

WATERVILLE ESTATES VILLAGE DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2012

WATERVILLE ESTATES VILLAGE DISTRICT
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December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Waterville Estates Village District
Campton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, and the business-type activities, by major fund of the Waterville Estates Village District as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents, 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 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 audit opinions.

Opinion

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 of the Waterville Estates Village District, as of December 31, 2012, 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-Matter

The Budgetary Comparison Schedule, which is required to 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. This schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Management has not presented the management discussion and analysis that governmental 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
March 22, 2013

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Net Assets
December 31, 2012

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activites	Total
ASSETS			
Cash and cash equivalents	\$ 816,753	\$ -	\$ 816,753
Taxes receivable	429,635	-	429,635
Other receivables	1,111	-	1,111
Inventory	-	19,473	19,473
Prepaid Insurance	8,062	-	8,062
Due (to) from Association	(978)	-	(978)
Due (to) from General Fund	12,539	(12,539)	-
Capital assets, net of accumulated depreciation	<u>2,395,568</u>	<u>-</u>	<u>2,395,568</u>
Total Assets	<u><u>\$ 3,662,690</u></u>	<u><u>\$ 6,934</u></u>	<u><u>\$ 3,669,624</u></u>
LIABILITIES			
Accounts payable	\$ 34,447	\$ -	\$ 34,447
Accrued interest	4,709	-	4,709
Bonds and notes payable			
Portion due within one year	52,081	-	52,081
Portion due after one year	<u>222,489</u>	<u>-</u>	<u>222,489</u>
Total Liabilities	<u>313,726</u>	<u>-</u>	<u>313,726</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,120,998	-	2,120,998
Unrestricted	<u>1,227,966</u>	<u>6,934</u>	<u>1,234,900</u>
Total Net Assets	<u>3,348,964</u>	<u>6,934</u>	<u>3,355,898</u>
Total Liabilities and Net Assets	<u><u>\$ 3,662,690</u></u>	<u><u>\$ 6,934</u></u>	<u><u>\$ 3,669,624</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities
December 31, 2012

Total Governmental Fund Balances	\$ 1,062,827
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	2,395,568
Bond interest payable but not due in the current period	(4,709)
Deferred revenue that does not provide current financial resources are not reported in the funds	169,848
Bonds and notes payable are not due and payable in the current period and therefore are not reported in the funds	<u>(274,570)</u>
Net Assets of Governmental Activities	<u><u>\$ 3,348,964</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants	
Primary Government:				
Governmental Activities				
General Government				
Administration	\$ 178,711	\$ -	\$ -	\$ (178,711)
Building	182,902	-	-	(182,902)
Water	138,856	-	3,183	(135,673)
Highways and streets	232,118	-	-	(232,118)
Depreciation	146,583	-	-	(146,583)
Operating lease payments	14,338	-	-	(14,338)
Public safety	11,264	-	-	(11,264)
Interest on long-term debt	11,453	-	-	(11,453)
Total Governmental Activities	916,225	-	3,183	(913,042)
Business Type Activities:				
Recreation Center	605,787	603,236	-	(2,551)
Total business-type activities	605,787	603,236	-	(2,551)
Total primary government	\$ 1,522,012	\$ 603,236	\$ 3,183	\$ (915,593)
Primary Government				
		Governmental Activities	Business-type Activities	Total
Changes in net assets:				
Net (expense) revenue		\$ (913,042)	\$ (2,551)	\$ (915,593)
General Revenues:				
Real estate taxes		1,186,253	-	1,186,253
Interest income		1,678	-	1,678
Betterment assessment		6,709	-	6,709
Miscellaneous		1,609	-	1,609
Total general revenues and transfers		1,196,249	-	1,196,249
Change in net assets		283,207	(2,551)	280,656
Net assets - beginning of year		3,065,757	9,485	3,075,242
Net assets - end of year		\$ 3,348,964	\$ 6,934	\$ 3,355,898

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, 2012

Net Change in Governmental Fund Balances	\$ (1,880)
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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 (\$ 316,894) exceeded depreciation of (\$ 146,583)

170,311

Proceeds of new borrowings

(259,571)

Repayment of bond and 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 amount of debt repayment \$ 340,835 less accrued interest of \$ 4,709

336,126

The change in deferred revenue represents revenues recognized due to availability of funds

