

**WATERVILLE ESTATES VILLAGE DISTRICT,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2019**

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

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# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Board of Commissioners  
Waterville Estates Village District  
Campton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund (governmental and proprietary) of the Waterville Estates Village District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Summary of Opinions**

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

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

As discussed in Note 1-O to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits for the single employer plan in the governmental activities, business-type activities, and major proprietary fund. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities, business-type activities, and major proprietary fund. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

***Waterville Estates Village District  
Independent Auditor's Report***

***Adverse Opinion***

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities, Business-type Activities and Major Proprietary Fund" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide and proprietary fund financial statements of the Waterville Estates Village District, as of December 31, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major general fund and major water fund of the Waterville Estates Village District as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the major general and water funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

**Management's Discussion and Analysis** – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

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

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

**Other Information** – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterville Estate Village District's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

June 9, 2021

*Plodzik & Sanderson  
Professional Association*

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2019**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 355,975	\$ 154,511	\$ 510,486
Taxes receivables (net)	854,205	-	854,205
Account receivables	8,275	555	8,830
Internal balances	57,986	(57,986)	-
Inventory	-	37,473	37,473
Capital assets:			
Land and construction in progress	97,051	-	97,051
Other capital assets, net of depreciation	2,067,540	527,281	2,594,821
Total assets	<u>3,441,032</u>	<u>661,834</u>	<u>4,102,866</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	47,921	17,818	65,739
Amounts related to other postemployment benefits	320	119	439
Total deferred outflows of resources	<u>48,241</u>	<u>17,937</u>	<u>66,178</u>
<b>LIABILITIES</b>			
Accounts payable	38,107	44,471	82,578
Accrued salaries and benefits	1,826	-	1,826
Long-term liabilities:			
Due in more than one year	311,277	119,770	431,047
Total liabilities	<u>351,210</u>	<u>164,241</u>	<u>515,451</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - recreation fees	-	2,500	2,500
Amounts related to pensions	27,876	10,364	38,240
Amounts related to other postemployment benefits	77	28	105
Total deferred inflows of resources	<u>27,953</u>	<u>12,892</u>	<u>40,845</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,164,591	527,281	2,691,872
Unrestricted	945,519	(24,643)	920,876
Total net position	<u>\$ 3,110,110</u>	<u>\$ 502,638</u>	<u>\$ 3,612,748</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT B**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2019**

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position		Total
			Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>					
General government	\$ 433,319	\$ -	\$ (433,319)	\$ -	\$ (433,319)
Public safety	11,685	-	(11,685)	-	(11,685)
Highways and streets	235,306	-	(235,306)	-	(235,306)
Water distribution and treatment	270,033	103,323	(166,710)	-	(166,710)
Culture and recreation	376,000	-	(376,000)	-	(376,000)
Interest on long-term debt	250	-	(250)	-	(250)
Total governmental activities	<u>1,326,593</u>	<u>103,323</u>	<u>(1,223,270)</u>	<u>-</u>	<u>(1,223,270)</u>
<b>Business-type activities:</b>					
Recreation	<u>784,272</u>	<u>782,467</u>	<u>-</u>	<u>(1,805)</u>	<u>(1,805)</u>
Total	<u>\$ 2,110,865</u>	<u>\$ 885,790</u>	<u>(1,223,270)</u>	<u>(1,805)</u>	<u>(1,225,075)</u>
<b>General revenues:</b>					
Taxes:					
Property			1,483,842	-	1,483,842
Other			11,067	-	11,067
Unrestricted investment earnings			13,638	11	13,649
Miscellaneous			42,044	-	42,044
Total general revenues			<u>1,550,591</u>	<u>11</u>	<u>1,550,602</u>
Change in net position			327,321	(1,794)	325,527
Net position, beginning, as restated (see Note 14)			2,782,789	504,432	3,287,221
Net position, ending			<u>\$ 3,110,110</u>	<u>\$ 502,638</u>	<u>\$ 3,612,748</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-1**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2019**

	General	Water	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 355,643	\$ 332	\$ 355,975
Taxes receivable	894,205	-	894,205
Accounts receivable	3,432	4,843	8,275
Interfund receivable	57,986	7,995	65,981
Total assets	<u>\$ 1,311,266</u>	<u>\$ 13,170</u>	<u>\$ 1,324,436</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 24,937	\$ 13,170	\$ 38,107
Accrued salaries and benefits	1,826	-	1,826
Interfund payable	7,995	-	7,995
Total liabilities	<u>34,758</u>	<u>13,170</u>	<u>47,928</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	170,177	-	170,177
<b>FUND BALANCES</b>			
Committed	110,331	-	110,331
Assigned	7,877	-	7,877
Unassigned	988,123	-	988,123
Total fund balances	<u>1,106,331</u>	<u>-</u>	<u>1,106,331</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,311,266</u>	<u>\$ 13,170</u>	<u>\$ 1,324,436</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-2**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
**December 31, 2019**

