

WATERVILLE ESTATES VILLAGE DISTRICT

FINANCIAL STATEMENTS

December 31, 2015

(With Independent Auditors' Report Thereon)

**WATERVILLE ESTATES VILLAGE DISTRICT
TABLE OF CONTENTS
December 31, 2015**

Independent Auditors' Report	1 - 2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet –Governmental Funds	5
Reconciliation of the Governmental Fund Balances to the Statement of Net position - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance — Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities – Government Funds	8
Statement of Net Position - Proprietary Fund	9
Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Fund	10
Statement of Cash Flows - Proprietary Fund	11
Notes to Financial Statements	12 - 22
Supplemental Information	
Budgetary Comparison Schedule – General Fund	23
Notes to Required Supplemental Information	24

Graham & Graham, P.C.

Certified Public Accountants

Business Advisors & Management Consultants

The Solution Group

INDEPENDENT AUDITORS' 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 and each major fund, of Waterville Estates Village District (the "District"), as of and for the year ended December 31, 2015, 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 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, and each major fund, of the District, as of December 31, 2015, and the respective changes in financial position,

15 North Main Street, Suite 204, Concord, NH 03301 • (603) 225-2944 Fax: (603) 856-7635

174 Court Street, PO Box 1661, Laconia, NH 03247 • (603) 527-8721 Fax: (603) 527-8187

PO Box 886, 6 Main St., Springfield, VT 05156 • (802) 885-5340 Fax: (802) 885-4999

162 North Main Street, Suite 206, Barre, VT 05641 • (802) 356-2423

Website: www.grahamcpa.com

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

Management has omitted 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 this missing information.

Graham & Graham, P.C.

Graham & Graham, P.C.
Springfield, Vermont
March 18, 2016
VT Registration #92-0000282
NH Registration #659
ME Registration #FMF 10001129

WATERVILLE ESTATES VILLAGE DISTRICT
STATEMENT OF NET POSITION
December 31, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 36,399	\$ 175,186	\$ 211,585
Taxes receivable	672,265	-	672,265
Accounts and miscellaneous receivable	154	-	154
Due from Recreation Fund	35,691	-	35,691
Prepaid expenses	-	12,892	12,892
Inventory	-	24,167	24,167
Capital assets, net of accumulated depreciation	2,784,079	-	2,784,079
TOTAL ASSETS	3,528,588	212,245	3,740,833
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions	18,632	-	18,632
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,547,220	212,245	3,759,465
LIABILITIES			
Accounts payable and accrued expenses	23,476	-	23,476
Due to the District	-	35,691	35,691
Net pension liability	290,221	-	290,221
Unearned revenue	14,070	-	14,070
Note payable due within one year	37,082	-	37,082
Note payable due after one year	111,244	-	111,244
TOTAL LIABILITIES	476,093	35,691	511,784
DEFERRED INFLOWS OF RESOURCES			
Actuarial pension deferrals	119,083	-	119,083
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	595,176	35,691	630,867
NET POSITION			
Invested in capital assets, net of related debt	2,635,753	-	2,635,753
Unrestricted	316,291	176,554	492,845
TOTAL NET POSITION	\$ 2,952,044	\$ 176,554	\$ 3,128,598

The accompanying notes are an integral part of these financial statements

WATERVILLE ESTATES VILLAGE DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Functions/Programs:					
Governmental Activities:					
General Government					
Administration	\$ 368,290	\$ -	\$ (368,290)	\$ -	\$ (368,290)
Building	241,315	-	(241,315)	-	(241,315)
Water	185,155	-	(185,155)	-	(185,155)
Roads	215,761	-	(215,761)	-	(215,761)
Depreciation	199,142	-	(199,142)	-	(199,142)
Public Safety	9,692	-	(9,692)	-	(9,692)
Interest on long-term debt	4,598	-	(4,598)	-	(4,598)
Total governmental activities	<u>1,223,953</u>	<u>-</u>	<u>(1,223,953)</u>	<u>-</u>	<u>(1,223,953)</u>
Business-Type Activities:					
Recreation Center	<u>724,585</u>	<u>728,211</u>	<u>-</u>	<u>3,626</u>	<u>3,626</u>
Total business-type activities	<u>724,585</u>	<u>728,211</u>	<u>-</u>	<u>3,626</u>	<u>3,626</u>
Total government	<u>\$ 1,948,538</u>	<u>\$ 728,211</u>	<u>(1,223,953)</u>	<u>3,626</u>	<u>(1,220,327)</u>
General Revenues:					
Property taxes			1,232,164	-	1,232,164
Interest income			286	18	304
Miscellaneous			(7,364)	-	(7,364)
Donated land			44,503	-	44,503
Transfers in (out)			(101,026)	101,026	-
Total general revenues			<u>1,168,563</u>	<u>101,044</u>	<u>1,269,607</u>
Change in net position			(55,390)	104,670	49,280
Net position - beginning of year - restated			<u>3,007,434</u>	<u>71,884</u>	<u>3,079,318</u>
Net position - end of year			<u>\$ 2,952,044</u>	<u>\$ 176,554</u>	<u>\$ 3,128,598</u>