38,221

Change in Net Assets of Governmental Activities

\$ 283,207

WATERVILLE ESTATES VILLAGE DISTRICT
Balance Sheet
Governmental Funds
December 31, 2012

ASSETS	General Fund
Assets	
Cash and Equivalents	\$ 816,753
Receivables	
Taxes	429,635
Other	1,111
Due from recreation fund	12,539
Prepaid Insurance	8,062
TOTAL ASSETS	\$ 1,268,100
 LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable and accrued expenses	\$ 34,447
Due to Association	978
Deferred tax revenue	169,848
TOTAL LIABILITIES	205,273
Fund balances	
Nonspendable fund balance	8,062
Restricted fund balance	-
Committed fund balance	-
Assigned fund balance	-
Unassigned fund balance	1,054,765
Total Fund Balances	1,062,827
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,268,100

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2012

	General Fund
Revenues	
Property taxes and related interest	\$ 1,148,032
Intergovernmental	3,183
Betterment income	6,709
Miscellaneous	1,609
Interest	1,678
Total Revenues	<u>1,161,211</u>
Expenditures	
General government	178,711
Highways and streets	232,118
Water distribution and treatment	138,856
Building	182,902
Capital expenditures	316,894
Debt service	332,924
Operating leased payments	28,993
Public safety	11,264
Total Expenditures	<u>1,422,662</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(261,451)</u>
Other Financing Sources	
Proceeds of financing	<u>259,571</u>
Net Change in Fund Balances	(1,880)
Fund Balances - Beginning of year	<u>1,064,707</u>
Fund Balances - End of year	<u><u>\$ 1,062,827</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Fund Net Assets
Proprietary Fund
December 31, 2012

ASSETS

Assets	
Cash and equivalents	\$ -
Inventory	<u>19,473</u>
 Total Assets	 <u><u>\$ 19,473</u></u>

LIABILITIES AND FUND NET ASSETS

Liabilities	
Due to general fund	<u>\$ 12,539</u>
 Fund Net Assets	
Unrestricted Net Assets	<u>6,934</u>
 Total Fund Net Assets	 <u>6,934</u>
 Total Liabilities and Fund Net Assets	 <u><u>\$ 19,473</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Revenues, Expenses and Change in Fund Net Assets
Proprietary Fund
For The Year Ended December 31, 2012

Operating Revenues

Rental income	\$ 188,416
Management fee	100,000
Membership passes	28,732
Recreation income	19,937
Food and beverage income	171,717
Catering income	68,903
Room rental and event income	<u>25,531</u>

Total Operating Revenues	<u>603,236</u>
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Operating Expenses

Wages and related expenses	315,821
Administrative expenses	36,689
Cost of food, beverage and supplies	90,817
Lounge expenses	75,439
Repairs, maintenance and supplies	32,058
Ski Area	29,006
Member services expenses	<u>25,957</u>

Total Operating Expenses	<u>605,787</u>
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Total Operating Income (Loss)	<u>(2,551)</u>
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Nonoperating Revenue and Expense

Interest income	<u>0</u>
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Total Nonoperating Revenues (Expenses)	<u>0</u>
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Change in Fund Net Assets	(2,551)
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Fund Net Assets - Beginning of Year	<u>9,485</u>
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Fund Net Assets - End of Year	<u><u>\$ 6,934</u></u>
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WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Cash Flow
Proprietary Fund
For The Year Ended December 31, 2012

Cash flows from operating activities:	
Receipts from customers	\$ 476,085
Payments to vendors	(216,373)
Payments to employees	<u>(259,712)</u>
Net cash flows provided by (used in) operating activities	<u>0</u>
Cash Flows from Noncapital Financing Activities:	
Transfers from General Fund	<u>-</u>
Cash flows from noncapital and related financing	<u>-</u>
Cash flows from capital and related financing activities:	<u>-</u>
Cash flows from investing activities:	
Interest income	<u>3</u>
Net cash provided by (used in) investing activities	<u>3</u>
Net increase (decrease) in cash	3
Cash and equivalents - beginning of year	<u>1,039</u>
Cash and equivalents - end of year	<u><u>\$ 1,042</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (3,050)
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in assets:	
Due from Association	
Due from General Fund	3,050
Increase (decrease) in liabilities:	
Accounts payable	<u>-</u>
Net cash flows provided by (used in) operating activities	<u><u>\$ -</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.

