

**WATERVILLE ESTATES VILLAGE DISTRICT,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

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PLODZIK & SANDERSON

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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 each major fund (governmental and proprietary) of the Waterville Estates Village District as of and for the year ended December 31, 2018, 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 unmodified and adverse audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-type Activities	Adverse
Major General Fund	Unmodified
Major Water Fund	Unmodified
Major Proprietary Fund	Adverse

Basis for Adverse Opinion on Governmental Activities, Business-type Activities, and Major Proprietary Fund

As discussed in Note 1-O to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits for the single employer plan in the governmental activities, business-type activities and major proprietary fund. Accounting principles generally accepted in the United States of America require

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that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities, business-type activities, and major proprietary fund. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities, business-type activities and major proprietary fund is not readily determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities, Business-type Activities, and Major Proprietary Fund" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide and proprietary fund financial statements of the Waterville Estates Village District, as of December 31, 2018, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major general fund and major water fund of the Waterville Estates Village District as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the major general and water funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2018 the District adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are modified with respect to this matter.

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 following be presented to supplement the basic financial statements:

- Schedule of the District's Proportionate Share of Net Pension Liability,
- Schedule of District Contributions – Pensions,
- Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of District Contributions – Other Postemployment Benefits,
- Notes to the Required Supplementary Information

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

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Independent Auditor's Report*

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.

December 11, 2019

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Statement of Net Position
December 31, 2018

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 64,169	\$ 141,463	\$ 205,632
Taxes receivables (net)	711,370	-	711,370
Account receivables	3,098	1,227	4,325
Internal balances	57,986	(57,986)	-
Inventory	-	22,590	22,590
Capital assets:			
Land and construction in progress	78,555	-	78,555
Other capital assets, net of depreciation	2,300,304	581,738	2,882,042
Total assets	<u>3,215,482</u>	<u>689,032</u>	<u>3,904,514</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	67,299	33,128	100,427
Amounts related to other postemployment benefits	944	465	1,409
Total deferred outflows of resources	<u>68,243</u>	<u>33,593</u>	<u>101,836</u>
LIABILITIES			
Accounts payable	62,203	35,662	97,865
Accrued salaries and benefits	10,202	-	10,202
Accrued interest payable	655	-	655
Long-term liabilities:			
Due within one year	37,081	-	37,081
Due in more than one year	314,383	162,319	476,702
Total liabilities	<u>424,524</u>	<u>197,981</u>	<u>622,505</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - recreation fees	-	2,500	2,500
Amounts related to pensions	24,125	11,875	36,000
Amounts related to other postemployment benefits	23	11	34
Total deferred inflows of resources	<u>24,148</u>	<u>14,386</u>	<u>38,534</u>
NET POSITION			
Net investment in capital assets	2,341,778	581,738	2,923,516
Unrestricted	493,275	(71,480)	421,795
Total net position	<u>\$ 2,835,053</u>	<u>\$ 510,258</u>	<u>\$ 3,345,311</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, 2018

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position		Total
			Governmental Activities	Business-type Activities	
Governmental activities:					
General government	\$ 480,596	\$ -	\$ (480,596)	\$ -	\$ (480,596)
Public safety	17,355	-	(17,355)	-	(17,355)
Highways and streets	274,911	-	(274,911)	-	(274,911)
Water distribution and treatment	187,522	101,379	(86,143)	-	(86,143)
Culture and recreation	454,200	-	(454,200)	-	(454,200)
Interest on long-term debt	2,438	-	(2,438)	-	(2,438)
Total governmental activities	<u>1,417,022</u>	<u>101,379</u>	<u>(1,315,643)</u>	<u>-</u>	<u>(1,315,643)</u>
Business-type activities:					
Recreation	871,708	896,084	-	24,376	24,376
Total	<u>\$ 2,288,730</u>	<u>\$ 997,463</u>	<u>(1,315,643)</u>	<u>24,376</u>	<u>(1,291,267)</u>
General revenues:					
Taxes:					
Property			1,392,310	-	1,392,310
Other			7,382	-	7,382
Unrestricted investment earnings			282	15	297
Miscellaneous			3,584	-	3,584
Total general revenues			<u>1,403,558</u>	<u>15</u>	<u>1,403,573</u>
Change in net position			87,915	24,391	112,306
Net position, beginning, as restated (see Note 15)			<u>2,747,138</u>	<u>485,867</u>	<u>3,233,005</u>
Net position, ending			<u>\$ 2,835,053</u>	<u>\$ 510,258</u>	<u>\$ 3,345,311</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 Funds
Balance Sheet
December 31, 2018