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)		\$ 1,106,331
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 5,054,634	
Less accumulated depreciation	<u>(2,890,043)</u>	
		2,164,591
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 47,921	
Deferred inflows of resources related to pensions	(27,876)	
Deferred outflows of resources related to OPEB	320	
Deferred inflows of resources related to OPEB	<u>(77)</u>	
		20,288
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (7,995)	
Payables	<u>7,995</u>	
		-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$ 170,177	
Allowance for uncollectible property taxes	<u>(40,000)</u>	
		130,177
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Compensated absences	\$ 6,035	
Net pension liability	298,225	
Other postemployment benefits	<u>7,017</u>	
		<u>(311,277)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 3,110,110</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-3**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2019**

	General	Water	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,489,163	\$ -	\$ 1,489,163
Charges for services	-	103,323	103,323
Miscellaneous	55,579	103	55,682
Total revenues	<u>1,544,742</u>	<u>103,426</u>	<u>1,648,168</u>
<b>EXPENDITURES</b>			
Current:			
General government	312,579	-	312,579
Public safety	11,685	-	11,685
Highways and streets	204,914	-	204,914
Water distribution and treatment	-	220,688	220,688
Culture and recreation	326,181	-	326,181
Debt service:			
Principal	-	37,081	37,081
Interest	-	905	905
Capital outlay	51,430	16,161	67,591
Total expenditures	<u>906,789</u>	<u>274,835</u>	<u>1,181,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>637,953</u>	<u>(171,409)</u>	<u>466,544</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	170,261	170,261
Transfers out	(170,261)	-	(170,261)
Total other financing sources (uses)	<u>(170,261)</u>	<u>170,261</u>	<u>-</u>
Net change in fund balances	467,692	(1,148)	466,544
Fund balances, beginning	638,639	1,148	639,787
Fund balances, ending	<u>\$ 1,106,331</u>	<u>\$ -</u>	<u>\$ 1,106,331</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

*EXHIBIT C-4*  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances - Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended December 31, 2019*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 466,544
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 27,979	
Depreciation expense	<u>(189,983)</u>	(162,004)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (170,261)	
Transfers out	<u>170,261</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows of resources - property taxes		5,746
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Repayment of note principal		37,081
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 655	
Decrease in compensated absences payable	7,775	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(28,002)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(474)</u>	<u>(20,046)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 327,321</u></u>

**EXHIBIT D-1**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended December 31, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 1,493,313	\$ 1,494,909	\$ 1,596
Miscellaneous	383	55,579	55,196
Total revenues	<u>1,493,696</u>	<u>1,550,488</u>	<u>56,792</u>
<b>EXPENDITURES</b>			
Current:			
General government	362,133	320,456	41,677
Public safety	15,187	11,685	3,502
Highways and streets	337,880	204,914	132,966
Culture and recreation	520,172	364,549	155,623
Capital outlay	121,914	123,393	(1,479)
Total expenditures	<u>1,357,286</u>	<u>1,024,997</u>	<u>332,289</u>
Excess of revenues over expenditures	<u>136,410</u>	<u>525,491</u>	<u>389,081</u>
<b>OTHER FINANCING USES</b>			
Transfers out	(295,558)	(170,261)	125,297
Net change in fund balances	<u>\$ (159,148)</u>	<u>355,230</u>	<u>\$ 514,378</u>
Unassigned fund balance, beginning		763,070	
Unassigned fund balance, ending		<u>\$ 1,118,300</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT D-2**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Water Fund**  
**For the Fiscal Year Ended December 31, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 103,200	\$ 103,323	\$ 123
Miscellaneous	-	103	103
Total revenues	<u>103,200</u>	<u>103,426</u>	<u>226</u>
<b>EXPENDITURES</b>			
Current:			
Water distribution and treatment	180,772	220,688	(39,916)
Debt service:			
Principal	37,081	37,081	-
Interest	905	905	-
Capital outlay	180,000	16,161	163,839
Total expenditures	<u>398,758</u>	<u>274,835</u>	<u>123,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(295,558)</u>	<u>(171,409)</u>	<u>124,149</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>295,558</u>	<u>170,261</u>	<u>(125,297)</u>
Net change in fund balances	<u>\$ -</u>	<u>(1,148)</u>	<u>\$ (1,148)</u>
Committed fund balance, beginning		1,148	
Committed fund balance, ending		<u>\$ -</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-1**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Net Position**  
**December 31, 2019**

	Business-type Activities
	Enterprise Fund (Recreation Fund)
<b>ASSETS</b>	
Cash and cash equivalents	\$ 154,511
Accounts receivable	555
Inventory	37,473
Capital assets:	
Other capital assets, net of depreciation	527,281
Total assets	719,820
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	17,818
Amounts related to other postemployment benefits	119
Total deferred outflows of resources	17,937
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	44,471
Internal balances	57,986
Long term liabilities:	
Due in more than one year	119,770
Total liabilities	222,227
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - recreation fees	2,500
Amounts related to pensions	10,364
Amounts related to other postemployment benefits	28
Total deferred inflows of resources	12,892
<b>NET POSITION</b>	
Net investment in capital assets	527,281
Unrestricted	(24,643)
Total net position	\$ 502,638

