

WATERVILLE ESTATES VILLAGE DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2014

WATERVILLE ESTATES VILLAGE DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Waterville Estates Village District
Campton, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waterville Estates Village District as of and for the year ended December 31, 2014, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Waterville Estates Village District, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has omitted the management 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 this missing information.

J. Harding & Company, PLLC

Plymouth, New Hampshire
February 28, 2015

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Net Position
December 31, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activites	Total
ASSETS			
Cash and investments	\$ 163,628	\$ 28,168	\$ 191,796
Taxes receivable	638,432	-	638,432
Accounts and miscellaneous receivable	4,504	-	4,504
Due from Association	92,446	-	92,446
Prepaid expenses	-	12,892	12,892
Interfund receivable (payable)	90,223	-	90,223
Inventory	-	30,824	30,824
Capital assets, net of accumulated depreciation	<u>2,818,260</u>	<u>-</u>	<u>2,818,260</u>
 Total Assets	 <u><u>\$ 3,807,493</u></u>	 <u><u>\$ 71,884</u></u>	 <u><u>\$ 3,879,377</u></u>
LIABILITIES AND NET POSITION			
Accounts payable	\$ 29,901	\$ -	\$ 29,901
Interfund payable	-	90,223	90,223
Debt			
Short-term	37,081	-	37,081
Long-term	<u>148,326</u>	<u>-</u>	<u>148,326</u>
Total Liabilities	<u>215,308</u>	<u>90,223</u>	<u>305,531</u>
NET POSITION			
Invested in capital assets, net of related debt	2,632,853	-	2,632,853
Unrestricted fund balance (deficit)	<u>959,332</u>	<u>(18,339)</u>	<u>940,993</u>
Total Net Position	<u>3,592,185</u>	<u>(18,339)</u>	<u>3,573,846</u>
Total Liabilities and Net Position	<u><u>\$ 3,807,493</u></u>	<u><u>\$ 71,884</u></u>	<u><u>\$ 3,879,377</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities
December 31, 2014

Total Governmental Fund Balances	\$ 561,591
Amounts reported in governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds net of accumulated depreciation	2,818,260
Deferred revenue that does not provide current financial resources are not reported in the funds	397,741
Bonds and notes payable are not due and payable in the current period and therefore are not reported in the funds	<u>(185,407)</u>
Net Assets of Governmental Activities	<u><u>\$ 3,592,185</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Activities
For the Year Ended December 31, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
Primary Government:				
Governmental Activities				
General Government				
Administration	\$ 201,331	\$ -	\$ -	\$ (201,331)
Building	272,554	-	-	(272,554)
Water	195,272	-	-	(195,272)
Roads	264,778	-	-	(264,778)
Depreciation	179,952	-	-	(179,952)
Public safety	11,652	-	-	(11,652)
Interest on long-term debt	5,505	-	-	(5,505)
Total Governmental Activities	<u>1,131,044</u>	<u>-</u>	<u>-</u>	<u>(1,131,044)</u>
Business Type Activities:				
Recreation Center	818,717	612,124	-	(206,593)
Total business-type activities	<u>818,717</u>	<u>612,124</u>	<u>-</u>	<u>(206,593)</u>
Total primary government	<u>\$ 1,949,761</u>	<u>\$ 612,124</u>	<u>\$ -</u>	<u>\$ (1,337,637)</u>
Primary Government				
	Governmental	Business-type	Total	
	Activities	Activities		
Changes in net assets:				
Net (expense) revenue	<u>\$ (1,131,044)</u>	<u>\$ (206,593)</u>	<u>\$ (1,337,637)</u>	
General Revenues:				
Real estate taxes	1,260,225	-	1,260,225	
Interest income	885	15	900	
Miscellaneous	19,641	-	19,641	
Transfers	(177,654)	177,654	-	
Total general revenues and transfers	<u>1,103,097</u>	<u>177,669</u>	<u>1,280,766</u>	
Change in net assets	(27,947)	(28,924)	(56,871)	
Net assets - beginning of year	<u>3,620,132</u>	<u>10,585</u>	<u>3,630,717</u>	
Net assets - end of year	<u>\$ 3,592,185</u>	<u>\$ (18,339)</u>	<u>\$ 3,573,846</u>	

WATERVILLE ESTATES VILLAGE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2014

Net Change in Governmental Fund Balances	\$ (531,886)
 Amounts reported for the governmental activities in the statement of activities are different because:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period capital expenditures of (\$ 403,143) exceeded depreciation of (\$ 179,952)	
	223,191
 Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term bonds and notes payable in the statement of net assets. This is the amount of debt repayment \$ 37,081 in the current period	
	37,081
 The deferred revenue represents the change in revenues recognized due to availability of funds	
	<u>243,667</u>
 Change in Net Assets of Governmental Activities	 <u><u>\$ (27,947)</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Balance Sheet
Governmental Fund
December 31, 2014