The accompanying notes are an integral part of these financial statements

**WATERVILLE ESTATES VILLAGE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 36,399
Receivables	
Taxes	672,265
Other	154
Due from the Recreation Fund	<u>35,691</u>
TOTAL ASSETS	\$ <u>744,509</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued expenses	\$ 23,476
Unearned revenue	<u>14,070</u>
TOTAL LIABILITIES	<u>37,546</u>
FUND BALANCES	
Unassigned	<u>706,963</u>
TOTAL FUND BALANCES	<u>706,963</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>744,509</u>

The accompanying notes are an integral part of these financial statements

**WATERVILLE ESTATES VILLAGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
December 31, 2015**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 706,963
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,784,079
Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016	18,632
Deferred inflows of resources related to pensions resulting from projected vs actual earnings and changes in proportion will be recognized as a reduction of the net pension liability in the years ending June 30, 2016 through June 30, 2019	(119,083)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds	
Net pension liability	(290,221)
Note payable	<u>(148,326)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>2,952,044</u>

The accompanying notes are an integral part of these financial statements

**WATERVILLE ESTATES VILLAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015**

	General Fund
REVENUES	
Property taxes and related interest	\$ 1,224,797
Donated land	44,503
Interest	286
Total revenues	<u>1,269,586</u>
EXPENDITURES	
General government	227,616
Highways and streets	216,200
Water distribution and treatment	185,155
Building	241,753
Capital outlay	307,335
Debt service	41,680
Public safety	9,692
Total expenditures	<u>1,229,431</u>
Excess/(deficiency) of revenue over/(under) expenditures	<u>40,155</u>
OTHER FINANCING SOURCES (USES)	
Transfers, net	<u>(101,026)</u>
Total other financing sources (uses)	<u>(101,026)</u>
NET CHANGE IN FUND BALANCES	(60,871)
FUND BALANCE , beginning of year, as restated	<u>767,834</u>
FUND BALANCE , end of year	<u><u>\$ 706,963</u></u>

The accompanying notes are an integral part of these financial statements

**WATERVILLE ESTATES VILLAGE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (60,871)
---	-------------

Amounts reported for 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 \$164,961 exceeded depreciation of \$199,142	(34,181)
---	----------

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces the long-term note payable balance in the statement of net position.	37,081
---	--------

Net pension contributions subsequent to the measurement date	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">2,581</div>
--	---

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ (55,390)</div>
--	--

WATERVILLE ESTATES VILLAGE DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2015

	<u>Recreation Center</u>
ASSETS	
Cash and cash equivalents	\$ 175,186
Inventory	24,167
Prepaid insurance	<u>12,892</u>
TOTAL ASSETS	\$ <u>212,245</u>
LIABILITIES	
Due to the District	\$ <u>35,691</u>
Total liabilities	<u>35,691</u>
NET POSITION	
Unrestricted	<u>176,554</u>
Total net position	<u>176,554</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>212,245</u>

The accompanying notes are an integral part of these financial statements

**WATERVILLE ESTATES VILLAGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUND
For The Year Ended December 31, 2015**

	<u>Recreation Center</u>
OPERATING REVENUE	
Rental income	\$ 159,000
Management fee	100,000
Tax supplement income	64,672
Membership passes	31,916
Food and beverage income	265,095
Recreation income	15,725
Event and function income	91,803
Total operating revenue	<u>728,211</u>
OPERATING EXPENSES	
Wages and related expense	310,143
Administrative expenses	45,246
Cost of food, beverage and supplies	126,722
Lounge expenses	86,375
Repairs, maintenance and supplies	55,507
Ski area	66,762
Member services expenses	33,830
Total operating expenses	<u>724,585</u>
LOSS FROM OPERATIONS	<u>3,626</u>
NON-OPERATING REVENUE	
Interest income	<u>18</u>
INCOME BEFORE TRANSFERS	3,644
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>101,026</u>
CHANGE IN NET POSITION	104,670
NET POSITION, beginning of year	<u>71,884</u>
NET POSITION, end of year	<u><u>\$ 176,554</u></u>

