a municipal corporation governed by an elected 3-member Board of Commissioners. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The District has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position, with the exception of the long-term costs of retirement healthcare and obligations for other postemployment benefits which have been omitted because the liability and expense have not been determined. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. As in the Statement of Net Position the District has not recorded other postemployment benefit expense in this statement. The types of transactions reported as program revenues for the District are reported in one category, charges for services.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the major governmental funds. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The District has presented all major funds that met those qualifications.

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. For this purpose, the District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

***AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017***

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 District reports the following major governmental fund:

General Fund – is the District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes. The primary expenditures are for general government, public safety, highways and streets, water treatment and distribution, culture and recreation, debt service and capital outlay.

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for the major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The District reports the following major proprietary fund:

Recreation Fund – the fund established pursuant to RSA 35-B:2, II is to receive all fees for the use of the recreational facilities and concessions including building rental and management fees from Waterville Estates Association.

1-C Cash and Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash 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 cash equivalents.”

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-E Receivables

Receivables recorded in the financial statements represent amounts due to the District at December 31. They are aggregated into a single account receivable line (net of allowance for uncollectibles) for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-F Inventory

The inventories of the District are valued at cost using the first-in/first-out (FIFO) method. The inventories of the District’s recreation fund consist of expendable materials and supplies held for consumption. The cost is recorded as an expense when consumed rather than when purchased.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

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1-G Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, parking lots, and similar items), which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

Capital assets are defined by the District as furniture, equipment and small tools with an individual cost of more than \$5,000 and \$50,000 or more for infrastructure and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Land improvements	25
Building and building improvements	10 - 40
Equipment and vehicles	5 - 40
Furniture and fixtures	5 - 15
Infrastructure	10 - 40

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

1-I Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values of April 1 of each year, which are collected by the Town of Campton and Town of Thornton and remitted to the District. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax lines outstanding.

The District's net assessed valuation as of April 1, 2017 utilized in the setting of the tax rate was as follows:

Town of Campton Assessment	\$ 59,341,276
Town of Thornton Assessment	\$ 18,982,969

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
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The tax rates and amounts assessed for the year ended December 31, 2017 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Village District portion:		
Town of Campton	\$16.46	\$ 976,757
Town of Thornton	\$15.79	\$ 299,741

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2017.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-L Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position.

1-M Compensated Absences

The District's policy allows certain employees to earn varying amounts of vacation, sick and compensatory time based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-N Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules are prepared by New Hampshire Retirement System and are audited by the plan's independent auditors.

1-O Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in two components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Unrestricted net position* – All other net position that does not meet the definition of “net investment in capital assets.”

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, or inventory); or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Commissioners through the budgetary process.

Unassigned – This classification includes the amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the District's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the District's operations. At its annual meeting, the District adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2017, none of the beginning general fund unassigned fund balance was applied for this purpose.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

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2-B Budgetary Reconciliation to GAAP Basis

The District employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues:	
Per Exhibit D (budgetary basis)	\$ 1,385,530
Adjustment:	
Basis difference:	
Change in property tax revenue relating to 60-day revenue recognition	12,488
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,428,018</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2017, the reported amount of the District's deposits was \$197,515 and the bank balance was \$385,695. Of the bank balance \$321,993 was covered by federal depository insurance or by collateral held by the pledging bank in the District's name, and \$63,702 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	<u>\$ 197,515</u>
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NOTE 4 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2017. The amount has been reduced by an allowance for an estimated uncollectible amount of \$30,000. Taxes receivable by year are as follows:

	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Property:		
Levy of 2017	\$ 313,077	\$ 313,077
Unredeemed (under tax lien):		
Levy of 2016	27,210	27,210
Levy of 2015	39,147	39,147
Levies of 2014 and prior	1,276	1,276
Less: allowance for estimated uncollectible taxes	(30,000) *	-
Net taxes receivable	<u>\$ 350,710</u>	<u>\$ 380,710</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance, beginning (as restated)	Additions	Disposals	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 62,703	\$ -	\$ -	\$ 62,703
Construction in progress	-	15,852	-	15,852
Total capital assets not being depreciated	<u>62,703</u>	<u>15,852</u>	<u>-</u>	<u>78,555</u>
Being depreciated:				
Land improvements	303,555	72,083	-	375,638
Buildings and building improvements	2,079,468	396,038	-	2,475,506
Equipment and vehicles	473,228	58,550	(28,337)	503,441
Furniture and fixtures	107,963	-	(8,487)	99,476
Infrastructure	1,689,543	-	(206,300)	1,483,243
Total capital assets being depreciated	<u>4,653,757</u>	<u>526,671</u>	<u>(243,124)</u>	<u>4,937,304</u>
Total all capital assets	<u>4,716,460</u>	<u>542,523</u>	<u>(243,124)</u>	<u>5,015,859</u>
Less accumulated depreciation:				
Land improvements	(43,089)	(12,412)	-	(55,501)
Buildings and building improvements	(1,299,747)	(55,420)	-	(1,355,167)
Equipment and vehicles	(234,407)	(37,406)	28,337	(243,476)
Furniture and fixtures	(45,825)	(8,094)	8,487	(45,432)
Infrastructure	(921,355)	(49,345)	206,300	(764,400)
Total accumulated depreciation	<u>(2,544,423)</u>	<u>(162,677)</u>	<u>243,124</u>	<u>(2,463,976)</u>
Net book value, capital assets being depreciated	<u>2,109,334</u>	<u>363,994</u>	<u>-</u>	<u>2,473,328</u>
Net book value, all governmental activities capital assets	<u>\$ 2,172,037</u>	<u>\$ 379,846</u>	<u>\$ -</u>	<u>\$ 2,551,883</u>
Business-type activities:				
At cost:				
Being depreciated:				
Buildings and building improvements	\$ 264,096	\$ -	\$ -	\$ 264,096
Equipment and vehicles	621,571	-	(71,417)	550,154
Furniture and fixtures	69,929	-	(25,093)	44,836
Infrastructure	188,832	59,493	-	248,325
Total capital assets being depreciated	<u>1,144,428</u>	<u>59,493</u>	<u>(96,510)</u>	<u>1,107,411</u>
Total all capital assets	<u>1,144,428</u>	<u>59,493</u>	<u>(96,510)</u>	<u>1,107,411</u>
Less accumulated depreciation:				
Buildings and building improvements	(48,301)	(7,984)	-	(56,285)
Equipment and vehicles	(379,510)	(29,757)	71,417	(337,850)
Furniture and fixtures	(50,111)	(4,384)	25,093	(29,402)
Infrastructure	(42,497)	(8,503)	-	(51,000)
Total accumulated depreciation	<u>(520,419)</u>	<u>(50,628)</u>	<u>96,510</u>	<u>(474,537)</u>
Net book value, capital assets being depreciated	<u>624,009</u>	<u>8,865</u>	<u>-</u>	<u>632,874</u>
Net book value, all business-type activities capital assets	<u>\$ 624,009</u>	<u>\$ 8,865</u>	<u>\$ -</u>	<u>\$ 632,874</u>

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Depreciation expense was charged to functions of the District based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental activities:	
General government	\$ 130,362
Highways and streets	32,315
Total depreciation expense	<u>\$ 162,677</u>
Business-type activities:	
Recreation	<u>\$ 50,628</u>

NOTE 6 – INTERFUND BALANCES

Interfund Balances - The composition of interfund balances as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Recreation	<u>\$ 13,513</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$40,378 in the governmental activities and \$53,850 in the business-type activities are related to pensions, see Note 10.