ASSETS	General Fund
Assets	
Cash and Equivalents	\$ 163,628
Receivables	
Taxes	638,432
Other	4,504
Interfund receivable	90,223
Due From Association	<u>92,446</u>
TOTAL ASSETS	<u>\$ 989,233</u>
 LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 29,901
Deferred tax revenue	<u>397,741</u>
TOTAL LIABILITIES	<u>427,642</u>
Fund balances	
Nonspendable fund balance	-
Restricted fund balance	-
Committed fund balance	-
Assigned fund balance	-
Unassigned fund balance	<u>561,591</u>
Total Fund Balances	<u>561,591</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 989,233</u>

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2014

	General Fund
Revenues	
Property taxes and related interest	\$ 1,016,558
Miscellaneous	19,641
Interest	885
	1,037,084
Total Revenues	1,037,084
Expenditures	
General government	201,331
Highways and streets	264,778
Water distribution and treatment	195,272
Building	272,554
Capital expenditures	403,143
Debt service	42,586
Public safety	11,652
	1,391,316
Total Expenditures	1,391,316
Excess (Deficiency) of Revenues Over (Under) Expenditures	(354,232)
Fund Balances - Beginning of year	1,093,477
Transfers-out	(177,654)
Fund Balances - End of year	\$ 561,591

The accompanying notes are an integral part of these financial statements

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Fund Net Position
Proprietary Fund
December 31, 2014

ASSETS

Assets	
Cash and equivalents	\$ 28,168
Inventory	30,824
Prepaid insurance	<u>12,892</u>
 Total Assets	 <u><u>\$ 71,884</u></u>

LIABILITIES AND FUND NET POSITION

Liabilities	
Interfund payable	<u>\$ 90,223</u>
 Fund Net Position	
Unrestricted Fund Net Deficit	<u>(18,339)</u>
 Total Fund Net Position	 <u>(18,339)</u>
 Total Liabilities and Fund Net Position	 <u><u>\$ 71,884</u></u>

Statement of Revenues and Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2014

Operating Revenues	
Rental income	\$ 131,302
Management fee	100,000
Membership passes	28,374
Food and beverage income	243,988
Recreation income	15,299
Event and function income	<u>93,161</u>
Total Operating Revenues	<u>612,124</u>
Operating Expenses	
Wages and related expenses	359,173
Administrative expenses	43,724
Cost of food, beverage and supplies	127,348
Lounge expenses	156,165
Repairs, maintenance and supplies	54,627
Ski Area	45,663
Member services expenses	<u>32,017</u>
Total Operating Expenses	<u>818,717</u>
Total Operating Income (Loss)	<u>(206,593)</u>
Nonoperating Revenue and Expense	
Interest income	<u>15</u>
Total Nonoperating Revenues (Expenses)	<u>15</u>
Change in Fund Net Position	(206,578)
Fund Net Position - Beginning of Year	10,585
Transfers-in	<u>177,654</u>
Fund Net Deficit- End of Year	<u><u>\$ (18,339)</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2014

Cash flows from operating activities:	
Receipts from customers	\$ 612,124
Payments to vendors	(402,452)
Payments to employees	<u>(359,173)</u>
Net cash flows provided by (used in) operating activities	<u>(149,501)</u>
Cash Flows from Noncapital Financing Activities:	
Transfers from General Fund	<u>177,654</u>
Cash flows from noncapital and related financing	<u>177,654</u>
Cash flows from capital and related financing activities:	<u>-</u>
Cash flows from investing activities:	
Interest income	<u>15</u>
Net cash provided by (used in) investing activities	<u>15</u>
Net increase (decrease) in cash	28,168
Cash and equivalents - beginning of year	<u>-</u>
Cash and equivalents - end of year	<u><u>\$ 28,168</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (206,593)
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in assets:	
Inventory	(2,976)
Prepaid insurance	(652)
Due from Association	-
Due from General Fund	-
Increase (decrease) in liabilities:	
Due to General Fund	60,720
Accounts payable	<u>-</u>
Net cash flows provided by (used in) operating activities	<u><u>\$ (149,501)</u></u>

**WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Waterville Estates Village District (the "District") is a New Hampshire Municipal Corporation governed by a Board of Commissioners and other elected officials. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies and its conformity with such principles are disclosed below.

FINANCIAL REPORTING ENTITY

As required by Governmental Accounting Standards Board statement No. 14, *The Financial Reporting Entity*, these financial statements are required to present the District (primary government), and its component units (if any). A primary government is defined as any state government or general-purpose local government. In addition, a primary government may also consist of a special purpose government (such as a school district or local administrative unit) that meets all of the following criteria: (1) it has a separately elected governing body; (2) it is legally separate; and (3) it is fiscally independent of other governments.