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-2**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended December 31, 2019**

	Business-type Activities
	Enterprise Fund (Recreation Fund)
Operating revenues:	
Rental income	\$ 276,860
Management fee	100,000
Membership passes	34,541
Food and beverage income	148,050
Recreation income	12,429
Event and function income	11,893
Campton Mountain	198,694
Total operating revenues	782,467
Operating expenses:	
Salaries and wages	310,019
Operation and maintenance	68,322
Cost of food, beverage, and supplies	119,118
Lounge expenses	93,410
Repairs and maintenance	74,651
Ski area	62,670
Member services	7,451
Depreciation	48,631
Total operating expenses	784,272
Operating loss	(1,805)
Nonoperating revenue:	
Interest income	11
Change in net position	(1,794)
Net position, beginning, as restated (see Note 14)	504,432
Net position, ending	\$ 502,638

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-3**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended December 31, 2019**

	Business-type Activities
	Enterprise Fund (Recreation Fund)
Cash flows from operating activities:	
Receipts from customers and users	\$ 782,467
Payments to employees	(338,406)
Payments to suppliers	(431,024)
Net cash provided by operating activities	13,037
Cash flows from investing activities:	
Interest received	11
Net increase in cash	13,048
Cash, beginning	141,463
Cash, ending	\$ 154,511
<b><i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i></b>	
Operating loss	\$ (1,805)
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation expense	48,631
Increase in inventory	(14,883)
Increase in accounts payable	9,481
Decrease in compensated absences liability	(8,087)
Net change in GASB Statement No. 68 balances relating to pensions	(19,718)
Net change in GASB Statement No. 75 balances relating to OPEB	(582)
Total adjustments	14,842
Net cash provided by operating activities	\$ 13,037

The Notes to the Basic Financial Statements are an integral part of this statement.

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2019**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The more significant of the District's accounting policies are described below.

***1-A Reporting Entity***

The Waterville Estates Village District is a municipal corporation governed by an elected 3-member Board of Commissioners. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The District has no component units to include in its reporting entity.

***1-B Basis of Accounting, and Measurement Focus***

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements*** – The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position, with the exception of the retirement healthcare and obligations for other postemployment benefits of the District's single employer plan have also been omitted because the liability and expense have not been determined. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. As in the Statement of Net Position the District has not recorded other postemployment benefit expense of the District's single employer plan in this statement. The types of transactions reported as program revenues for the District are reported in one category, charges for services.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

***Governmental Fund Financial Statements*** – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The District has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses, and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to

*WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE*

*NOTES TO THE BASIC FINANCIAL STATEMENTS*

*AS OF AND FOR THE FISCAL YEAR ENDED  
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be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

**General Fund** – is the District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are property taxes. The primary expenditures are for general government, public safety, highways and streets, water treatment and distribution, culture and recreation, debt service and capital outlay.

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

**Proprietary Fund Financial Statements** – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for the major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The District reports the following major proprietary fund:

**Recreation Fund**– the fund established pursuant to RSA 35-B:2, II is to receive all fees for the use of the recreational facilities and concessions including building rental and management fees for the Waterville Estates Association.

***1-C Cash and Cash Equivalents***

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***1-D Statement of Cash Flows***

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

***1-E Receivables***

Receivables recorded in the financial statements represent amounts due to the District at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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***1-F Inventory***

The inventories of the District are valued at cost using the first-in/first-out (FIFO) method. The inventories of the District's recreation fund consist of expendable materials and supplies held for consumption. The cost is recorded as an expense when consumed rather than when purchased.

***1-G Capital Assets***

Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, parking lots and similar items), which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and \$50,000 or more for infrastructure and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
<b>Capital Asset Classes:</b>	
Land improvements	25
Building and building improvements	10 - 40
Equipment and vehicles	5 - 40
Furniture and fixtures	5 - 15
Infrastructure	10 - 40

***1-H Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***Interfund Transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-I Property Taxes***

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year, which are collected by the Town of Campton and Town of Thornton and remitted to the District. Interest accrues at a rate of 12% (from January 1, 2019 through March 31, 2019) and 8% (after April 1, 2019) on bills outstanding after the due date and 18% (from January 1, 2019 through March 31, 2019) and 14% (after April 1, 2019) on tax liens outstanding.

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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The District net assessed valuation as of April 1, 2019 utilized in the setting of the tax rate was as follows:

Town of Campton Assessment	\$69,920,846
Town of Thornton Assessment	\$26,700,099

The tax rates and amounts assessed for the year ended December 31, 2019 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Village District portion:		
Town of Campton	\$16.08	\$1,124,327
Town of Thornton	\$13.51	\$ 360,718

***1-J Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2019.

***1-K Deferred Outflows/Inflows of Resources***

*Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense) until then.

*Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***1-L Long-term Obligations***

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, and proprietary fund Statements of Net Position.

***1-M Compensated Absences***

The District's policy allows certain employees to earn varying amounts of vacation, sick and compensatory time based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the District's personnel policy. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

***1-N Defined Benefit Pension Plan***

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

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

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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***1-O Postemployment Benefits Other Than Pensions***

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

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

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

***1-P Net Position/Fund Balances***

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

**Net investment in capital assets** – Consists of capital assets, net of accumulated depreciation.

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

***Fund Balance Classifications*** – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

**Committed** – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Commissioners through the budgetary process.

**Unassigned** – Amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

***1-Q Use of Estimates***

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2019**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the District's operations. At its annual meeting, the District adopts a budget for the current year for the general and water funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2019, none of the beginning general fund unassigned fund balance was applied for this purpose and \$159,148 was voted from unassigned fund balance for current year appropriations.

**2-B Budgetary Reconciliation to GAAP Basis**

While the District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis of accounting for the major water fund. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 1,550,488
Adjustment:	
Basis difference:	
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(5,746)
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,544,742</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 1,195,258
Adjustment:	
Basis differences:	
Encumbrances, beginning	-
Encumbrances, ending	(118,208)
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,077,050</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At December 31, 2019, the reported amount of the District's deposits was \$510,486 and the bank balance was \$508,437. Of the bank balance \$400,949 was covered by federal depository insurance or by collateral held by the pledging bank or pledging bank's trust department in the District's name, and \$107,488 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	<u>\$ 510,486</u>
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**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
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**NOTE 4 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2019. The amount has been reduced by an allowance for an estimated uncollectible amount of \$40,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2019	\$ 818,914	\$ 818,914
Unredeemed (under tax lien):		
Levy of 2018	33,773	33,773
Levy of 2017	1,014	1,014
Levies of 2016 and prior	40,504	40,504
Less: allowance for estimated uncollectible taxes	(40,000) *	-
Net taxes receivable	<u>\$ 854,205</u>	<u>\$ 894,205</u>

\*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

**NOTE 5 – OTHER RECEIVABLES**

Receivables at December 31, 2019, consisted of accounts (billings for water user charges). Receivables are recorded on the District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance, beginning (as restated)	Additions	Adjustments/ Deletions	Balance, ending
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 62,703	\$ -	\$ -	\$ 62,703
Construction in progress	23,815	16,161	(5,628)	34,348
Total capital assets not being depreciated	<u>86,518</u>	<u>16,161</u>	<u>(5,628)</u>	<u>97,051</u>
Being depreciated:				
Land improvements	375,638	-	-	375,638
Buildings and building improvements	2,475,455	-	-	2,475,455
Equipment and vehicles	506,325	17,446	-	523,771
Furnitures and fixtures	99,476	-	-	99,476
Infrastructure	1,483,243	-	-	1,483,243
Total capital assets being depreciated	<u>4,940,137</u>	<u>17,446</u>	<u>-</u>	<u>4,957,583</u>
Total all capital assets	<u>5,026,655</u>	<u>33,607</u>	<u>(5,628)</u>	<u>5,054,634</u>
Less accumulated depreciation:				
Land improvements	(70,257)	(15,026)	-	(85,283)
Buildings and building improvements	(1,467,873)	(78,005)	-	(1,545,878)
Equipment and vehicles	(294,882)	(40,858)	-	(335,740)
Furnitures and fixtures	(53,303)	(6,749)	-	(60,052)
Infrastructure	(813,745)	(49,345)	-	(863,090)
Total accumulated depreciation	<u>(2,700,060)</u>	<u>(189,983)</u>	<u>-</u>	<u>(2,890,043)</u>
Net book value, capital assets being depreciated	<u>2,240,077</u>	<u>(172,537)</u>	<u>-</u>	<u>2,067,540</u>
Net book value, all governmental activities capital assets	<u>\$ 2,326,595</u>	<u>\$ (156,376)</u>	<u>\$ (5,628)</u>	<u>\$ 2,164,591</u>

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

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Depreciation expense was charged to functions of the District based on their usage of the related assets. The amounts allocated to each function are as follows:

<b>Governmental activities:</b>		
General government		\$ 110,038
Highways and streets		30,600
Water treatment and distribution		49,345
Total depreciation expense		<u>\$ 189,983</u>
 <b>Business-type activities:</b>		
Culture and recreation		<u>\$ 48,631</u>

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Recreation	\$ 57,986
Water	General	7,995
		<u>\$ 65,981</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Interfund Transfers** - The composition of interfund transfers for the year ended December 31, 2019 is as follows:

	<u>Transfers In:</u>
	Water
	<u>Fund</u>
Transfers out:	
General fund	<u>\$ 170,261</u>

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

**NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities and Proprietary Fund</u>
Amounts related to pensions, see Note 10	\$ 47,921	\$ 17,818
Amounts related to OPEB, see Note 11	320	119
Total deferred inflows of resources	<u>\$ 48,241</u>	<u>\$ 17,937</u>