The accompanying notes are an integral part of these financial statements

WATERVILLE ESTATES VILLAGE DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended December 31, 2015

	Recreation Center
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 832,111
Cash payments to suppliers for goods and services	(475,994)
Cash payments to employees for services and benefits	(310,143)
Net cash provided by operating activities	<u>45,974</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	<u>101,026</u>
Net cash provided by non-capital financing activities	<u>101,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>18</u>
Net cash provided by investing activities	<u>18</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	147,018
CASH AND CASH EQUIVALENTS, beginning of year	<u>28,168</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 175,186</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 3,626
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities	
(Increase) decrease in inventory	6,657
Increase (decrease) in due to District	<u>35,691</u>
Net cash provided by (used in) operating activities	<u><u>\$ 45,974</u></u>

The accompanying notes are an integral part of these financial statements

WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1. Summary of Significant Accounting Policies

Waterville Estates Village District (the "District") is a New Hampshire Municipal Corporation governed by a District of Commissioners and other elected officials. The District has adopted the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards District ("GASB"), the accepted standard setting body for establishing accounting and financial reporting principals for government units.

The Commissioners of the District adopted the following policies which are consistently applied in the preparation of the financial statements. The following is a summary of the more significant policies.

Reporting Entity: The District, for financial reporting purposes, includes all of the funds relevant to the operations of the District. The financial statements presented herein do not include entities which have been formed under applicable state laws or separate and distinct units of government apart from the District.

The Commissioners represent the basic level of government which has oversight responsibility and control over all activities related to the District. The District receives funding from local government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since commissioners are elected by the public have decision making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the District do not include those of separately administered entities that are not controlled by or dependent on the District. Such control or dependence ("oversight responsibility") is determined on the basis of five basic characteristics; financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based upon the foregoing criteria, no other entities are included in the District's financial statements.

Government-Wide and Fund Financial Statements: The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information of the District's non-fiduciary activities as a whole. But the statements distinguish governmental activities, generally supported by taxes, state aid, grants, and other intergovernmental revenues, and business-type activities that rely, to a significant extent, on fees and charges for support.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the District's services; (2) operating grants and contributions which finance annual operating activities, including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1. Summary of Significant Accounting Policies (continued)

Fund financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Inter-fund activities between governmental funds appear as due to/from on the Governmental Fund Balance Sheet and as other sources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All inter-fund transactions between governmental funds are eliminated on the government-wide statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year they are assessed while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers all revenues available if they are collected within sixty (60) days after year end, except those receivables related to reimbursements for incurred costs under contracts and grants. The time period for those receivables is based on the terms of the agreements. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are reported only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes are recognized under the susceptible to accrual concept in accordance with GASB pronouncements. The District levies property taxes which, according to State law, are collected by the Town of Campton and then remitted to the District. Property taxes are levied in May and November based on assessed valuations as of April 1st of each year. Property taxes receivable not collected within 60 days after year end are reclassified as unearned revenue, a deferred inflow of resources, on the government funds balance sheet. Revenues received from the State of New Hampshire are also recognized when susceptible to accrual. Miscellaneous revenues and fees are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant.

Net Position and Fund Balance

Government-Wide Financial Statements

Net position on the Statement of Net Position includes the following:

WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1. Summary of Significant Accounting Policies (continued)

Net investment in capital assets - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grants, or laws and regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted - The difference between the assets and liabilities that is not reported in net position, invested in capital assets, or net position, restricted.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form -prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the District, which is the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the District removes the specified use by taking the same type of action imposing the commitment. This classification also includes voter approved reservations and contractual obligations to the extent that the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The District has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances on other governmental funds.

WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1. Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted funds first, then unrestricted funds. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Basis of Presentation: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Funds

These funds are used to account for the programs and activities of the governmental functions of the District.

General Fund: The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Reserve Fund: To account for funds set aside for future capital expenditures.

Inventory: Inventory is stated at the lower of cost or market.