A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the foregoing criteria, no other related organizations are included in the District's financial reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants from the State of New Hampshire that are restricted to meeting the operational requirements of a particular function or segment. Other items not properly included in program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resource 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 government considers revenues to be available if they are collected within 60 days of the end of the

current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The district uses both governmental funds and business-type funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended according to the general laws of New Hampshire.

Capital Reserve Fund - The Capital Reserve Fund is used to account for funds set aside for future capital expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year end. Under the modified accrual basis, only interest is considered to be both measurable and available at year end.

Non-exchange transactions, in which the District receives value without directly giving value in return, include state grants. On the accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash and Investments

For financial reporting purposes, cash and equivalents include amounts in demand deposits and money market funds as well as certificates of deposit and short-term investments with original maturities of ninety days or less. The District is required by State statute to have custody of all monies belonging to the District and shall pay out the same only upon orders of the Commissioners. The District shall deposit all such monies in solvent banks in the state or in participation units of the public deposit investment pool established pursuant to RSA 383:22. Funds may be deposited in banks outside the state if such banks pledge to deliver to the state treasurer as collateral security for such deposits in value at least equal to the amount of the deposit in each case.

Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God. During 2010, there were no significant reductions in insurance coverage from the prior year.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District possesses roads and water system as infrastructure assets. The cost of the water system is known and capitalized. However, cost for roads has not been maintained, and as a Phase III municipality, the District elects to record road infrastructure costs prospectively as allowed by GASB Statement No. 34. Improvements to assets are capitalized but the normal maintenance and repairs that do not add materially to the value of the assets or materially extend the asset's life are expensed when incurred.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by any outstanding borrowings used to acquire those assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Revenue

The District reports deferred revenue in the governmental fund balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within 60 days after year-end are considered to have been for the prior year services.

The District levies property taxes, which according to State Law, is collected by the Towns of Campton and Thornton and then remitted to the district. Property taxes are levied in May and November based on assessed valuations as of April 1 of each year. Campton and Thornton taxes are recognized based on collections during the year and for 60 days subsequent to December 31 in accordance with GASB 33. Any taxes receivable not collected within the 60 days are classified as deferred revenue and recognized as revenue when received. The Towns of Campton and Thornton remit taxes to the District for amounts collected.

Budget Policy and Practice

The District's manager submits an annual budget to the Commissioners as required by law. The budget is presented to the Commissioners for review, and public hearings are held to address priorities and the allocation of resources. In March, the District adopts the annual fiscal year budget for the District's operating funds. Once approved, the Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting

The budgets for operating funds are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is to be incurred.

NOTE 2 - CASH AND EQUIVALENTS

Deposits – The District’s cash deposits are categorized to give an indication of the level of risk assumed by the District at December 31. *Category 1* - Includes deposits that are insured or collateralized with securities held by the District or by its agent in the District’s name. *Category 2* – Collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name. *Category 3* – Includes deposits that are uninsured and uncollateralized

	Category			Bank Balance	Carrying Value
	1	2	3		
Bank Deposits	<u>\$ 212,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,615</u>	<u>\$ 191,796</u>

NOTE 3 - CAPITAL ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2014 is as follows:

	Balance January 1	Additions	Deletions	Balance December 31
Capital Assets - Nondepreciable				
Land	<u>\$ 18,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,200</u>
Capital Assets - Depreciable				
Buildings	2,187,500	106,699	-	2,294,199
Equipment	393,996	172,871	-	566,867
Ski Area	155,269	33,563	-	
Paving	213,545	90,010		188,832
Vehicles	287,886	-	-	287,886
Water System	<u>1,689,542</u>	<u>-</u>	<u>-</u>	<u>1,689,542</u>
Total Depreciable Assets	4,927,738	<u>403,143</u>	<u>-</u>	5,330,881
Accumulated Depreciation	<u>(2,350,869)</u>	<u>(179,952)</u>	<u>-</u>	<u>(2,530,821)</u>
Total Depreciable Assets - Net	<u>\$ 2,576,869</u>	<u>\$223,191</u>	<u>\$ -</u>	<u>\$ 2,800,060</u>
Net Book Value of Assets	<u>\$ 2,595,069</u>	<u>\$ 223,191</u>	<u>\$ -</u>	<u>\$ 2,818,260</u>

NOTE 4 - LONG-TERM DEBT

The following is a summary of the District's general long-term debt transactions for the year ended December 31, 2014:

	General Obligation Debt Payable
Balance - January 1	\$ 222,488
Issued	-
Retired	(37,081)
Balance - December 31	<u>\$ 185,407</u>

