

EMERALD LAKE VILLAGE DISTRICT
Financial Statements
December 31, 2021
and
Independent Auditor's Report

**EMERALD LAKE VILLAGE DISTRICT
FINANCIAL STATEMENTS
December 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Emerald Lake Village District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Emerald Lake Village District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Emerald Lake Village District, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Emerald Lake Village District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Emerald Lake Village District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Emerald Lake Village District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Emerald Lake Village District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management'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 opinions on the basic financial statements are not affected by this missing information.

Vachon Clukay & Company PC

Manchester, New Hampshire
November 3, 2022

EXHIBIT A
EMERALD LAKE VILLAGE DISTRICT
Statement of Net Position
December 31, 2021

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 309,322
Taxes receivable	157,600
Accounts receivable	145,006
Due from other governments	573,677
Prepaid items	750
Total Current Assets	<u>1,186,355</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	135,106
Depreciable capital assets, net	<u>3,117,048</u>
Total Noncurrent Assets	<u>3,252,154</u>
Total Assets	<u>4,438,509</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	46,117
Accrued liabilities	31,023
Current portion of bonds payable	76,000
Current portion of notes payable	<u>58,500</u>
Total Current Liabilities	<u>211,640</u>
Noncurrent Liabilities:	
Bonds payable	575,611
Notes payable	1,008,237
State of NH revolving loan	<u>46,312</u>
Total Noncurrent Liabilities	<u>1,630,160</u>
Total Liabilities	<u>1,841,800</u>
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>-</u>
NET POSITION	
Net investment in capital assets	1,571,889
Unrestricted	<u>1,024,820</u>
Total Net Position	<u>\$ 2,596,709</u>

See accompanying notes to the basic financial statements

EXHIBIT B
EMERALD LAKE VILLAGE DISTRICT
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 45,392			\$ (45,392)
Highways and streets	155,932			(155,932)
Water distribution and treatment	369,240	\$ 638,007	\$ 77,523	346,290
Culture and recreation	14,298			(14,298)
Interest and fiscal charges	54,720			(54,720)
Total governmental activities	<u>\$ 639,582</u>	<u>\$ 638,007</u>	<u>\$ 77,523</u>	<u>75,948</u>
		General revenues:		
		Property and other taxes		263,866
		Licenses and permits		50
		Interest and investment earnings		<u>2,517</u>
		Total general revenues		<u>266,433</u>
		Change in net position		342,381
		Net Position at beginning of year		<u>2,254,328</u>
		Net Position at end of year		<u>\$ 2,596,709</u>

See accompanying notes to the basic financial statements

EXHIBIT C
EMERALD LAKE VILLAGE DISTRICT
Balance Sheet
Governmental Funds
December 31, 2021

	General <u>Fund</u>	Water <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 100,869	\$ 208,453	\$ 309,322
Taxes receivable	157,600		157,600
Accounts receivable	1,083	143,923	145,006
Due from other governments	429,473	144,204	573,677
Due from other funds		11,635	11,635
Prepaid items	750		750
Total Assets	<u>689,775</u>	<u>508,215</u>	<u>1,197,990</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 689,775</u>	<u>\$ 508,215</u>	<u>\$ 1,197,990</u>
LIABILITIES			
Accounts payable		\$ 46,117	\$ 46,117
Due to other funds	\$ 11,635		11,635
Total Liabilities	<u>11,635</u>	<u>46,117</u>	<u>57,752</u>
DEFERRED INFLOWS OF RESOURCES			
Uncollected property taxes	19,767		19,767
Total Deferred Inflows of Resources	<u>19,767</u>	<u>-</u>	<u>19,767</u>
FUND BALANCE			
Fund balance:			
Nonspendable	750		750
Restricted		84,395	84,395
Committed	339,697	377,703	717,400
Unassigned	317,926		317,926
Total Fund Balance	<u>658,373</u>	<u>462,098</u>	<u>1,120,471</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 689,775</u>	<u>\$ 508,215</u>	<u>\$ 1,197,990</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
EMERALD LAKE VILLAGE DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 1,120,471
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,252,154
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	19,767
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
General obligation bonds payable	(651,611)
Notes payable	(1,066,737)
State of NH revolving loan	(46,312)
Accrued interest on long-term obligations	<u>(31,023)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 2,596,709</u>