Deferred inflows of resources are as follows:

	Governmental Activities	Business-type Activities	General Fund
District's portion of property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ -	\$ 136,856 *
Recreation fees collected in advance	-	2,500	-
Amounts related to pensions (see Note 9)	23,264	30,949	-
Total deferred inflows of resources	<u>\$ 23,264</u>	<u>\$ 33,449</u>	<u>\$ 136,856</u>

*Not recognized on the full accrual basis of accounting.

NOTE 8 – SHORT-TERM DEBT

Changes in District's short-term borrowings during the year ended December 31, 2017 consisted of the following:

	Original	Interest	Balance			Balance
Governmental Activities	Issue	Rate	January 1,	Additions	Reductions	December 31,
Tax anticipation note	<u>\$ 200,000</u>	1.86%	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ (200,000)</u>	<u>\$ -</u>

The purpose of the short-term borrowings was to provide for interim financing of general fund operations. Interest of \$571 was paid on the note during the year.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 9 – LONG-TERM LIABILITIES

Changes in the District's long-term liabilities consisted of the following for the year ended December 31, 2017:

	Balance January 1, 2017 (as restated)	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Governmental activities:					
General obligation bond payable	\$ 111,244	\$ -	\$ (37,081)	\$ 74,163	\$ 37,082
Compensated absence liability	5,944	1,802	-	7,746	-
Net pension liability	178,731	-	(869)	177,862	-
Total long-term liabilities	<u>\$ 295,919</u>	<u>\$ 1,802</u>	<u>\$ (37,950)</u>	<u>\$ 259,771</u>	<u>\$ 37,082</u>
Business-type activities:					
Compensated absences	\$ 7,908	\$ 2,396	\$ -	\$ 10,304	\$ -
Net pension liability	237,777	-	(1,156)	236,621	-
Total long-term liabilities	<u>\$ 245,685</u>	<u>\$ 2,396</u>	<u>\$ (1,156)</u>	<u>\$ 246,925</u>	<u>\$ -</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2017	Current Portion
General obligation bond payable:						
Water project	\$ 259,570	2013	2019	2.48%	<u>\$ 74,163</u>	<u>\$ 37,082</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2017, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2018	\$ 37,082	\$ 1,839	\$ 38,921
2019	37,081	920	38,001
Totals	<u>\$ 74,163</u>	<u>\$ 2,759</u>	<u>\$ 76,922</u>

All debt is general obligation debt of the District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was 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 Pension 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 with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

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Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions: The System is financed by contributions from both the employees and the District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2017, the District contributed the following amounts:

Period	All Other Employees
January 1, 2017 thru June 30, 2017	11.17%
July 1, 2017 thru December 31, 2017	11.38%

The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$24,578, \$28,689 and \$35,536, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions: At December 31, 2017 the District reported a total liability of \$414,483, of which \$177,862 reported in the governmental activities and \$236,621 reported in the business-type activities for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the District's proportion was .00842789% which was an increase of .00059526% from its proportion measured as of June 30, 2016.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

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For the year ended December 31, 2017, the District recognized pension expense of \$32,016. At December 31, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities:		
Changes in proportion	\$ 14,424	\$ 18,735
Changes in assumption	17,860	-
Net difference between projected and actual investment earnings on pension plan investments	-	2,265
Difference between expected and actual experience	403	2,264
Contributions subsequent to the measurement date	7,791	-
Total governmental activities	<u>40,478</u>	<u>23,264</u>
Business-type activities:		
Changes in proportion	19,188	24,924
Changes in assumption	23,760	-
Net difference between projected and actual investment earnings on pension plan investments	-	3,014
Difference between expected and actual experience	537	3,011
Contributions subsequent to the measurement date	10,365	-
Total business-type activities	<u>53,850</u>	<u>30,949</u>
Grand total	<u>\$ 94,328</u>	<u>\$ 54,213</u>

The \$18,156 reported as deferred outflows of resources related to pensions results from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2018	\$ (1,854)	\$ (2,467)	\$ (4,321)
2019	4,076	5,422	9,498
2020	7,763	10,327	18,090
2021	(561)	(747)	(1,308)
Totals	<u>\$ 9,424</u>	<u>\$ 12,535</u>	<u>\$ 21,959</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions which, accordingly apply to 2017 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017**

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2017
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(.025%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%		1% Increase 8.25%
June 30, 2017	\$ 546,061	\$	414,483	\$ 306,660
June 30, 2016	\$ 535,184	\$	416,508	\$ 318,084

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the District's contractual agreements. There are six participants currently eligible. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in general fund of the funds financial statements as payments are made.

The Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which was effective for the District on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The District has not implemented GASB Statement No. 45 at December 31, 2017 or contracted with an actuarial firm to assist in evaluating the impact of this standard on the District. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

NOTE 12 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2017 include the following:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net property, buildings, and equipment	\$ 2,551,883	\$ 632,874	\$ 3,184,757
Less:			
Bond payable	(74,163)	-	(74,163)
Total net investment in capital assets	2,477,720	632,874	3,110,594
Unrestricted	273,554	(144,972)	128,582
Total net position	<u>\$ 2,751,274</u>	<u>\$ 487,902</u>	<u>\$ 3,239,176</u>

None of the net position is restricted by enabling legislation.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Net position at January 1, 2017 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities	Proprietary Fund
Remove capital assets, incorrectly reported in the prior year	\$ (116,193)	\$ (150,358)	\$ (150,358)
Allocation of GASB Statement No. 68 pension related balances to Recreation Fund	214,814	(214,814)	(214,814)
Allocation of compensated absences liability to Recreation Fund	7,908	(7,908)	(7,908)
To record petty cash balances, not previously reported	-	5,050	5,050
To reclassify prior year agent receipts to liability	-	(15,447)	(15,447)
Net position, as previously reported	2,606,767	878,904	878,904
Net position, as restated	<u>\$ 2,713,296</u>	<u>\$ 495,427</u>	<u>\$ 495,427</u>

NOTE 14 – RELATED PARTY TRANSACTIONS

Effective July 1, 2006, the District established a Recreation Revolving Fund pursuant to RSA 35-B:2,11. The fund is a proprietary fund for accounting and reporting purposes. The fund receives all fees for the use of recreational facilities and concessions, including building rental and management fees from Waterville Estates Association, a related homeowner's association. Additionally, Waterville Estates Association may also contribute funding for capital improvements or provide in-kind contributions of capital items. Rent and management fees received for the year ended December 31, 2017 were \$159,000, and \$100,000 respectively.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

NOTE 15 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2017, the District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2017 to December 31, 2017 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Waterville Estates Village District billed and paid for the year ended December 31, 2017 was \$19,371 for workers' compensation and \$25,899 for property/liability.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through March 7, 2019, the date the December 31, 2017 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Schedule of the District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2017

<u>Fiscal Year End</u>	<u>Valuation Date</u>	<u>District's Proportion of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
December 31, 2017	June 30, 2017	0.00842789%	\$ 414,483	\$ 284,755	145.56%	62.66%
December 31, 2016	June 30, 2016	0.00783263%	\$ 416,508	\$ 206,971	201.24%	58.30%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT G
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Schedule of District Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2017

<u>Fiscal Year End</u>	<u>Valuation Date</u>	<u>Contractually Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	June 30, 2017	\$ 30,875	\$ 30,875	\$ -	\$ 284,755	10.84%
December 31, 2016	June 30, 2016	\$ 28,047	\$ 28,047	\$ -	\$ 206,971	13.55%

The note to the required supplementary information is an integral part of this schedule.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

Schedule of the District's Proportionate Share of Net Pension Liability & Schedule of District Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the District's pension plan at December 31, 2017, and preceding year.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2017:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 Years beginning July 1, 2017 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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These schedules are presented to show information for 10 years. However, information is only presented for years which information is available.

INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2017

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,276,080	\$ 1,244,706	\$ (31,374)
Interest and penalties on taxes	3,960	7,968	4,008
Total from taxes	<u>1,280,040</u>	<u>1,252,674</u>	<u>(27,366)</u>
Miscellaneous:			
Interest on investments	239	340	101
WEA capital contribution	-	120,000	120,000
Other	-	12,516	12,516
Total from miscellaneous	<u>239</u>	<u>132,856</u>	<u>132,617</u>
Other financing sources:			
Transfers in	539,091	-	(539,091)
Total revenues and other financing sources	<u>\$ 1,819,370</u>	<u>\$ 1,385,530</u>	<u>\$ (433,840)</u>

SCHEDULE 2
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2017

	Appropriations	Expenditures	Variance Positive (Negative)
Current:			
General government:			
Executive	\$ 158,231	\$ 161,437	\$ (3,206)
Financial administration	7,700	16,185	(8,485)
Legal	12,558	15,171	(2,613)
Personnel administration	10,614	32,826	(22,212)
Insurance, not otherwise allocated	87,549	56,805	30,744
Advertising and regional associations	53	150	(97)
Other	15,130	13,122	2,008
Total general government	<u>291,835</u>	<u>295,696</u>	<u>(3,861)</u>
Public safety:			
Fire	<u>13,396</u>	<u>12,716</u>	<u>680</u>
Highways and streets:			
Public works garage	2,799	4,335	(1,536)
Highways and streets	269,622	232,200	37,422
Other	575	-	575
Total highways and streets	<u>272,996</u>	<u>236,535</u>	<u>36,461</u>
Water distribution and treatment			
Water services	158,096	131,266	26,830
Water treatment	8,539	7,002	1,537
Total water distribution and treatment	<u>166,635</u>	<u>138,268</u>	<u>28,367</u>
Culture and recreation:			
Parks and recreation	<u>618,846</u>	<u>777,360</u>	<u>(158,514)</u>
Debt service:			
Principal of long-term debt	37,081	37,081	-
Interest on long-term debt	2,751	2,749	2
Interest on tax anticipation notes	-	876	(876)
Total debt service	<u>39,832</u>	<u>40,706</u>	<u>(874)</u>
Capital outlay	<u>415,830</u>	<u>262,831</u>	<u>152,999</u>
Total appropriations, expenditures, and other financing uses	<u>\$ 1,819,370</u>	<u>\$ 1,764,112</u>	<u>\$ 55,258</u>

SCHEDULE 3
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2017

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 821,840
Changes:		
2017 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (433,840)	
Unexpended balance of appropriations (Schedule 2)	<u>55,258</u>	
2017 Budget deficit		<u>(378,582)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		443,258
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To record deferred inflows of resources for property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(136,856)
To remove the allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>30,000</u>
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		<u><u>\$ 336,402</u></u>



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

To the Members of the Board of Commissioners
Waterville Estates Village District
Campton, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, and major funds of Waterville Estates Village District as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Waterville Estates Village District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Village District's internal control to be material weaknesses:

Commingling of Funds and Streamline Recording of Activity

In reviewing the Village District's internal control processes and procedures over processing transactions, we noted a consistent commingling of funds. General fund revenues and expenditures were being deposited in, and paid from recreation fund bank accounts, and recreation fund revenues, and expenses were being deposited in, and paid from general fund bank accounts. Additionally, deposits related to Waterville Estates Village District and Waterville Estates Association were being commingled, and deposited based on where the funds were collected, not which entity had a right to the funds. This process relies on manual adjustments and interfund accounting to ensure that each fund and entity has reported the proper, assets, liabilities, revenue, and expenses or expenditures.

In some instances, we identified four entries that were required to ensure that a transaction was recorded in the proper entity and fund, at the proper amount. Additionally, we identified transactions where the interfund accounting and adjustments were not recorded, resulting in audit adjustments to properly account for the transaction between funds.