General long-term debt payable at December 31, 2014 consists of the following issues:

<u>Description of Issue</u>	<u>Original Issue</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding December 31</u>
<i>General Obligation Debt</i>					
Water Project	<u>\$ 259,571</u>	6/1/12	4/15/19	2.09	<u>\$ 185,407</u>

Annual requirements to amortize all general obligation debt outstanding as of December 31, 2014, including interest payments, are as follows:

Year Ending December 31	<u>Governmental Fund Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 64,262	\$ 17,660	\$ 81,922
2012	65,495	13,589	79,084
2014	51,364	11,592	62,956
2014	36,364	9,205	45,569
2015	36,364	7,732	44,096
2016 - 2020	<u>163,634</u>	<u>16,567</u>	<u>180,201</u>
	<u>\$ 417,483</u>	<u>\$ 76,345</u>	<u>\$ 493,828</u>

NOTE 5 – RECREATION REVOLVING FUND AND RELATED PARTY TRANSACTION

Effective July 1, 2006, the District established a Recreation Revolving Fund pursuant to RSA 35-B: 2, II. This fund is a proprietary fund for accounting and reporting purposes. The fund is to receive all fees for the use of the recreational facilities and concessions including building rental and management fees from Waterville Estates Association. Rent and management fees received for the current year were \$ 185,000 and \$ 100,000, respectively. In addition, funds may accumulate from year to year and shall not be considered part of the District's unreserved fund balance.

NOTE 6 – RETIREMENT PLAN

The District participates in the New Hampshire Retirement System (the System). The plan is a contributory, defined benefit plan providing service, disability, death and vested benefits to members and their beneficiaries. Substantially all full-time employees are eligible to participate in the System.

The New Hampshire Retirement System is divided into to two membership groups. State and local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System, located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

NOTE 7 – RETIREMENT PLAN FUNDING POLICY

District plan members are required to contribute 7% of annual covered compensation to the pension plan. The District makes annual contributions to the pension plan equal to the amount required by Revised Annotated Statute 100-A:16, which currently equals 10.77% of covered compensation. The District's contributions to the System for the years ended December 31, 2012, 2013 and 2014 were \$ 25,973, \$ 28,592 and \$ 27,954.

NOTE 8 – CONTINGENCIES

Amounts of grants received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may be disallowed by the grantor, and may constitute a liability of the applicable funds. The amount of the expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 9 – IMPLEMENTATION OF NEW GASB STANDARD

The Governmental Accounting Standards Board (GASB) has issued Statement 68 Accounting and Financial Reporting of Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement may have significant impact on the District's basic financial statements by recognizing as a liability and expense, the District's applicable portion of the actuarially accrued liability. The District is a New Hampshire Retirement System (NHRS) participating employer and will have to report a proportional share of the System's unfunded liability on their financial statements. GASB 68 revises and establishes new financial reporting requirements for employers participating in cost-sharing, multi-employer plans such as NHRS. The new GASB will change the way pension plans report financial information for accounting purposes, but do not require pension plans to change their funding policies, which are typically defined by statute.

WATERVILLE ESTATES VILLAGE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2014

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 1,256,347	\$ 1,016,558	\$ (239,789)
Interest income on investments	-	885	885
Miscellaneous and betterment assessment	-	19,641	19,641
Total Revenues	1,256,347	1,037,084	(219,263)
Expenditures			
General government	205,673	201,331	4,342
Highways and streets	257,363	264,778	(7,415)
Water Distribution and Treatment	151,925	195,272	(43,347)
Capital outlay	357,047	403,143	(46,096)
Building	228,655	272,554	(43,899)
Debt Service	42,883	42,586	297
Public safety	12,801	11,652	1,149
Total Expenditures	1,256,347	1,391,316	(134,969)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(354,232)	(354,232)
Other Sources (Uses)	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(354,232)	(356,818)
Budgetary Fund Balance - Beginning of year	1,093,477	1,093,477	-
Voted from Surplus Operating transfers	(398,508)	(177,654)	220,854
Budgetary Fund Balance - End of year	\$ 694,969	\$ 561,591	\$ (135,964)

**WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Process

The budgetary process is prescribed by provisions of New Hampshire state statutes which entails the preparation of budgetary documents within an established timetable. The estimated resources and the appropriations resolutions are prepared on the budgetary basis of accounting.

The estimated resources and appropriations are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. Supplemental appropriations may sometimes be necessary, but none were required during the year ended December 31, 2014.

General governmental revenues and expenditures accounted for in the budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the District's operations. At its annual meeting, the District adopts a budget for the current year for the general fund. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at the end of the year unless encumbered. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end.

Basis of Budgetary Accounting

The District's budgetary process accounts for transactions in accordance with generally accepted accounting principles (GAAP). Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.