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED**

**DECEMBER 31, 2019**

Deferred inflows of resources are as follows:

	Governmental Activities	Business-type Activities and Proprietary Fund	General Fund
District's portion of property taxes not collected within 60 days of the fiscal within 60 days of the year-end	\$ -	\$ -	\$ 170,177
Recreation fees collected in advance	-	2,500	-
Amounts related to pensions, see Note 10	27,876	10,364	-
Amounts related to OPEB, see Note 11	77	28	-
Total deferred inflows of resources	<u>\$ 27,953</u>	<u>\$ 12,892</u>	<u>\$ 170,177</u>

**NOTE 9 – LONG-TERM LIABILITIES**

Changes in the District's long-term liabilities consisted of the following for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Due Within One Year
<b>Governmental activities:</b>					
Note payable	\$ 37,081	\$ -	\$ (37,081)	\$ -	\$ -
Compensated absences	13,810	-	(7,775)	6,035	-
Pension related liability	293,352	4,873	-	298,225	-
Net other postemployment benefits	7,221	-	(204)	7,017	-
Total long-term liabilities	<u>\$ 351,464</u>	<u>\$ 4,873</u>	<u>\$ (45,060)</u>	<u>\$ 311,277</u>	<u>\$ -</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 14,365	\$ -	\$ (8,087)	\$ 6,278	\$ -
Pension related liability	144,400	-	(33,517)	110,883	-
Net other postemployment benefits	3,554	-	(945)	2,609	-
Total long-term liabilities	<u>\$ 162,319</u>	<u>\$ -</u>	<u>\$ (42,549)</u>	<u>\$ 119,770</u>	<u>\$ -</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

**Benefits Provided** – The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

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Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

**Contributions** - The System is financed by contributions from both the employees and the District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation. For fiscal year 2019, the District contributed 11.08% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the District contributed 10.88% for other employees. The contribution requirement for the fiscal year 2019 was \$34,851, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2019 the District reported a liability of \$409,108, of which \$298,225 is reported in the governmental activities and \$110,883 in the business-type activities and proprietary funds for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the District’s proportion was .00850243% which was a decrease of .00058861% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the District recognized pension expense of \$43,134. At December 31, 2019 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
<b>Governmental activities:</b>		
Changes in proportion	\$ -	\$ 19,027
Changes in assumptions	10,700	-
Net difference between projected and actual investment earnings on pension plan investments	23,565	2,436
Differences between expected and actual experience	1,649	6,413
Contributions subsequent to the measurement date	12,007	-
Total governmental activities	<u>47,921</u>	<u>27,876</u>
<b>Business-type activities:</b>		
Changes in proportion	-	7,074
Changes in assumptions	3,979	-
Net difference between projected and actual investment earnings on pension plan investments	8,762	906
Differences between expected and actual experience	613	2,384
Contributions subsequent to the measurement date	4,464	-
Total business-type activities	<u>17,818</u>	<u>10,364</u>
Grand total	<u>\$ 65,739</u>	<u>\$ 38,240</u>

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The \$16,471 reported as deferred outflows of resources related to pensions results from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2020	\$ 13,129	\$ 4,882	\$ 18,011
2021	(1,142)	(424)	(1,566)
2022	(1,330)	(494)	(1,824)
2023	(2,619)	(974)	(3,593)
2024	-	-	-
Thereafter	-	-	-
Totals	\$ 8,038	\$ 2,990	\$ 11,028

**Actuarial Assumptions** – The collective total pension liability was based on the following assumptions:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation	3.25% (3.00% for teachers)
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

**Long-term Rates of Return** – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

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**Discount Rate** – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan’s actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 547,812	\$ 409,108	\$ 294,470

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

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**11-A New Hampshire Retirement System (NHRS)**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system’s website at [www.nhrs.org](http://www.nhrs.org).

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

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

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Maximum medical subsidy rates paid during fiscal year 2019 were as follows:

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

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

**Contributions** – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2019, the District contributed 0.30% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the District contributed 0.29% for other employees. The contribution requirement for the fiscal year 2019 was \$937, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – At December 31, 2019, the District reported a liability of \$9,626, of which \$7,017 is reported in the governmental activities and \$2,609 in the business-type activities and proprietary fund for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the District’s proportion was .00219564% which was an decrease of .00015781% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the District recognized OPEB expense of \$828. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental activities:</b>		
Changes in proportion	\$ -	\$ 57
Net difference between projected and actual investment earnings on pension plan investments	-	8
Differences between expected and actual experience	-	12
Contributions subsequent to the measurement date	320	-
Total governmental activities	<u>320</u>	<u>77</u>
<b>Business-type activities:</b>		
Changes in proportion	-	20
Net difference between projected and actual investment earnings on pension plan investments	-	3
Differences between expected and actual experience	-	5
Contributions subsequent to the measurement date	119	-
Total business-type activities	<u>119</u>	<u>28</u>
Grand total	<u>\$ 439</u>	<u>\$ 105</u>

