

WATERVILLE ESTATES ASSOCIATION

FINANCIAL REPORT

DECEMBER 31, 2017

*WATERVILLE ESTATES ASSOCIATION*

*TABLE OF CONTENTS*

*DECEMBER 31, 2017*

	<u>PAGES</u>
<i>INDEPENDENT AUDITOR'S REPORT</i> .....	1
<i>FINANCIAL STATEMENTS</i>	
Balance sheets .....	2
Statements of revenues, expenses, and changes in fund balance .....	3
Statements of cash flows.....	4
Notes to financial statements .....	5 - 7



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Waterville Estates Association  
Campton, New Hampshire

We have audited the accompanying financial statements of Waterville Estates Association (a New Hampshire corporation), which comprise the balance sheet as of December 31, 2017, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

### 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 statement that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterville Estates Association as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Prior Period Financial Statements

The December 31, 2016 financial statements were compiled by us, and our report thereon, dated March 3, 2017, stated we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

May 8, 2018

*Plodzik & Sanderson  
Professional Association*

**PLODZIK & SANDERSON**  
*Professional Association | Accountants & Auditors*

*FINANCIAL STATEMENTS*

WATERVILLE ESTATES ASSOCIATION  
BALANCE SHEETS  
DECEMBER 31, 2017 AND 2016  
SEE INDEPENDENT AUDITOR'S REPORT

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>2017 Total Audited</u>	<u>2016 Total Compiled</u>
<b>ASSETS</b>				
Current Assets				
Cash	\$ 60,966	\$ 167,040	\$ 228,006	\$ 237,267
Assessments receivable, net of allowance for doubtful accounts of \$13,841 and \$3,600	28,456	-	28,456	16,936
Prepaid expenses	6,677	-	6,677	6,679
Due from related party	-	-	-	3,881
Utility deposit	3,040	-	3,040	3,040
<b>TOTAL ASSETS</b>	<u>\$ 99,139</u>	<u>\$ 167,040</u>	<u>\$ 266,179</u>	<u>\$ 267,803</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Current Liabilities				
Accounts payable	\$ 283	\$ -	\$ 283	\$ 741
Deferred revenue	143,132	-	143,132	137,945
<b>TOTAL LIABILITIES</b>	<u>143,415</u>	<u>-</u>	<u>143,415</u>	<u>138,686</u>
Fund balance	<u>(44,276)</u>	<u>167,040</u>	<u>122,764</u>	<u>129,117</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 99,139</u>	<u>\$ 167,040</u>	<u>\$ 266,179</u>	<u>\$ 267,803</u>

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

*WATERVILLE ESTATES ASSOCIATION  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
SEE INDEPENDENT AUDITOR'S REPORT*

	Operating Fund	Capital Reserve Fund	2017 Total Audited	2016 Total Compiled
<b>REVENUES</b>				
Member assessments	\$ 295,664	\$ 143,000	\$ 438,664	\$ 412,115
Interest income	23	481	504	568
Miscellaneous income	32,893	5,000	37,893	3,383
Total revenues	<u>328,580</u>	<u>148,481</u>	<u>477,061</u>	<u>416,066</u>
<b>OPERATING EXPENSES</b>				
Facility rental	\$ 159,000	\$ -	\$ 159,000	\$ 159,000
Management fee	100,000	-	100,000	100,000
Bad debt expense	11,616	-	11,616	-
Professional fees	13,362	-	13,362	17,817
Board of Director expenses	7,840	-	7,840	8,227
Administrative expenses	12,698	-	12,698	11,241
Major replacements	-	178,898	178,898	97,996
Total expenses	<u>304,516</u>	<u>178,898</u>	<u>483,414</u>	<u>394,281</u>
EXCESS OF (EXPENSES OVER REVENUES) AND REVENUES OVER EXPENSES	24,064	(30,417)	(6,353)	21,785
FUND BALANCE, beginning of year	(74,356)	203,473	129,117	281,294
PRIOR PERIOD ADJUSTMENT - SEE NOTE 7	-	-	-	(173,962)
TRANSFERS	<u>6,016</u>	<u>(6,016)</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ (44,276)</u>	<u>\$ 167,040</u>	<u>\$ 122,764</u>	<u>\$ 129,117</u>