See accompanying notes to the basic financial statements

EXHIBIT D
EMERALD LAKE VILLAGE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2021

	General <u>Fund</u>	Water <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 279,080		\$ 279,080
Licenses and permits	50		50
Intergovernmental		\$ 44,365	44,365
Charges for services		638,007	638,007
Interest and investment income	<u>2,517</u>		<u>2,517</u>
Total Revenues	<u>281,647</u>	<u>682,372</u>	<u>964,019</u>
Expenditures:			
Current operations:			
General government	53,554		53,554
Highways and streets	140,243		140,243
Culture and recreation	14,298		14,298
Water distribution and treatment		299,078	299,078
Capital outlay	359,032	227,329	586,361
Debt service:			
Principal retirement		93,500	93,500
Interest and fiscal charges	<u>8,107</u>	<u>49,726</u>	<u>57,833</u>
Total Expenditures	<u>575,234</u>	<u>669,633</u>	<u>1,244,867</u>
Excess revenues over (under) expenditures	<u>(293,587)</u>	<u>12,739</u>	<u>(280,848)</u>
Other financing sources (uses):			
Bond issuances	182,500	228,500	411,000
Bond premiums	37,500	46,500	84,000
State of NH revolving loan issuance		46,312	46,312
Transfers in	63,000		63,000
Transfers out		<u>(63,000)</u>	<u>(63,000)</u>
Total Other financing sources (uses)	<u>283,000</u>	<u>258,312</u>	<u>541,312</u>
Net change in fund balances	(10,587)	271,051	260,464
Fund Balance at beginning of year	<u>668,960</u>	<u>191,047</u>	<u>860,007</u>
Fund Balance at end of year	<u>\$ 658,373</u>	<u>\$ 462,098</u>	<u>\$ 1,120,471</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
EMERALD LAKE VILLAGE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balance--Total Governmental Funds \$ 260,464

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense and capital outlays in the current period are as follows:

Capital outlays	605,935
Depreciation expense	(97,263)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(15,214)
Intergovernmental revenue	33,158

Issuances of long-term obligations are reported as other financing sources in the governmental funds, but issuances increase long-term liabilities in the statement of net position. Issuances are as follows:

Bond issuances	(411,000)
State of NH revolving loan issuances	(46,312)

Repayment of principal on long-term obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

93,500

Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.

Amortization of premiums	8,389
Premium issuances	(84,000)

In the statement of activities, interest is accrued on long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.

(5,276)

Change in Net Position of Governmental Activities (Exhibit B) \$ 342,381

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Emerald Lake Village District conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Emerald Lake Village District is organized as a Village District (special purpose district) under the laws of the State of New Hampshire. The District operates under the Board of Commissioners form of government and provides zoning, public works, culture and recreation, and water services to the residents located within the District's boundaries.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Fund Accounting

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

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the District's major governmental funds:

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

The *Water Fund* is used to account for all financial resources and activities associated with providing water services to the District.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes and interest on investments.

Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Charges for services include water billings which are mailed out semi-annually during March and September.

Grants received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, taxes receivable that will not be collected within the available period have been reported as deferred inflows of resources.

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The District's budget represents departmental appropriations as authorized by annual or special District meetings. The Commissioners may transfer funds between operating categories as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2021, the District applied \$25,100 of its unassigned fund balance to reduce taxes.

Accounts Receivable

Amounts billed to individuals during the current and prior year and uncollected at December 31, 2021 are recorded as receivables net of reserves for estimated uncollectibles of \$0.

Capital Assets

General capital assets result from expenditures in the District’s governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District’s infrastructure consists of a water purification and distribution system and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

The District is not required to retroactively report its general infrastructure. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in process are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the District’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Buildings and improvements	20-40
Machinery and equipment	10-30
Infrastructure	7-50

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

As of December 31, 2021, the District has not adopted a formal fund balance policy. The District has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts that can only be spent for the specific purposes stipulated by external resource providers or enabling legislation. Restrictions may be changed or lifted only upon consent of the resource providers or enabling legislation.
- *Committed Fund Balance*: Amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision making authority (the Annual District Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's action must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts the District intends to use for a specific purpose. The Board of Commissioners is authorized to assign fund balance.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here, as well as any deficit fund balance of another governmental fund.