The \$439 reported as deferred outflows of resources related to OPEB results from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2020	\$ (74)	\$ (27)	\$ (101)
2021	(5)	(2)	(7)
2022	1	-	1
2023	1	1	2
2024	-	-	-
Thereafter	-	-	-
Totals	<u>\$ (77)</u>	<u>\$ (28)</u>	<u>\$ (105)</u>

**Actuarial Assumptions** – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.5 %
Wage inflation:	3.25 % (3.00%) for teachers
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation for determining solvency contributions

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

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

**Long-term Rates of Return** – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	<u>100.00%</u>	

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**

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**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

**Sensitivity of the District’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate** – The following table presents the District’s proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the District’s proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 10,441	\$ 9,626	\$ 8,918

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

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

**11-B Waterville Estates Village District Retiree Health Benefit Program**

The District provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the District’s contractual agreements.

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The District has not fully implemented GASB Statement No. 75 at December 31, 2019 or contracted with an actuarial firm to assist in evaluating the impact of this standard on the District’s single employer plan. The amounts that should be recorded as the net OPEB liability and the OPEB expense for the District’s single employer plan are unknown.

**NOTE 12 – NET POSITION**

Net position reported on the Statement of Net Position at December 31, 2019 include the following:

	Governmental Activities	Business-type Activities and Proprietary Fund	Total
Net investment in capital assets:			
Net book value, all capital assets	\$ 2,164,591	\$ 527,281	\$ 2,691,872
Unrestricted	945,519	(24,643)	920,876
Total net position	\$ 3,110,110	\$ 502,638	\$ 3,612,748

None of the net position is restricted by enabling legislation.

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**NOTE 13 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2019 include the following:

	General Fund	Water Fund	Total Governmental Funds
<b>Committed:</b>			
Voted appropriations - March 2019	\$ 110,331	\$ -	\$ 110,331
<b>Assigned:</b>			
Encumbrances	7,877	-	7,877
<b>Unassigned</b>	988,123	-	988,123
Total governmental fund balances	\$ 1,106,331	\$ -	\$ 1,106,331

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

Net position at January 1, 2019 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities and Proprietary Fund	Total
To record capital assets and accumulated depreciation not previously recorded	\$ (52,264)	\$ (5,826)	\$ (58,090)
Net position, as previously reported	2,835,053	510,258	3,345,311
Net position, as restated	\$ 2,782,789	\$ 504,432	\$ 3,287,221

**NOTE 15 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2019, the District was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2019 to December 31, 2019 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2019 the District paid \$28,224 and \$26,802 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

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

**NOTE 16 – RELATED PARTY TRANSACTIONS**

Effective July 1, 2006, the District established a Recreation Revolving Fund pursuant to RSA 25-B:2, II. The fund is a proprietary fund for accounting and reporting purposes. The fund receives all fees for the use of the recreational facilities and concessions, including building rental and management fees from the Waterville Estates Association, a related homeowner's association. Additionally, Waterville Estates Association may also contribute funding for capital improvements or provide in-kind contributions of capital items. Rent and management fees received for the year ended December 31, 2019 were \$276,860 and \$100,000, respectively.

***WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE***

***NOTES TO THE BASIC FINANCIAL STATEMENTS***

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***NOTE 17 – CONTINGENT LIABILITIES***

There are various legal claims and suits pending against the District which arose in the normal course of the government's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the District.

***NOTE 18 – SUBSEQUENT EVENTS***

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 9, 2021, the date the December 31, 2019 financial statements were available to be issued, and the following event occurred that requires disclosure:

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the Town though such potential impact is unknown at this time.

**EXHIBIT F**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
*Schedule of the District's Proportionate Share of Net Pension Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2019*

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.01007108%	0.00884323%	0.00732599%	0.00783263%	0.00842789%	0.00909104%	0.00850243%
District's proportionate share of the net pension liability	\$ 433,438	\$ 331,938	\$ 290,221	\$ 416,508	\$ 414,483	\$ 437,752	\$ 409,108
District's covered payroll	\$ 239,866	\$ 274,799	\$ 226,318	\$ 206,971	\$ 284,755	\$ 340,497	\$ 317,272
District's proportionate share of the net pension liability as a percentage of its covered payroll	180.70%	120.79%	128.24%	201.24%	145.56%	128.56%	128.95%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%

**EXHIBIT G**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
*Schedule of District Contributions - Pensions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2019*

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 25,042	\$ 28,689	\$ 24,578	\$ 28,047	\$ 30,875	\$ 38,424	\$ 37,001
Contributions in relation to the contractually required contributions	25,042	28,689	24,578	28,047	30,875	38,424	37,001
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$239,866	\$274,799	\$226,318	\$206,971	\$284,755	\$340,497	\$317,272
Contributions as a percentage of covered payroll	10.44%	10.44%	10.86%	13.55%	10.84%	11.28%	11.66%