	General	Water	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 57,104	\$ 7,065	\$ 64,169
Taxes receivable	751,370	-	751,370
Accounts receivable	-	3,098	3,098
Interfund receivable	58,252	-	58,252
Total assets	<u>\$ 866,726</u>	<u>\$ 10,163</u>	<u>\$ 876,889</u>
LIABILITIES			
Accounts payable	\$ 53,454	\$ 8,749	\$ 62,203
Accrued salaries and benefits	10,202	-	10,202
Interfund payable	-	266	266
Total liabilities	<u>63,656</u>	<u>9,015</u>	<u>72,671</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	164,431	-	164,431
FUND BALANCES			
Committed	-	1,148	1,148
Unassigned	638,639	-	638,639
Total fund balances	<u>638,639</u>	<u>1,148</u>	<u>639,787</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 866,726</u>	<u>\$ 10,163</u>	<u>\$ 876,889</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 - Governmental Funds to the Statement of Net Position
December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)		\$ 639,787
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 5,018,692	
Less accumulated depreciation	<u>(2,639,833)</u>	
		2,378,859
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 67,299	
Deferred inflows of resources related to pensions	(24,125)	
Deferred outflows of resources related to OPEB	944	
Deferred inflows of resources related to OPEB	<u>(23)</u>	
		44,095
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (266)	
Payables	<u>266</u>	
		-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$ 164,431	
Allowance for uncollectible property taxes	<u>(40,000)</u>	
		124,431
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(655)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Note	\$ 37,081	
Compensated absences	13,810	
Net pension liability	293,352	
Other postemployment benefits	<u>7,221</u>	
		(351,464)
Net position of governmental activities (Exhibit A)		<u><u>\$ 2,835,053</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 Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2018

	General	Water	Total Governmental Funds
REVENUES			
Taxes			
Charges for services	\$ 1,382,117	\$ -	\$ 1,382,117
Miscellaneous	-	101,379	101,379
Total revenues	<u>3,781</u>	<u>85</u>	<u>3,866</u>
	<u>1,385,898</u>	<u>101,464</u>	<u>1,487,362</u>
EXPENDITURES			
Current:			
General government	309,442	-	309,442
Public safety	17,355	-	17,355
Highways and streets	222,902	-	222,902
Water distribution and treatment	-	138,177	138,177
Culture and recreation	451,528	-	451,528
Debt service:			
Principal	-	37,082	37,082
Interest	1,247	1,846	3,093
Capital outlay	-	4,398	4,398
Total expenditures	<u>1,002,474</u>	<u>181,503</u>	<u>1,183,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>383,424</u>	<u>(80,039)</u>	<u>303,385</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	81,187	81,187
Transfers out	(81,187)	-	(81,187)
Total other financing sources (uses)	<u>(81,187)</u>	<u>81,187</u>	<u>-</u>
Net change in fund balances	302,237	1,148	303,385
Fund balances, beginning	336,402	-	336,402
Fund balances, ending	<u>\$ 638,639</u>	<u>\$ 1,148</u>	<u>\$ 639,787</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 - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2018

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 303,385
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 14,052	
Depreciation expense	<u>(187,345)</u>	(173,293)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net position.		269
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (81,187)	
Transfers out	<u>81,187</u>	
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		-
Change in deferred inflows of resources - property taxes	\$ 27,575	
Change in allowance for uncollectible property taxes	<u>(10,000)</u>	
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		17,575
Repayment of note principal		37,082
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 governmental funds.		
Decrease in accrued interest expense	\$ 655	
Increase in compensated absences payable	(6,064)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(89,530)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(2,164)</u>	
Changes in net position of governmental activities (Exhibit B)		<u>(97,103)</u>
		<u>\$ 87,915</u>