The Village District separated the recreation fund into a separate QuickBooks company file during 2017, however additional adjustments were required during the audit to bring over the proper balances and activity related to the recreation fund. While separate QuickBooks files are now maintained for the general fund and recreation fund of Waterville Estates Village District, and for Waterville Estates Association, activity is not always directly recorded in the proper fund, or entity due to the inadequate design of transaction processing cycles.

Significant additional time was spent during the audit to review activity and multiple adjustments, and to determine if transactions were properly recorded. Additionally, significant time and resources are being expended by the Village District to perform multiple adjustments in order to account for a single transaction. This leads to an increased risk that a material misstatement could occur, and not be detected in a timely manner.

Waterville Estates Village District

Independent Auditor's Communication of Significant Deficiencies and Material Weaknesses

We recommend that the Village District review all transaction processing to develop a streamlined process where transactions are recorded in the proper entity, funds, and bank accounts at the origination of the transaction, to alleviate the need for multiple adjustments. This will decrease the risk of misstatements across transaction classes.

Physical Inventory

During our audit, we noted that the Village District does not have a consistent system of taking periodic inventory counts. This is a serious weakness in the system of controls and has the potential for allowing abuse, including fraud and other defalcation, to exist and not be detected. Physical counts of inventory should be performed at least on a monthly basis. The inventory listing should be reconciled to the general ledger. A procedure should be implemented to ensure that cost of goods sold entries, along with any other adjustments occur on a monthly basis.

During our observation of year-end inventory, we noted that the Village District videotaped their year-end inventory to be transcribed into a formal written inventory at a later date. During this process, a portion of the inventory was not captured on video or deleted, leaving no record of this portion of the inventory at year-end. Additionally, we noted that transfers of inventory between locations were not recorded or tracked. As a result of these conditions, we were unable to obtain sufficient appropriate audit evidence to express an opinion on this balance, and as a result we modified our audit opinion relative to this matter.

Budgeting

We noted significant variances between amounts budgeted and approved by voters, and actual results of activity recorded. A large percentage of the variances relate to the budgeting of recreation expenses in both the general fund and the proprietary recreation fund, and capital items purchased by one fund for the benefit of the other fund. The amount of recreation expenditures actually recorded in the general fund appeared to be based on the revenue results and financial position of the recreation fund, rather than an identifiable or systematic process of allocating expenditures between funds. We recommend that an expenditure budget be created based on a reasonable, systematic process of allocating expenditures. An alternative to this approach, would be to budget all recreation expenditures in the proprietary recreation fund, and budget one amount, representing the general fund's subsidy of the difference between the total recreation expenditure budget, anticipated recreation revenue, and revenue committed from Waterville Estates Association.

Procedural changes need to be made relative to the purchase and recording of capital items, and transfers of funds by Waterville Estates Association for the benefit of Waterville Estates Village District. According to the Recreation Management Agreement dated October 29, 2016, between Waterville Estates Village District and Waterville Estates Association, *"On or before November 1 of each year, the Association shall advise the District of the irrevocable commitment of the amount of money the Association shall make available to the District for recreational activities for the ensuing year. At this time the Association shall also provide a proposed program of recreational activities, together with the estimated cost of each such activity. Additionally the Association shall provide a separate proposal for capital improvements, all with a corresponding commitment of Association funds to be made available for such."* The Village District should use the accepted, irrevocable commitment from the Association in developing the annual budgets for the general and recreation funds. Commitments pledged for the benefit of the general fund should be budgeted directly in the general fund in an identifiable account, funds should be transferred directly to the general fund bank account, and purchases should be made from this account. The transfers should be recorded in a clearly identifiable manner in the general fund. If the transfer is related to the purchase of the capital item, the nature of the expenditure should also be clearly identified, so the Village District can properly record the item for financial reporting purposes. This process should also be followed for commitments pledged to the recreation fund.