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2019**

***Schedule of the Town’s Proportionate Share of Net Pension Liability and  
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town’s pension plan at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2019:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

**Other Information:**

Notes Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

**EXHIBIT H**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
*Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Plan Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2019*

	December 31,			
	2016	2017	2018	2019
District's proportion of the net OPEB liability	0.00138023%	0.00148810%	0.00235345%	0.00219564%
District's proportionate share of the net OPEB liability (asset)	\$ 6,682	\$ 6,804	\$ 10,775	\$ 9,626
District's covered payroll	\$ 206,971	\$ 284,755	\$ 340,497	\$ 317,272
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	3.23%	2.39%	3.16%	3.03%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

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

**EXHIBIT I**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
*Schedule of District Contributions - Other Postemployment Benefits*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2019*

	December 31,			
	2016	2017	2018	2019
Contractually required contribution	\$ 802	\$ 882	\$ 1,041	\$ 1,002
Contributions in relation to the contractually required contribution	802	882	1,041	1,002
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 206,971	\$ 284,755	\$ 340,497	\$ 317,272
Contributions as a percentage of covered payroll	0.39%	0.31%	0.31%	0.32%

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

**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFIT LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2019**

***Schedule of the Town’s Proportionate Share of Net Other Postemployment Benefits Liability and  
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which

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

**Methods and Assumptions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

**SCHEDULE 1**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2019*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,484,355	\$ 1,483,842	\$ (513)
Interest and penalties on taxes	8,958	11,067	2,109
Total from taxes	<u>1,493,313</u>	<u>1,494,909</u>	<u>1,596</u>
Miscellaneous:			
Interest on investments	383	937	554
Other	-	54,642	54,642
Total from miscellaneous	<u>383</u>	<u>55,579</u>	<u>55,196</u>
Total revenues	1,493,696	<u>\$ 1,550,488</u>	<u>\$ 56,792</u>
Amounts voted from fund balance	159,148		
Total revenues and use of fund balance	<u>\$ 1,652,844</u>		

**SCHEDULE 2**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended December 31, 2019*

	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:				
General government:				
Executive	\$ 166,948	\$ 176,110	\$ -	\$ (9,162)
Financial administration	7,877	-	7,877	-
Legal	13,297	13,599	-	(302)
Personnel administration	11,802	11,484	-	318
Insurance, not otherwise allocated	115,732	96,960	-	18,772
Advertising and regional associations	57	290	-	(233)
Other	46,420	14,136	-	32,284
Total general government	<u>362,133</u>	<u>312,579</u>	<u>7,877</u>	<u>41,677</u>
Public safety:				
Fire	<u>15,187</u>	<u>11,685</u>	<u>-</u>	<u>3,502</u>
Highways and streets:				
Administration	5,412	3,909	-	1,503
Highways and streets	307,168	200,236	-	106,932
Other	25,300	769	-	24,531
Total highways and streets	<u>337,880</u>	<u>204,914</u>	<u>-</u>	<u>132,966</u>
Culture and recreation:				
Parks and recreation	<u>520,172</u>	<u>326,181</u>	<u>38,368</u>	<u>155,623</u>
Capital outlay	<u>121,914</u>	<u>51,430</u>	<u>71,963</u>	<u>(1,479)</u>
Other financing uses:				
Transfers out	<u>295,558</u>	<u>170,261</u>	<u>-</u>	<u>125,297</u>
Total appropriations, expenditures, and other financing uses	<u>\$ 1,652,844</u>	<u>\$ 1,077,050</u>	<u>\$ 118,208</u>	<u>\$ 457,586</u>

**SCHEDULE 3**  
**WATERVILLE ESTATES VILLAGE DISTRICT, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2019**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 763,070
Changes:		
Amounts voted from fund balance		(159,148)
2019 Budget summary:		
Revenue surplus (Schedule 1)	\$ 56,792	
Unexpended balance of appropriations (Schedule 2)	<u>457,586</u>	
2019 Budget surplus		<u>514,378</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		<u>1,118,300</u>
<b>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</b>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(170,177)
Elimination of the allowance for uncollectible taxes		<u>40,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 988,123</u></u>



## PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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### ***INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES***

To Management and the Board of Commissioners  
Waterville Estates Village District  
Campton, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, and major funds (governmental and proprietary) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Waterville Estates Village District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Waterville Estates Village District's internal control to be material weaknesses:

#### ***Budgeting***

We noted significant variances between amounts budgeted and approved by voters and actual results of activity recorded. A large percentage of the variances relate to the budgeting of recreation expenses in both the governmental general fund and the proprietary recreation fund, and capital items purchased by one fund for the benefit of the other fund. The amount of recreation expenditures actually recorded in the general fund appeared to be based on the revenue results and financial position of the recreation fund, rather than an identifiable or systematic process of allocating expenditures between funds. We recommend that an expenditure budget be created based on a reasonable, systematic process of allocating expenditures. An alternative to this approach, would be to budget all recreation expenditures in the proprietary recreation fund, and budget one amount, representing the general fund's subsidy of the difference between the total recreation expenditure budget, anticipated recreation revenue, and revenue committed from Waterville Estates Association.