Whenever the District Treasurer has an excess of funds which are not immediately needed for the purpose of expenditure, State statutes require the Treasurer, with the approval of the Commissioners, to invest the same in obligations of the United States government, in savings bank deposits, of banks incorporated under the laws of the State of New Hampshire or in certificates of deposits in banks incorporated under the laws of the State of New Hampshire or in national banks located within this state or the Commonwealth of Massachusetts. Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having at least equal value to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

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 2012, 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>\$ 333,496</u>	<u>\$ -</u>	<u>\$ 194,195</u>	<u>\$ 527,691</u>	<u>\$ 816,752</u>

NOTE 3 - CAPITAL ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2012 is as follows:

	Balance January 1	Additions	Deletions	Balance December 31
Land	\$ 18,200	\$ -	\$ -	\$ 18,200
Buildings	1,960,552	-	-	1,960,552
Equipment	328,620	61,040	-	389,660
Ski Area	155,269	-	-	155,269
Paving	-	145,322	-	145,322
Vehicles	236,177	51,709	-	287,886
Water System	1,568,155	58,823	-	1,626,978
	<u>4,266,973</u>	<u>\$ 316,894</u>	<u>\$ -</u>	<u>4,583,867</u>
Accumulated Depreciation	<u>2,041,716</u>	<u>146,583</u>	<u>-</u>	<u>2,188,299</u>
Capital Assets - net	<u>\$ 2,225,257</u>			<u>\$ 2,395,568</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, 2012:

	General Obligation Debt Payable
Balance - January 1	\$ 353,226
Issued	259,571
Retired	<u>(338,227)</u>
Balance - December 31	<u>\$ 274,570</u>

General long-term debt payable at December 31, 2012 consists of the following issues:

Description of Issue	Original Issue	Issue Date	Maturity Date	Interest Rate	Outstanding December 31
<i>General Obligation Debt</i>					
Water Project	\$ 259,571	6/1/12	4/15/19	2.48	\$ 259,571
Water System Phase I	355,000	11/18/92	11/15/13	5.0-6.1	<u>15,000</u>
					<u>\$ 274,571</u>

During 2012, the Water Project debt was refinanced for the purpose of obtaining an interest rate 2.09% lower than the previous obligation.

Annual requirements to amortize all general obligation debt outstanding as of December 31, 2012, including interest payments, are as follows:

Year Ending December 31	Governmental Fund Debt		
	Principal	Interest	Total
2013	\$ 52,081	\$ 7,106	\$ 59,187
2014	37,082	5,518	42,600
2015	37,081	4,598	41,679
2016	37,082	3,689	40,771
2017	37,081	2,751	39,832
2018 - 2019	<u>74,163</u>	<u>2,759</u>	<u>76,922</u>
	<u>\$ 274,570</u>	<u>\$ 26,421</u>	<u>\$ 300,991</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 \$ 188,416 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. Provisions for benefits are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The system is financed by contributions from both the employees and the District. All employees are required to contribute 7% of eligible compensation. The Department contributed for its employees 8.80% for the year ended December 31, 2012. The employer contribution requirement for 2010 was \$ 25,973.

NOTE 7 – 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.

WATERVILLE ESTATES VILLAGE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2012

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Taxes	\$ 1,322,311	\$ 1,148,032	\$ (174,279)
Intergovernmental	3,183	3,183	-
Interest income on investments	781	1,678	897
Miscellaneous and betterment assessment	-	8,318	8,318
Total Revenues	1,326,275	1,161,211	(165,064)
Expenditures			
General government	175,828	178,711	(2,883)
Highways and streets	233,775	232,118	1,657
Water Distribution and Treatment	169,274	138,856	30,418
Capital outlay	358,983	316,894	42,089
Building	291,338	182,902	108,436
Debt Service	84,527	361,917	(277,390)
Public safety	12,550	11,264	1,286
Total Expenditures	1,326,275	1,422,662	(96,387)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(261,451)	(261,451)
Other Sources (Uses)			
Proceeds of debt	-	259,571	(259,571)
Proceeds grants	-	-	-
Total Other Sources (Uses)	-	259,571	(259,571)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,880)	(1,880)
Budgetary Fund Balance - Beginning of year	1,064,707	1,064,707	-
Operating transfers	-	-	-
Budgetary Fund Balance - End of year	\$ 1,064,707	\$ 1,062,827	\$ (1,880)

**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, 2012.

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.