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Property Taxes

Property taxes levied to support the Emerald Lake Village District are based on the assessed valuation as of April 1st for all taxable real property located within the District’s boundaries.

Under State statutes, the Town of Hillsborough, New Hampshire (an independent governmental unit) collects taxes for the District from property owners located within the boundaries of the District. As a collection agent, the Town is required to pay over to the District its share of property taxes collected through periodic payments based on the cash flow requirements of the District. The Town assumes financial responsibility for all uncollected property taxes under State statutes.

NOTE 2—DEPOSITS

Deposits as of December 31, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	<u>\$ 309,322</u>

Deposits at December 31, 2021 consist solely of deposits held with financial institutions.

The District's investment policy requires that deposits and investments be made in New Hampshire based financial institutions that are participants in the federal depository insurance program. The District limits its investments to money market accounts and certificates of deposit in accordance with New Hampshire State law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. Currently, the District has no investment policy for assurance against custodial credit risk.

Of the District’s deposits with financial institutions at year end, \$111,586 was collateralized by securities held by the bank in the bank’s name.

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets of the governmental activities:

	Balance <u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2021</u>
Capital assets not depreciated:				
Construction in process	\$ 145,366	\$ 135,106	\$ (145,366)	\$ 135,106
Total capital assets not being depreciated	<u>145,366</u>	<u>135,106</u>	<u>(145,366)</u>	<u>135,106</u>

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended December 31, 2021

Other capital assets:				
Buildings and improvements	170,794			170,794
Machinery and equipment	442,437	48,692		491,129
Infrastructure	<u>2,688,891</u>	<u>567,503</u>		<u>3,256,394</u>
Total other capital assets at historical cost	<u>3,302,122</u>	<u>616,195</u>	<u>-</u>	<u>3,918,317</u>
Less accumulated depreciation for:				
Buildings and improvements	(55,101)	(5,841)		(60,942)
Machinery and equipment	(184,898)	(16,419)		(201,317)
Infrastructure	<u>(464,007)</u>	<u>(75,003)</u>		<u>(539,010)</u>
Total accumulated depreciation	<u>(704,006)</u>	<u>(97,263)</u>	<u>-</u>	<u>(801,269)</u>
Total other capital assets, net	<u>2,598,116</u>	<u>518,932</u>	<u>-</u>	<u>3,117,048</u>
Total capital assets, net	<u>\$ 2,743,482</u>	<u>\$ 654,038</u>	<u>\$ (145,366)</u>	<u>\$ 3,252,154</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 3,121
Highways and streets	15,689
Water distribution and treatment	<u>78,453</u>
	<u>\$ 97,263</u>

NOTE 4—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

Changes in long-term obligations of the governmental activities for the year ended December 31, 2021 are as follows:

	Balance <u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2021</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 200,000	\$ 411,000	\$ (35,000)	\$ 576,000	\$ 76,000
Unamortized bond premiums		<u>84,000</u>	<u>(8,389)</u>	<u>75,611</u>	
Total Bonds payable	200,000	495,000	(43,389)	651,611	76,000
Notes payable - direct borrowings	1,158,395		(91,658)	1,066,737	58,500
State of NH revolving loan		<u>46,312</u>		<u>46,312</u>	
Total governmental activities	<u>\$ 1,358,395</u>	<u>\$ 541,312</u>	<u>\$ (135,047)</u>	<u>\$ 1,764,660</u>	<u>\$ 134,500</u>

Payments on the general obligation bonds are paid out of the General Fund and the Water Fund, as applicable. Payments on the notes payable are paid out of the Water Fund.