Monthly Reconciliations

The general ledger is not being reconciled monthly basis. Additional time was spent by the Village District staff during the audit providing documentation to the auditors regarding account balances and activity contained in the general ledger, beyond what is normally required in an audit. Some of these requests related to duplicate recordings of activity, or incorrect adjusting journal entries posted in the system. As a result, certain account balances were materially misstated prior to significant adjustment during the audit. Accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in the financial statements.

We strongly recommend that the Village District establish more effective review and reconciliation policies and procedures as a customary part of the accounting and financial close process. As these monthly reconciliations are completed they should be reviewed and approved by an appropriate member of management. This will allow the Village District to provide more accurate and timely financial information.

***Waterville Estates Village District
Independent Auditor's Communication of Significant Deficiencies and Material Weaknesses***

Point of Sale Reconciliations

The Village District converted to a new point of sale system and software during the fiscal year. The historical data from the old system was no longer available to the Village District after the conversion. The reporting retained from the old system was not adequate to perform a reconciliation of the revenue recorded in the point of sale system to the revenue recorded in the general ledger, leading to an increased risk that recorded revenue was misstated or misclassified. We recommend that the Village District implement a procedure to reconcile the revenue recorded in the point of sale system to the revenue recorded in the general ledger on a regular basis. Any discrepancies between the two systems should be identified and resolved in a timely manner.

Adjusting Journal Entries

During the audit, it was noted that most journal entries were not authorized and did not have supporting documentation. We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring entries is established at the beginning of the year. Nonrecurring journal entries would require individual authorization by management. Journal entries should always be supported by appropriate documentation where possible. Good documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

During our audit, we also noted an excessive number of journal entries were being performed, in order to account for the commingling of funds that resulted from the Village District's making deposits and processing disbursements in bank accounts that were not related to the fund where revenue and expenditures or expenses were ultimately recognized. We recommend that access to posting adjusting journal entries be reviewed to ensure that only properly qualified staff have access to making adjusting journal entries.

Review of Accounting Software Permissions and Proper Segregation of Duties

Accounting software permission should be reviewed, and employees should be restricted to permissions relevant and appropriate to their position. Software permissions are critical in ensuring that employees are not able to override internal control policies and procedures designed by management. We noted that the General Manager, who has the authority to authorize and approve disbursements, also has full general ledger access in QuickBooks, and is a signer on the Village District's bank accounts. We recommend that the General Manager be restricted to read only access in QuickBooks, and that other employee permissions be reviewed to ensure that segregation of duty issues, and permission issues are corrected to the extent possible.

Treasurer

We noted that during the period under audit there was no elected or appointed Treasurer for the Village District. According to State statute, *RSA 41:29-a Treasurer's Duties*, a Treasurer should be appointed to keep a separate set of cash records which are reconciled monthly to the Village District's cash general ledger account and be the signer on the bank accounts. We recommend that the Village District appoint a Treasurer as soon as possible.

Accounting Policies and Procedures

During our audit, we noted that the Village District has not developed several accounting policies and procedures. Reconciliation policies and procedures have not been established, and reconciliations of certain accounts are not consistently performed. The Village District has started the process of documenting various procedures in the finance department. We recommend that they continue to document these procedures, and ultimately develop Board approved policies, that are maintained in a formal procedures manual. This procedures manual should be distributed to all employees, to ensure that proper procedures and related internal controls are in place and consistently followed.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Approval of Vendor and Payroll Manifest

Disbursements must be properly approved and reviewed to ensure that unauthorized disbursements are not being processed. We recommend that a majority of the board or the General Manager approve all check manifests, and that approval is evidenced in writing. This approval should be obtained prior to the signing of checks by the Treasurer, in accordance with State statute, *RSA 41:29-a Treasurer's Duties*.

Waterville Estates Village District

Independent Auditor's Communication of Significant Deficiencies and Material Weaknesses

The communication is intended solely for the information and use of management, the Village District Board of Commissioners and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

March 7, 2019

*Plodzik & Sanderson
Professional Association*