Capital Assets: The District's property, plant, equipment, vehicles, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The District maintains infrastructure asset records consistent with all other capital assets. The District has elected under the requirements of GASB Statement No. 34 not to capitalize infrastructure costs prior to January 1, 2004. Donated assets are stated at fair value on the date donated.

The District generally capitalizes furniture, equipment and small tools with cost of \$5,000 or more for governmental funds and \$50,000 or greater for infrastructure as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 - 40
Equipment and Vehicles	5 - 12
Furniture, equipment and small tools	5 - 10

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Pension accounting

In governmental activities, expense is recognized based on actuarially required contributions. The net pension obligation (asset), the cumulative difference between annual pension cost and the District's contributions to the plan, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27 and is recognized in the government wide financial statements.

Funding Policy: The District makes annual contributions based upon annual actuarial determinations.

Note 2. Cash, Cash Equivalents, and Investments

For financial statement reporting purposes, cash and cash 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 of New Hampshire or in participation units of the public deposit investment pool established pursuant to RSA 383:22. Funds may be deposited in banks outside of New Hampshire 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, New Hampshire Statutes require the Treasurer, with the approval of the Commissioners, to invest the same in obligations of the U.S. Government, in savings bank deposits of banks incorporated under the Laws of the State of New Hampshire or in certificates of deposit held with New Hampshire banks or with national banks located in the States of New Hampshire or Massachusetts.

Deposits – The District's cash deposits are categorized to give an indication of the level of risk assumed by the District at December 31, 2015. *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.

	<u>Category 1</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
Bank deposits	\$ 228,217	\$ 228,217	\$ 211,585

Note 3. Capital Assets - Business-Type Activities

Capital asset activity for the year ended December 31, 2015 was as follows:

WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets – non depreciable				
Land	\$ 18,200	\$ -	\$ -	\$ 62,703
Capital Assets - depreciable				
Building	2,294,199	-	-	2,294,199
Equipment	566,867	74,455	-	641,322
Ski	188,832	-	-	188,832
Paving	303,555	-	-	303,555
Vehicles	287,886	46,003	-	333,889
Water system	1,689,542	-	-	1,689,542
Totals	5,330,881	120,458	-	5,451,339
Accumulated depreciation	(2,530,821)	(199,142)	-	(2,729,963)
Total depreciable assets, net	\$ 2,800,060	\$ (78,684)	\$ -	\$ 2,721,376
Capital Assets, Net	\$ 2,818,260	\$ (78,684)	\$ -	\$ 2,784,079

Note 4. Long-Term Debt

Long-term debt consists of the following at December 31, 2015:

Governmental Activities:

Bond payable, with interest at 2.09%, due April 2019, Payable in annual installments of \$40,770, secured by substantially all business assets \$ 148,326

Description of Issue	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current</u>	<u>Long- Term</u>
<i>General Obligation Debt</i>	\$ 185,407	\$ -	\$ (37,081)	\$ 148,326	\$ 37,082	111,244
Water Project	\$ 185,407	\$ -	\$ (37,081)	\$ 148,326	\$ 37,082	\$ 111,244

Scheduled maturities of long-term debt are as follows as of December 31, 2015:

<u>Year Ending December 31,</u>	<u>Water Department</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 37,082	\$ 3,689
2017	37,082	2,751
2018	37,082	1,839
2019	37,080	920
	\$ <u>148,326</u>	\$ <u>9,199</u>

WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 5. Recreation Revolving Fund and Related Party Transaction

Effective July 1, 2006, the District established a Recreation Revolving Loan Fund pursuant to RSA 35-B:2,11. 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 year ended December 31, 2015 were \$159,000 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

For 2015, the District implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, with respect to the State of New Hampshire Retirement System (NHRS).

Plan Description: Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The 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 within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

Benefits Provided: 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 a non-vested 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.

WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6. Retirement Plan (continued)

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 benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

Contributions: Plan members are required to contribute a percentage of their gross earnings to the pension plan. The contribution rates are 7% for employees and teachers (Group I, which includes all participating District employees), 11.55% for police and 11.80% for fire. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% (the applicable rate for participating District employees) to 27.74% of covered compensation. The District's contribution to NHRS for the year ended June 30, 2015 was \$24,578, which was equal to its annual required contribution.

Summary of Significant Accounting Policies: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2015, the District reported a liability of \$290,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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 employers, actuarially determined. At June 30, 2014, the District's proportion was .00884323 percent. At the most recent measurement date of June 30, 2015, the City's proportion was .00732599 percent, which was a decrease of 0.001517 percent from its previous year proportion.