General Obligation Bonds

Bonds payable at December 31, 2021 are comprised of the following individual issues:

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

	Interest Rate	Final Maturity Date	Balance at <u>12/31/2021</u>
2006 Series A	4.56%	August 2026	\$ 165,000
2021 Series A	0.80%	February 2031	<u>411,000</u>
			576,000
Add: <i>Unamortized bond premiums</i>			<u>75,611</u>
			<u>\$ 651,611</u>

Debt service requirements to retire general obligation bonds outstanding at December 31, 2021 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 76,000	\$ 23,992	\$ 99,992
2023	80,000	21,136	101,136
2024	80,000	17,223	97,223
2025	75,000	13,877	88,877
2026	75,000	11,212	86,212
2027-2031	<u>190,000</u>	<u>19,800</u>	<u>209,800</u>
Subtotal Bonds Payable	576,000	107,240	683,240
Add: <i>Unamortized bond premiums</i>	<u>75,611</u>		<u>75,611</u>
	<u>\$ 651,611</u>	<u>\$ 214,480</u>	<u>\$ 1,442,091</u>

General obligation bonds represent direct obligations of the District for which its full faith and credit are pledged.

Notes Payable - Direct Borrowings

Notes payable from direct borrowings outstanding at December 31, 2021 consists of the following individual issue:

	Interest Rate	Final Maturity Date	Balance at <u>12/31/2021</u>	Pledged <u>Collateral</u>
2014 State Revolving Loan Note	2.86%	May 2033	<u>\$ 1,066,737</u>	N/A

Notes from direct borrowings of \$1,066,737 include a provision that if the District defaults on the note for any reason, the holder may demand immediate payment of all principal and accrued unpaid interest, or the interest rate may be increased by 2% over the interest rate then in effect at the time of default.

Debt service requirements to retire the outstanding notes payable from direct borrowings, including principal forgiveness from the State of New Hampshire to be forgiven over a period of 20 years from the start of the State Revolving Note, at December 31, 2021 are as follows:

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 58,500	\$ 30,551	\$ 89,051
2023	58,500	27,926	86,426
2024	58,500	25,301	83,801
2025	58,500	22,676	81,176
2026	58,500	20,051	78,551
2027-2031	292,500	60,879	353,379
2032-2033	117,000	5,976	122,976
Total	702,000	193,360	895,360
Add: <i>Principal forgiveness</i>	364,737		364,737
Total Notes Payable	<u>\$ 1,066,737</u>	<u>\$ 193,360</u>	<u>\$ 1,260,097</u>

State of New Hampshire Revolving Loan

The District has drawn \$46,312 of \$945,000 in funds under the State of New Hampshire Drinking Water Revolving Loan Fund Program for the water systems improvement project. Payments on the State of New Hampshire revolving loan balance are not scheduled to commence until the first anniversary of the scheduled completion date of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the project within the following year.

NOTE 5—SHORT-TERM OBLIGATIONS

During 2020, the District issued bond anticipation notes to assist in the payment of expenditures for the replacement of Red Fox Culvert Crossing and to assist in obtaining a new water source and infrastructure upgrades during the year. The bond anticipation notes were repaid from the bond issuance in the current year.

	Bond Anticipation <u>Notes</u>
Balance - January 1, 2021	\$ 495,000
Additions	
Reductions	(495,000)
Balance - December 31, 2021	<u>\$ -</u>

NOTE 6—INTERFUND BALANCES AND TRANSFERS

During the year the District made payments on General Fund related obligations out of the Water Fund. The balance of the reimbursement due to the Water Fund from the General Fund is reflected as an interfund receivable and payable, respectively in the funds, in the amount of \$11,635.

During the year interfund transactions occurred between funds. The Water Fund transferred \$63,000 to the General Fund. Transfers were made in accordance with budgetary authorizations.

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 7—COMPONENTS OF FUND BALANCE

The components of the District’s fund balance for its governmental fund at December 31, 2021 are as follows:

	General <u>Fund</u>	Water <u>Fund</u>	Total Governmental <u>Funds</u>
Nonspendable:			
Prepaid items	\$ 750		\$ 750
Restricted for:			
Unspent bond proceeds		\$ 84,395	84,395
Committed for:			
Capital reserves	339,697		339,697
Water operations		377,703	377,703
Unassigned:			
Unassigned - General operations	317,926		317,926
	<u>\$ 658,373</u>	<u>\$ 462,098</u>	<u>\$ 1,120,471</u>

NOTE 8—CONTINGENT LIABILITIES

Litigation

The District’s management estimates that any potential claims against the District, which are not covered by insurance, are immaterial and would not affect the financial position of the District.