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

EXHIBIT D-1
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, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,398,210	\$ 1,399,692	\$ 1,482
Miscellaneous	184	3,781	3,597
Total revenues	<u>1,398,394</u>	<u>1,403,473</u>	<u>5,079</u>
EXPENDITURES			
Current:			
General government	311,007	309,442	1,565
Public safety	13,798	17,355	(3,557)
Highways and streets	320,478	222,902	97,576
Culture and recreation	587,450	451,528	135,922
Debt service:			
Interest	-	1,247	(1,247)
Total expenditures	<u>1,232,733</u>	<u>1,002,474</u>	<u>230,259</u>
Excess of revenues over expenditures	<u>165,661</u>	<u>400,999</u>	<u>235,338</u>
OTHER FINANCING USES			
Transfers out	<u>(165,661)</u>	<u>(81,187)</u>	<u>84,474</u>
Net change in fund balances	<u>\$ -</u>	<u>319,812</u>	<u>\$ 319,812</u>
Unassigned fund balance, beginning		443,258	
Unassigned fund balance, ending		<u>\$ 763,070</u>	

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

EXHIBIT D-2
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Water Fund
For the Fiscal Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services			
Miscellaneous	\$ 102,600	\$ 101,379	\$ (1,221)
Total revenues	<u>-</u>	<u>85</u>	<u>85</u>
	<u>102,600</u>	<u>101,464</u>	<u>(1,136)</u>
EXPENDITURES			
Current:			
Water distribution and treatment	175,791	138,177	37,614
Debt service:			
Principal	37,081	37,082	(1)
Interest	1,839	1,846	(7)
Capital outlay	<u>53,550</u>	<u>4,398</u>	<u>49,152</u>
Total expenditures	<u>268,261</u>	<u>181,503</u>	<u>86,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(165,661)</u>	<u>(80,039)</u>	<u>85,622</u>
OTHER FINANCING SOURCES			
Transfers in	<u>165,661</u>	<u>81,187</u>	<u>(84,474)</u>
Net change in fund balances	<u>\$ -</u>	<u>1,148</u>	<u>\$ 1,148</u>
Committed fund balance, beginning		-	
Committed fund balance, ending		<u>\$ 1,148</u>	

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

EXHIBIT E-1
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
December 31, 2018

	Business-type Activities
	Enterprise Fund (Recreation Fund)
ASSETS	
Cash and cash equivalents	
Accounts receivable	\$ 141,463
Inventory	1,227
Total assets	22,590
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	33,128
Amounts related to other postemployment benefits	465
Total deferred outflows of resources	33,593
LIABILITIES	
Current liabilities:	
Accounts payable	35,662
Internal balances	57,986
Long term liabilities:	
Due in more than one year	162,319
Total liabilities	255,967
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - recreation fees	2,500
Amounts related to pensions	11,875
Amounts related to other postemployment benefits	11
Total deferred inflows of resources	14,386
NET POSITION	
Net investment in capital assets	581,738
Unrestricted	(71,480)
Total net position	\$ 510,258

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

EXHIBIT E-2
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2018

	Business-type Activities
	Enterprise Fund (Recreation Fund)
Operating revenues:	
Rental income	\$ 272,000
Management fee	100,000
Membership passes	37,586
Food and beverage income	151,940
Recreation income	7,686
Event and function income	145,854
Campton Mountain	181,018
Total operating revenues	896,084
Operating expenses:	
Salaries and wages	346,741
Operation and maintenance	61,998
Cost of food, beverage, and supplies	141,952
Lounge expenses	119,783
Repairs and maintenance	63,850
Ski area	79,356
Member services	6,892
Depreciation	51,136
Total operating expenses	871,708
Operating gain	24,376
Nonoperating revenue:	
Interest income	15
Change in net position	24,391
Net position, beginning, as restated (see Note 15)	485,867
Net position, ending	\$ 510,258

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, 2018

	<u>Business-type Activities</u>
	<u>Enterprise Fund (Recreation Fund)</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 899,567
Payments to employees	(432,188)
Payments to suppliers	(465,650)
Net cash provided by operating activities	<u>1,729</u>
Cash flows from capital and related financing activities:	
Change in interfund borrowing/loans	<u>44,473</u>
Cash flows from investing activities:	
Interest received	<u>15</u>
Net increase in cash	46,217
Cash, beginning	95,246
Cash, ending	<u>\$ 141,463</u>