Procedural changes need to be made relative to the purchase and recording of capital items, as well as transfers of funds by Waterville Estates Association for the benefit of Waterville Estates Village District. According to the Recreation Management Agreement dated October 29, 2016, between Waterville Estates Village District and Waterville Estates Association:

*"On or before November 1 of each year, the Association shall advise the District of the irrevocable commitment of the amount of money the Association shall make available to the District for recreational activities for the ensuing year. At this time, the Association shall also provide a proposed program of recreational activities, together with the estimated cost of each such activity. Additionally the Association shall provide a separate proposal for capital improvements, all with a corresponding commitment of Association funds to be made available for such."*

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

The District should use the accepted, irrevocable commitment from the Association in developing the annual budgets for the general and recreation funds. Commitments pledged for the benefit of the general fund should be budgeted directly in the general fund in an identifiable account, funds should be transferred directly to the general fund bank account, and purchases should be made from this account. The transfers should be recorded in a clearly identifiable manner in the general fund. If the transfer is related to the purchase of a capital item, the nature of the expenditure should also be clearly identified, so the District can properly record the item for financial reporting purposes. This process should also be followed for commitments pledged to the recreation fund.

***Monthly Reconciliations***

With the exception of the cash balances, the general ledger is not being reconciled on a monthly basis. Additional time was spent by the District staff during the audit providing documentation to the auditors regarding account balances and activity contained in the general ledger, beyond what is normally required in an audit. Some of these requests related to duplicate recordings of activity or incorrect adjusting journal entries posted in the system. As a result, certain account balances were materially misstated prior to significant adjustment during the audit. Accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in the financial statements.

We strongly recommend that the District establish more effective monthly review and reconciliation policies and procedures as a customary part of the accounting and financial close process. As these monthly reconciliations are completed they should be reviewed and approved by an appropriate member of management. This will allow the District to provide more accurate and timely financial information.

***Adjusting Journal Entries***

During the audit, it was noted that most journal entries were not authorized and did not have supporting documentation. We recommend that management categorize journal entries into recurring journal entries and nonrecurring journal entries, where authorization for recurring entries is established at the beginning of the year. Nonrecurring journal entries would require individual authorization by management. Journal entries should always be supported by appropriate documentation where possible. Good documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

During our audit, we also noted an excessive number of journal entries were being performed in order to account for the commingling of funds that resulted from the District making deposits and processing disbursements in bank accounts that were not related to the fund where revenue and expenditures or expenses were ultimately recognized. We recommend that access to posting adjusting journal entries be reviewed to ensure that only properly qualified staff have access to making adjusting journal entries.

***Review of Accounting Software Permissions and Proper Segregation of Duties***

Accounting software permission should be reviewed, and employees should be restricted to permissions relevant and appropriate to their position. Software permissions are critical in ensuring that employees are not able to override internal control policies and procedures designed by management. We recommend that the District apply the principle of the least privilege for all users. Employees/users should be permitted access on an as-required basis such that they can perform their required tasks. By reducing access to only designated individuals, as needed, it helps ensure that segregation of duties is maintained and reduces the risk of management override of controls.

***Treasurer***

We noted that during the period under audit there was no elected or appointed Treasurer for the District. According to State statute, RSA 41:29-a *Treasurer's Duties*, a Treasurer should be appointed to keep a separate set of cash records which are reconciled monthly to the Village District's cash general ledger account and be the signer on the bank accounts. We recommend that the District appoint a Treasurer as soon as possible.

***Accounting Policies and Procedures***

During our audit, we noted that the District has not developed several accounting policies and procedures. Reconciliation policies and procedures have not been established. The District has started the process of documenting various procedures in the finance department. We recommend that they continue to document these procedures, and ultimately develop Board approved policies, that are maintained in a formal procedures manual. This procedures manual should be distributed to all employees, to ensure that proper procedures and related internal controls are in place and consistently followed.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Waterville Estates Village District's internal control to be significant deficiencies:

*Approval of Vendor and Payroll Manifest*

Disbursements must be properly approved and reviewed to ensure that unauthorized disbursements are not being processed. We recommend that a majority of the Board or the General Manager approve all check manifests, and that approval is evidenced in writing. This approval should be obtained prior to the signing of checks by the Treasurer, in accordance with State statute, RSA 41:29-a *Treasurer's Duties*.

*Checks Made Out to Cash*

We noted several checks made out to "cash" that were intended to reimburse or supply petty cash. Someone in the District then cashed the checks and the cash was given to the appropriate person. In the event that one of these checks was lost or stolen, checks with "cash" as a payee are easily negotiated by anyone. Although we understand the convenience factor in this process, we suggest that in the future such checks be made out to the individual who is cashing the check in order to restrict the negotiability to the payee only.

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

June 9, 2021

*Plodzik & Sanderson  
Professional Association*