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

WATERVILLE ESTATES ASSOCIATION  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
 SEE INDEPENDENT AUDITOR'S REPORT

	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>2017 Total Audited</u>	<u>2016 Total Compiled</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess of (expenses over revenues) and revenues over expenses	\$ 24,064	\$ (30,417)	\$ (6,353)	\$ 21,785
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Interfund transfers				
(Increase) decrease in assessment receivable	(11,520)	-	(11,520)	11,269
(Increase) decrease in prepaid expenses	2	-	2	(382)
(Increase) decrease in related party receivable	3,881	-	3,881	(3,891)
Decrease in accounts payable	(458)	-	(458)	(985)
Increase (decrease) in deferred revenue	5,187	-	5,187	(7,635)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>21,156</u>	<u>(30,417)</u>	<u>(9,261)</u>	<u>20,161</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interfund transfers	<u>6,016</u>	<u>(6,016)</u>	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>6,016</u>	<u>(6,016)</u>	<u>-</u>	<u>-</u>
CASH, beginning of year	<u>33,794</u>	<u>203,473</u>	<u>237,267</u>	<u>217,106</u>
CASH, end of year	<u>\$ 60,966</u>	<u>\$ 167,040</u>	<u>\$ 228,006</u>	<u>\$ 237,267</u>

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

*WATERVILLE ESTATES ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016  
SEE INDEPENDENT AUDITOR'S REPORT*

***NOTE 3 – FUTURE MAJOR REPAIRS AND REPLACEMENTS***

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Replacement funds totaled \$167,040 and \$203,473 at December 31, 2017 and 2016. Replacement cash is held in a separate account and is generally not available for operating purposes.

The Association provides funds to the Waterville Estates Village District each year for reimbursement of major repairs and replacements, additional amounts may be requested by the District, as necessary. The District calculates funding requirements for major repairs and replacements based on estimates of current replacement costs, the estimated lives of the components and considering amounts previously accumulated in their replacement fund and estimated funds needed from the Association each year. The District originally estimated \$72,000 for reimbursement by the Association for the year ended December 31, 2017 and 2016, the funds requested and paid based on actual costs of repairs made were \$178,898 and \$97,996.

***NOTE 4 – LINE OF CREDIT***

The Association has a financing arrangement with Northway Bank for a line of credit, which allows for borrowings up to a maximum of \$50,000. The line of credit has a stated interest rate of prime plus 1.5% and is secured by certain assets of the Association. At December 31, 2017 and 2016, there was no balance outstanding against this line of credit.

***NOTE 5 – INCOME TAXES***

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2017 and 2016. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property.

The Association is no longer subject to U.S. Federal, State, and local information return examinations by tax authorities for years ending before December 31, 2014. The Association has evaluated its tax positions and concludes that there are no tax positions it has taken which if challenged would result in a material effect on the financial statements. The Association is taxed at thirty percent (30%) federal income tax and eight and one-fifth (8.2%) State of New Hampshire business profits on its non-exempt function income, which includes, but is not limited to, interest income and revenue received from nonmembers.

The Association's investment income and other non-exempt income net of certain expenses resulted in no taxable income at December 31, 2017 and 2016.

***NOTE 6 – RELATED PARTY TRANSACTIONS***

Waterville Estates Village District (the "District") is a village district located in the towns of Campton and Thornton, New Hampshire, which encompasses Waterville Estates. It was established primarily for the maintenance of common roads, buildings and the water system. The District owns the community center building and the infrastructure that serves Waterville Estates. As of July 1, 2006, the District took over the management of all activities and currently rents the building to the Association and provides management services. For the year ended December 31, 2017 and 2016, rent expense total \$150,000 and \$150,000 and management fees total \$100,000 and \$100,000, respectively.

***NOTE 7 – PRIOR PERIOD ADJUSTMENT***

Retained earnings at the beginning of 2016 have been adjusted for capital assets and related accumulated depreciation recognized in error in prior years to which the Waterville Estates Village District holds title. The correction has no effect on the results of the current year's activities; however, the cumulative effect decreases the beginning fund balance for 2016 by \$173,962.



*WATERVILLE ESTATES ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017  
SEE INDEPENDENT AUDITOR'S REPORT*

***NOTE 8 – SUBSEQUENT EVENTS***

The Association did not have any recognized or unrecognized subsequent events after December 31, 2017, the date of the statement of financial position. Subsequent events have been evaluated through May 8, 2018, the date the financial statements were available to be issued.