Reconciliation of Operating Gain to Net Cash Provided by Operating Activities

Operating gain	<u>\$ 24,376</u>
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation expense	51,136
Decrease in receivables	3,483
Increase in inventory	(576)
Increase in accounts payable	9,205
Decrease in other liability	(448)
Increase in compensated absences liability	4,061
Increase in GASB Statement No. 68 balances relating to pensions	(90,573)
Increase in GASB Statement No. 75 balances relating to OPEB	1,065
Total adjustments	<u>(22,647)</u>
Net cash provided by operating activities	<u>\$ 1,729</u>

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, 2018**

	<u>NOTE</u>
Summary of Significant Accounting Policies	
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WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Waterville Estates Village District, New Hampshire (the District), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 1-O for further information on this pronouncement.

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 of the District's single employer plan have also 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 of the District's single employer plan 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 all major governmental funds and nonmajor funds aggregated. 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

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the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, 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.

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 funds:

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 are 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.

Water Fund – accounts for the activities related to the operation of the water treatment plant, wells, and water system.

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 funds 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 for 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.

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1-E Receivables

Receivables recorded in the financial statements represent amounts due to the District at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line 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.

1-G Capital Assets

Capital assets include property, plant, and equipment, 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 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 assets with an initial, 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:

Capital Asset Classes:	Years
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. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

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1-I Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as 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 liens outstanding.

The District net assessed valuation as of April 1, 2018 utilized in the setting of the tax rate was as follows:

Town of Campton Assessment	\$ 59,874,360
Town of Thornton Assessment	\$ 20,680,891

The tax rates and amounts assessed for the year ended December 31, 2018 were as follows:

Village District portion:	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Town of Campton	\$17.87	\$ 1,069,955
Town of Thornton	\$15.70	\$ 324,690

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, 2018.

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 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 and proprietary fund 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.

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The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-O Postemployment Benefits Other Than Pensions (OPEB)

The District maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – The District maintains a single employer plan, but has not obtained an actuarial report calculating the other postemployment benefit liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board pronouncement No. 75.

1-P Net Position/Fund Balances

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any notes 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.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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 – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – 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.

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Committed – 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 – 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 – 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 government'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-Q 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 and water funds. 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 2018, none of the beginning general fund unassigned fund balance was applied for this purpose.

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.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
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The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 1,403,473
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(27,575)
Change in the allowance for uncollectible property taxes	10,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,385,898</u>

2-C Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources, as follows:

	State OPEB		Total
	Governmental Activities	Business-type Activities & Proprietary Fund	
Change in total OPEB liability under current standards, January 1	\$ (4,560)	\$ (2,244)	\$ (6,804)
Initial balance of deferred outflows of resources	438	216	654
Initial balance of deferred inflows of resources	(14)	(7)	(21)
Cumulative restatement related to GASB No. 75 implementation (see Note 15)	<u>\$ (4,136)</u>	<u>\$ (2,035)</u>	<u>\$ (6,171)</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the District's agent in the District's name. The FDIC currently insures the first \$250,000 of the District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the District's deposits was \$205,632 and the bank balances totaled \$208,211. Petty cash totaled \$6,250.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

NOTES TO THE BASIC FINANCIAL STATEMENTS

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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, 2018. The amount has been reduced by an allowance for an estimated uncollectible amount of \$40,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2018	\$ 694,757	\$ 694,757
Unredeemed (under tax lien):		
Levy of 2017	6,239	6,239
Levy of 2016	14,594	14,594
Levies of 2015 and prior	35,780	35,780
Less: allowance for estimated uncollectible taxes	(40,000) *	-
Net taxes receivable	<u>\$ 711,370</u>	<u>\$ 751,370</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).