NOTE 9—RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2021, the District was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2021.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the District shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program.

EMERALD LAKE VILLAGE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 10—SUBSEQUENT EVENT

State of New Hampshire Revolving Loan Drawdowns

Subsequent to December 31, 2021, the District has received drawdowns of \$898,688 on the State of New Hampshire Drinking Water State Revolving Fund Program for the water main replacement project.

Debt Authorizations

At the April 2022 Annual District Meeting, the voters authorized the issuance of \$1,941,000 of debt for the replacement of water mains, \$756,000 for improvements to the Meetinghouse Water Treatment Plant, and \$168,000 for modifications of the Patten Hill Water Treatment Plant.

SCHEDULE 1
EMERALD LAKE VILLAGE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 263,194	\$ 263,194	\$ 263,866	\$ 672
Licenses and permits	-	-	50	50
Interest income	-	-	1,454	1,454
Total Revenues	<u>263,194</u>	<u>263,194</u>	<u>265,370</u>	<u>2,176</u>
Expenditures:				
Current operations:				
General government	78,976	78,976	53,554	25,422
Highways and streets	128,431	128,431	106,252	22,179
Culture and recreation	15,780	15,780	14,298	1,482
Capital outlay	357,000	357,000	359,032	(2,032)
Debt service:				
Interest and fiscal charges	8,107	8,107	8,107	-
Total Expenditures	<u>588,294</u>	<u>588,294</u>	<u>541,243</u>	<u>47,051</u>
Excess revenues over (under) expenditures	<u>(325,100)</u>	<u>(325,100)</u>	<u>(275,873)</u>	<u>49,227</u>
Other financing sources (uses):				
Bond issuances	220,000	220,000	220,000	-
Transfers in	137,000	137,000	141,785	4,785
Transfers out	<u>(57,000)</u>	<u>(57,000)</u>	<u>(57,000)</u>	<u>-</u>
Total Other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>304,785</u>	<u>4,785</u>
Net change in fund balance	(25,100)	(25,100)	28,912	54,012
Fund Balance at beginning of year				
- Budgetary Basis	<u>309,531</u>	<u>309,531</u>	<u>309,531</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 284,431</u>	<u>\$ 284,431</u>	<u>\$ 338,443</u>	<u>\$ 54,012</u>

See accompanying notes to the required supplementary information

SCHEDULE 2
EMERALD LAKE VILLAGE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - Water Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 336,414	\$ 44,366	\$ 44,365	\$ (1)
Charges for services	<u>608,848</u>	<u>608,848</u>	<u>638,007</u>	<u>29,159</u>
Total Revenues	<u>945,262</u>	<u>653,214</u>	<u>682,372</u>	<u>29,158</u>
Expenditures:				
Current operations:				
Water distribution and treatment	402,622	402,622	299,078	103,544
Capital outlay	1,542,873	227,329	227,329	-
Debt service:				
Principal retirement	93,500	93,500	93,500	-
Interest and fiscal charges	<u>49,726</u>	<u>49,726</u>	<u>49,726</u>	<u>-</u>
Total Expenditures	<u>2,088,721</u>	<u>773,177</u>	<u>669,633</u>	<u>103,544</u>
Excess revenues over (under) expenditures	<u>(1,143,459)</u>	<u>(119,963)</u>	<u>12,739</u>	<u>132,702</u>
Other financing sources (uses):				
Bond issuances	1,220,000	321,312	321,312	-
Transfers out	<u>(63,000)</u>	<u>(63,000)</u>	<u>(63,000)</u>	<u>-</u>
Total Other financing sources (uses)	<u>1,157,000</u>	<u>258,312</u>	<u>258,312</u>	<u>-</u>
Net change in fund balance	13,541	138,349	271,051	132,702
Fund Balance at beginning of year				
- Budgetary Basis	<u>191,047</u>	<u>191,047</u>	<u>191,047</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 204,588</u>	<u>\$ 329,396</u>	<u>\$ 462,098</u>	<u>\$ 132,702</u>