For the year ended December 31, 2015, the City recognized pension expense of \$27,954. Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6. Retirement Plan (continued)

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
Net difference between projected and actual earnings on pension plan investments	\$ 18,632	\$ 26,389
Changes in proportion and differences between contributions and proportionate share of contributions	-	86,325
Differences between expected and annual experience	-	6,369
Contributions subsequent to the measurement date	-	-
Total	\$ <u>18,632</u>	\$ <u>119,083</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 18,632	\$ 26,921
2017	-	26,921
2018	-	26,921
2019	-	26,921
2020	-	11,399
Total	\$ <u>18,632</u>	\$ <u>119,083</u>

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent per year
Salary increases	3.75 - 5.8 percent average
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

The long-term expected rate of return on pension plan investments 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 rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

WATERTVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6. Retirement Plan (continued)

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.25%
Small/Mid Cap Equities	7.50	3.25%
Total domestic equities	30.00	
Int'l Equities (Unhedged)	13.00	4.25%
Emerging Int'l Equities	7.00	6.50%
Total international equities	20.00	
Core Bonds	18.00	-0.47%
High-Yield Bonds	1.50	1.50%
Global Bonds (unhedged)	5.00	-1.75%
Emerging Market Debt (external)	0.50	2.00%
Total fixed income	25.00	
Private equity	5.00	5.75%
Private debt	5.00	5.00%
Real estate	10.00	3.25%
Opportunistic	5.00	2.50%
Total alternative investments	25.00	
Total	100.00 %	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the 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 and 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

Fiscal Year Ended	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Decrease (8.75%)
June 30, 2015	\$ 382,038	\$ 290,221	\$ 382,038

WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6. Retirement Plan (continued)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

Note 7. Beginning Fund Balance Restatement

The District's beginning fund balance for 2015 has been restated from the previous year to adjust for prior year overstatements of unearned revenue and property taxes receivable. Accordingly, the following reconciliation is provided:

Fund Basis Financial Statements:

	<u>General Fund</u>
As previously reported	\$ 471,369
Unearned revenue reversal	397,741
Property tax receivable reversal	<u>(101,276)</u>
As restated	<u>\$ 767,834</u>

Note 8. Beginning Net Position Restatement

The District's beginning net position balance for 2015 has been restated from the previous year to conform to GASB Statement 68 and to adjust for prior year overstatement of property taxes receivable. 2014 and prior periods have not been restated for GASB 68 due to the impractical nature of allocating annual activity and lack of information for measurement dates June 30, 2012 and prior; as GASB 68 is a new standard beginning net position restatement does not recognize beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions per GASB 71. Accordingly, the following reconciliation is provided:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 3,501,963
Implementation of GASB 68	(393,253)
Property tax receivable reversal	<u>(101,276)</u>
As restated	<u>\$ 3,007,434</u>

Note 9. Subsequent Events

Management has evaluated subsequent events through March 18, 2016, the date that the audit fieldwork was completed.

**WATERVILLE ESTATES VILLAGE DISTRICT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes			
Property taxes	\$ 1,278,544	\$ 1,224,797	\$ (53,747)
Donated land	-	44,503	44,503
Investment income	-	286	286
Total revenues	<u>1,278,544</u>	<u>1,269,586</u>	<u>(8,958)</u>
Expenditures			
General government	230,629	227,616	(3,013)
Highways and streets	235,018	216,200	(18,818)
Water distribution and treatment	163,501	185,155	21,654
Capital outlay	583,396	307,335	(276,061)
Building	247,882	241,753	(6,129)
Debt service	41,680	41,680	-
Public safety	13,006	9,692	(3,314)
Total expenditures	<u>1,515,112</u>	<u>1,229,431</u>	<u>(285,681)</u>
EXCESS OF REVENUES OVER EXPENDITURES	(236,568)	40,155	276,723
FUND BALANCE, beginning of year, as restated	767,834	767,834	-
Operating transfers	<u>101,026</u>	<u>(101,026)</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 632,292</u>	<u>\$ 706,963</u>	<u>\$ 276,723</u>

See Auditors' Report and Accompanying Notes to Basic Financial Statements.

**WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2015**

Note 1 – Summary of Significant Accounting Policies

Budgetary Process

The budgetary process is prescribed by provisions of New Hampshire State statutes which entail 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, 2015.

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 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.