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2018, consisted of accounts (billings for water user charges). Receivables are recorded on the District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance, beginning	Additions	Adjustments/ Deletions	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>78,555</u>	<u>-</u>	<u>-</u>	<u>78,555</u>
Being depreciated:				
Land improvements	375,638	-	-	375,638
Buildings and building improvements	2,475,506	-	(51)	2,475,455
Equipment and vehicles	503,441	14,052	(11,168)	506,325
Furnitures and fixtures	99,476	-	-	99,476
Infrastructure	1,483,243	-	-	1,483,243
Total capital assets being depreciated	<u>4,937,304</u>	<u>14,052</u>	<u>(11,219)</u>	<u>4,940,137</u>
Total all capital assets	<u>5,015,859</u>	<u>14,052</u>	<u>(11,219)</u>	<u>5,018,692</u>
Less accumulated depreciation:				
Land improvements	(55,501)	(15,026)	270	(70,257)
Buildings and building improvements	(1,355,167)	(71,212)	50	(1,426,329)
Equipment and vehicles	(243,476)	(44,174)	11,168	(276,482)
Furnitures and fixtures	(45,432)	(7,588)	-	(53,020)
Infrastructure	(764,400)	(49,345)	-	(813,745)
Total accumulated depreciation	<u>(2,463,976)</u>	<u>(187,345)</u>	<u>11,488</u>	<u>(2,639,833)</u>
Net book value, capital assets being depreciated	<u>2,473,328</u>	<u>(173,293)</u>	<u>269</u>	<u>2,300,304</u>
Net book value, all governmental activities capital assets	<u>\$ 2,551,883</u>	<u>\$ (173,293)</u>	<u>\$ 269</u>	<u>\$ 2,378,859</u>

(Continued)

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Capital assets continued:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance, ending</u>
Business-type activities:				
At cost:				
Being depreciated:				
Buildings and building improvements	\$ 264,096	\$ -	\$ -	\$ 264,096
Equipment and vehicles	550,154	-	-	550,154
Furniture and fixtures	44,836	-	(388)	44,448
Infrastructure	248,325	-	-	248,325
Total capital assets being depreciated	<u>1,107,411</u>	<u>-</u>	<u>(388)</u>	<u>1,107,023</u>
Total all capital assets	<u>1,107,411</u>	<u>-</u>	<u>(388)</u>	<u>1,107,023</u>
Less accumulated depreciation:				
Buildings and building improvements	(56,285)	(7,850)	-	(64,135)
Equipment and vehicles	(337,850)	(27,084)	-	(364,934)
Furniture and fixtures	(29,402)	(3,732)	388	(32,746)
Infrastructure	(51,000)	(12,470)	-	(63,470)
Total accumulated depreciation	<u>(474,537)</u>	<u>(51,136)</u>	<u>388</u>	<u>(525,285)</u>
Net book value, capital assets being depreciated	<u>632,874</u>	<u>(51,136)</u>	<u>-</u>	<u>581,738</u>
Net book value, all business-type activities capital assets	<u>\$ 632,874</u>	<u>\$ (51,136)</u>	<u>\$ -</u>	<u>\$ 581,738</u>

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		\$ 102,801
Highways and streets		35,199
Water treatment and distribution		49,345
Total depreciation expense		<u>\$ 187,345</u>
Business-type activities:		
Culture and recreation		<u>\$ 51,136</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Recreation	\$ 57,986
	Water	266
		<u>\$ 58,252</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.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2018 is as follows:

	<u>Transfers In:</u>
	Water
	<u>Fund</u>
Transfers out:	
General fund	<u>\$ 81,187</u>

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During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities & Proprietary Fund
Amounts related to pensions, see Note 11	\$ 67,299	\$ 33,128
Amounts related to OPEB, see Note 12	944	465
Total deferred inflows of resources	<u>\$ 68,243</u>	<u>\$ 33,593</u>

Deferred inflows of resources are as follows:

	Governmental Activities	Business-type Activities & Proprietary Fund	General Fund
District's portion of property taxes not collected within 60 days of the fiscal within 60 days of the year-end	\$ -	\$ -	\$ 164,431
Recreation fees collected in advance	-	2,500	-
Amounts related to pensions, see Note 11	24,125	11,875	-
Amounts related to OPEB, see Note 12	23	11	-
Total deferred inflows of resources	<u>\$ 24,148</u>	<u>\$ 14,386</u>	<u>\$ 164,431</u>

NOTE 9 – SHORT-TERM DEBT

Changes in the District's short-term borrowings during the year ended December 31, 2018 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
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 \$1,247 was paid on the note during the year.