See accompanying notes to the required supplementary information

EMERALD LAKE VILLAGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2021

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the District. Those amounts may differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary revenues and expenditures, non-budgetary transfers and budgetary transfers as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 564,647	\$ 575,234
Difference in property taxes meeting susceptible to accrual criteria	(15,214)	
Non-budgetary revenues and expenditures	(1,063)	(33,991)
Non-budgetary transfers	(63,000)	
Budgetary transfers	<u>141,785</u>	<u>57,000</u>
Per Schedule 1	<u>\$ 627,155</u>	<u>\$ 598,243</u>

November 3, 2022

To the Board of Commissioners of the
Emerald Lake Village District

We have audited the financial statements of the governmental activities and each major fund of the Emerald Lake Village District for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 2, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Emerald Lake Village District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of the existing policies was not changed during the year. We noted no transactions entered into by the Emerald Lake Village District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities and each major fund financial statements were:

Management's estimate of the allowance for uncollectible receivables is based on an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole. Additionally, management's estimates of the useful lives of capital assets are based upon historical records of utilization, necessary improvements and replacements. We evaluated the key factors and assumptions used to develop the depreciable useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Please see the attached schedule of material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Emerald Lake Village District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Emerald Lake Village District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit, we noted a deficiency in the Emerald Lake Village District's internal control which we considered to be a material weakness. See separately issued 'Report on Internal Controls' dated November 3, 2022 for further information regarding the identified deficiency.

Other Matters

We applied certain limited procedures to the budgetary comparison information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of the Emerald Lake Village District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Vachon Clukay & Company PC

Emerald Lake Village District
For the Year Ended December 31, 2021
Material Audit Adjustments

The following is a listing of the material audit adjustments made for the year ended December 31, 2021 and have been corrected by management:

General Fund:

- To restore prior year audited fund balance and the related balance sheet accounts in the amount of \$419,084.
- To remove debt service payment for payment of bond anticipation note payable in the amount of \$220,000.
- To adjust taxes receivable to actual in the amount of \$67,806.

Water Fund:

- To restore prior year audited fund balance and the related balance sheet accounts in the amount of (\$363,598).
- To remove debt service payment for payment of bond anticipation note payable in the amount of \$275,000.
- To adjust user fees and intergovernmental receivables in the amount of \$31,317.
- To record revenues for the water main replacement project which were net with expenditures in the amount of \$61,749.
- To record revenues for the security fence which were net with expenditures in the amount of \$13,976.
- To record year end accounts payable in the amount of \$46,117.

**REPORT ON INTERNAL CONTROL BASED ON
AN AUDIT OF BASIC FINANCIAL STATEMENTS**

To the Board of Commissioners
Emerald Lake Village District

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Emerald Lake Village District as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Emerald Lake Village District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emerald Lake Village District's internal control. Accordingly, we do not express an opinion on the effectiveness of Emerald Lake Village 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 a deficiency in internal control that we consider to be a material weakness.

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 deficiency in the District's internal control to be a material weakness:

FUND ACCOUNTING

Observation

Currently the District accounts for both the General Fund and Water Fund within a single QuickBooks file. For financial reporting purposes, the General Fund and Water Fund are reported separately. While the District's trial balance segregates revenues and expenditures into categories sufficient to allow District personnel to monitor operational performance, the sole segregation on the District's balance sheet are the individual cash accounts.

Implication

Controls over the financial reporting of the District's General Fund and Water Fund are weakened. Failure to segregate the District's records in the form of two funds increases the risk activities associated with one fund may be reported within the other fund. Additionally, without the funds appropriately

segregated those charged with governance of the District may make financial decisions for one fund based on its financial position which may be materially misstated. Lastly, without the proper segregation of the Water Fund, the District is not in compliance with State Law (RSA 38:29 I) which requires the fund to be kept as a separate and distinct fund, allowing the fund to accumulate from year to year and shall not be deemed part of the District's general fund accumulated surplus.

Recommendation

We recommend that the individual responsible for maintaining the financial records of the District establish a second QuickBooks company file. In doing so, the District will be able to track the General Fund and Water Fund separately and allow those charged with governance to make financial decisions based on the financial position of the individual funds.

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

Vachon Clukay & Company PC

Manchester, New Hampshire
November 3, 2022