NOTE 10 – LONG-TERM LIABILITIES

Changes in the District's long-term liabilities consisted of the following for the year ended December 31, 2018:

	Balance January 1, 2018 (as restated)	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Governmental activities:					
Note payable	\$ 74,163	\$ -	\$ (37,082)	\$ 37,081	\$ 37,081
Compensated absences	7,746	6,064	-	13,810	-
Pension related liability	177,862	115,490	-	293,352	-
Net other postemployment benefits	4,560	2,661	-	7,221	-
Total long-term liabilities	<u>\$ 264,331</u>	<u>\$ 124,215</u>	<u>\$ (37,082)</u>	<u>\$ 351,464</u>	<u>\$ 37,081</u>
Business-type activities:					
Compensated absences	\$ 10,304	\$ 4,061	\$ -	\$ 14,365	\$ -
Pension related liability	236,621	-	(92,221)	144,400	-
Net other postemployment benefits	2,244	1,310	-	3,554	-
Total long-term liabilities	<u>\$ 249,169</u>	<u>\$ 5,371</u>	<u>\$ (92,221)</u>	<u>\$ 162,319</u>	<u>\$ -</u>

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

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The governmental activities long-term note is comprised of the following:

Note payable:	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at December 31, 2018</u>
Water project	\$ 259,570	2013	2019	2.48%	\$ <u>37,081</u>

The annual requirements to amortize the governmental activities note outstanding as of December 31, 2018, including interest payments, are as follows:

<u>Fiscal Year Ending December 31, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$ <u>37,081</u>	\$ <u>920</u>	\$ <u>38,001</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 11 – 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.

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 ¼ 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 other employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the District contributed 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$37,727, which was paid in full.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

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Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2018 the District reported a liability of \$437,752, of which \$293,352 is reported in the governmental activities and \$144,400 reported in the business-type activities and proprietary fund for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 Districts and school districts, actuarially determined. At June 30, 2018, the District's proportion was .00909104% which was an increase of .00066315% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the District recognized pension expense of \$37,846. At December 31, 2018 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	\$ 32,177	\$ -
Changes in assumptions	20,302	14,962
Net difference between projected and actual investment earnings on pension plan investments	-	6,788
Differences between expected and actual experience	2,341	2,375
Contributions subsequent to the measurement date	12,479	-
Total governmental activities	<u>67,299</u>	<u>24,125</u>
Business-type activities:		
Changes in proportion	15,840	-
Changes in assumptions	9,993	7,364
Net difference between projected and actual investment earnings on pension plan investments	-	3,342
Differences between expected and actual experience	1,153	1,169
Contributions subsequent to the measurement date	6,142	-
Total business-type activities	<u>33,128</u>	<u>11,875</u>
Grand total	<u>\$ 100,427</u>	<u>\$ 36,000</u>

The \$18,621 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 December 31, 2019. 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
2019	\$ 10,526	\$ 5,181	\$ 15,707
2020	16,054	7,902	23,956
2021	1,990	979	2,969
2022	2,127	1,047	3,174
2023	-	-	-
Thereafter	-	-	-
Totals	<u>\$ 30,697</u>	<u>\$ 15,109</u>	<u>\$ 45,806</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions which, accordingly apply to 2018 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation	3.25%
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

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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, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
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%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
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, 2018	\$ 582,433	\$ 437,752	\$ 316,505

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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.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

12-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2018 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2018 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the District contributed 4.10% for police and fire, and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$1,022, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2018, the District reported a liability of \$10,775 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating Districts and school districts, actuarially determined. At June 30, 2018, the District's proportion was .00235345% which was an increase of .00086535% from its proportion measured as of June 30, 2017.

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For the year ended December 31, 2018, the District recognized OPEB expense of \$869. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities:		
Changes in proportion	\$ 564	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	-
Differences between expected and actual experience	42	23
Contributions subsequent to the measurement date	338	-
Total governmental activities	<u>944</u>	<u>23</u>
Business-type activities:		
Changes in proportion	278	-
Changes in assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	-
Differences between expected and actual experience	21	11
Contributions subsequent to the measurement date	166	-
Total business-type activities	<u>465</u>	<u>11</u>
Grand total	<u>\$ 1,409</u>	<u>\$ 34</u>

The \$504 reported as deferred outflows of resources related to OPEB results from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2019	\$ 600	\$ 295	\$ 895
2020	(7)	(4)	(11)
2021	(9)	(4)	(13)
2022	(1)	(1)	(2)
2023	-	-	-
Thereafter	-	-	-
Totals	<u>\$ 583</u>	<u>\$ 286</u>	<u>\$ 869</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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Long-term Rates of Return – The long-term expected rate of return on OPEB 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 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2018
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%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the District's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the District's proportionate share of the OPEB 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, 2018	\$ 11,215	\$ 10,775	\$ 9,544

Sensitivity of the District's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No .75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

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

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12-B Waterville Estates Village District Retiree Health Benefit Program

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. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in the general fund of the funds financial statements as payments are made.

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The District has not fully implemented GASB Statement No. 75 at December 31, 2018, or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the District's single employer plan. The amounts that should be recorded for the single employer plan as the net OPEB liability and the OPEB expense is unknown.

NOTE 13 – NET POSITION

Net position reported on the Statement of Net Position at December 31, 2018 include the following:

	Governmental Activities	Business-type Activities & Proprietary Fund	Total
Net investment in capital assets:			
Net book value, all capital assets	\$ 2,378,859	\$ 581,738	\$ 2,960,597
Less:			
Note payable	(37,081)	-	(37,081)
Total net investment in capital assets	2,341,778	581,738	2,923,516
Unrestricted	493,275	(71,480)	421,795
Total net position	<u>\$ 2,835,053</u>	<u>\$ 510,258</u>	<u>\$ 3,345,311</u>

None of the net position is restricted by enabling legislation.

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2018 include the following:

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NOTE 15 – PRIOR PERIOD ADJUSTMENT

Net position at January 1, 2018 was restated to give retroactive effect to the following prior period adjustment:

	Governmental Activities	Business-type Activities & Proprietary Fund	Total
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (4,136)	\$ (2,035)	\$ (6,171)
Net position, as previously reported	2,751,274	487,902	3,239,176
Net position, as restated	<u>\$ 2,747,138</u>	<u>\$ 485,867</u>	<u>\$ 3,233,005</u>

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

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NOTE 16 – RELATED PARTY TRANSACTIONS

Effective July 1, 2006, the District established a Recreation Revolving Fund pursuant to RSA 25-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, 2018 were \$272,000 and \$100,000 respectively.

NOTE 17 – 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 2018, the District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

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, 2018 to December 31, 2018 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 workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 18 – 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 December 11, 2019, the date the December 31, 2018 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, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
District's proportion of the net pension liability	0.01007108%	0.00884323%	0.00732599%	0.00783263%	0.00842789%	0.00909104%
District's proportionate share of the net pension liability	\$ 433,438	\$ 331,938	\$ 290,221	\$ 416,508	\$ 414,483	\$ 437,752
District's covered payroll	\$ 239,866	\$ 274,799	\$ 226,318	\$ 206,971	\$ 284,755	\$ 340,497
District's proportionate share of the net pension liability as a percentage of its covered payroll	180.70%	120.79%	128.24%	201.24%	145.56%	128.56%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT G
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Schedule of District Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 25,042	\$ 28,689	\$ 24,578	\$ 28,047	\$ 30,875	\$ 38,424
Contributions in relation to the contractually required contributions	25,042	28,689	24,578	28,047	30,875	38,424
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	<u>\$ 239,866</u>	<u>\$ 274,799</u>	<u>\$ 226,318</u>	<u>\$ 206,971</u>	<u>\$ 284,755</u>	<u>\$ 340,497</u>
Contributions as a percentage of covered payroll	10.44%	10.44%	10.86%	13.55%	10.84%	11.28%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE

**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

***Schedule of the District's Proportionate Share of Net Pension Liability and
Schedule of District Contributions - Pensions***

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, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (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	3.62% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
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 table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes
Contribution rates for fiscal year 2018 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

EXHIBIT H
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
District's proportion of the net OPEB liability	0.00138023%	0.00148810%	0.00235345%
District's proportionate share of the net OPEB liability (asset)	\$ 6,682	\$ 6,804	\$ 10,775
District's covered payroll	\$ 206,971	\$ 284,755	\$ 340,497
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	3.23%	2.39%	3.16%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

The Note to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT I
WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
Schedule of District Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Contractually required contribution	\$ 802	\$ 882	\$ 1,041
Contributions in relation to the contractually required contribution	802	882	1,041
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 206,971	\$ 284,755	\$ 340,497
Contributions as a percentage of covered payroll	0.39%	0.31%	0.31%

The Note to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

***Schedule of the District's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of District Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the District's other postemployment benefits at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
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 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,394,059	\$ 1,392,310	\$ (1,749)
Interest and penalties on taxes	4,151	7,382	3,231
Total from taxes	<u>1,398,210</u>	<u>1,399,692</u>	<u>1,482</u>
Miscellaneous:			
Interest on investments	184	281	97
Other	-	3,500	3,500
Total from miscellaneous	<u>184</u>	<u>3,781</u>	<u>3,597</u>
Total revenues and other financing sources	<u>\$ 1,398,394</u>	<u>\$ 1,403,473</u>	<u>\$ 5,079</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, 2018

	<u>Appropriations</u>	<u>Expenditures</u>	Variance Positive (Negative)
Current:			
General government:			
Executive			
Financial administration	\$ 163,754	\$ 166,839	\$ (3,085)
Legal	7,723	21,845	(14,122)
Personnel administration	12,935	11,091	1,844
Insurance, not otherwise allocated	11,293	12,337	(1,044)
Advertising and regional associations	99,793	82,200	17,593
Other	55	51	4
Total general government	<u>15,454</u>	<u>15,079</u>	<u>375</u>
Public safety:	<u>311,007</u>	<u>309,442</u>	<u>1,565</u>
Fire	<u>13,798</u>	<u>17,355</u>	<u>(3,557)</u>
Highways and streets:			
Administration	3,374	5,575	(2,201)
Highways and streets	291,804	217,027	74,777
Other	25,300	300	25,000
Total highways and streets	<u>320,478</u>	<u>222,902</u>	<u>97,576</u>
Culture and recreation:			
Parks and recreation	<u>587,450</u>	<u>451,528</u>	<u>135,922</u>
Debt service:			
Interest on tax anticipation notes	<u>-</u>	<u>1,247</u>	<u>(1,247)</u>
Other financing uses:			
Transfers out	<u>165,661</u>	<u>81,187</u>	<u>84,474</u>
Total appropriations, expenditures, and other financing uses	<u>\$ 1,398,394</u>	<u>\$ 1,083,661</u>	<u>\$ 314,733</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, 2018

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 443,258
2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 5,079	
Unexpended balance of appropriations (Schedule 2)	314,733	
2018 Budget surplus	<u>319,812</u>	
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		<u>763,070</u>
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(164,431)
Elimination of the allowance for uncollectible taxes		<u>40,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 638,639</u></u>



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESSES

To Management and 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 (governmental and proprietary) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Waterville Estates Village District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a deficiency that we consider to be a significant deficiency.

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 Waterville Estates Village District's internal control to be material weaknesses:

Commingling of Funds and Streamline Recording of Activity

In reviewing the 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, the recreation fund bank accounts. In addition, 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 by 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 addition, we identified four entries that were required to ensure that a transaction was recorded in the proper entity and fund, at the proper amount. We also identified transactions where the interfund accounting and adjustments were not recorded, resulting in audit adjustments to properly account for the transaction between funds.

The 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.

Additional time was spent during the audit to review activity and multiple adjustments, as well as to determine if transactions were properly recorded. Additionally, significant time and resources are being expended by the 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 Deficiency and Material Weaknesses*

We recommend that the 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, alleviating the need for multiple adjustments. This will decrease the risk of misstatements across transaction classes.

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 governmental 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, as well as 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 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 a capital item, the nature of the expenditure should also be clearly identified, so the 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 on a monthly basis. Additional time was spent by the 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 District establish more effective monthly 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 District to provide more accurate and timely financial information.

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.

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

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 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 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 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 District appoint a Treasurer as soon as possible.

Accounting Policies and Procedures

During our audit, we noted that the 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 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 Waterville Estates Village District's internal control to be a significant deficiency:

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*.

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

December 11, 2019

*Plodzik & Sanderson
Professional Association*