

EMERALD LAKE VILLAGE DISTRICT

Annual Financial Statements

For the Year Ended December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Emerald Lake Village District
Hillsboro, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emerald Lake Village District, as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Emerald Lake Village District's management. Our responsibility is to express an opinion 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Emerald Lake Village District, as of December 31, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements, but is supplementary informa-

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

tion required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
July 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Emerald Lake Village District, we offer readers this narrative overview and analysis of the financial activities of the Emerald Lake Village District for the year ended December 31, 2009.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public works, and culture and recreation.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to financial statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 437,695 (i.e., net assets), a change of \$ 94,138 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 180,299, a change of \$ 3,566 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 120,228, a change of \$ (32,129) in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 650,278, a change of \$ (49,722) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 272	\$ 282
Capital assets	<u>836</u>	<u>804</u>
Total assets	1,108	1,086
Long-term liabilities outstanding	600	650
Other liabilities	<u>70</u>	<u>92</u>
Total liabilities	670	742
Net assets:		
Invested in capital assets, net	191	123
Unrestricted	<u>247</u>	<u>221</u>
Total net assets	<u>\$ 438</u>	<u>\$ 344</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues		
Charges for services	\$ 280	\$ 279
Operating grants	8	5
Property taxes	128	129
Investment income	8	2
Miscellaneous	<u>9</u>	<u>-</u>
Total revenues	433	415
Expenses:		
General government	51	75
Public works	254	260
Culture and recreation	2	2
Interest expense	<u>32</u>	<u>55</u>
Total expenses	<u>339</u>	<u>392</u>
Change in net assets	94	23
Net assets - beginning of year	<u>344</u>	<u>321</u>
Net assets - end of year	<u>\$ 438</u>	<u>\$ 344</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 437,695, a change of \$ 94,138 from the prior year.

A portion of net assets \$ 191,086 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets \$ 246,609 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 94,138. Key elements of this change are as follows:

	<u>Government-Wide</u>
General fund operating results	\$ (57,430)
Water improvement fund operating results	10,077
Water fund operating results - accrual basis	91,644
Excess principal maturities, a budgeted expense, over depreciation, which is not budgeted or funded	15,317
Other GAAP accruals	<u>34,530</u>
Total	<u>\$ 94,138</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 180,299 a change of \$ 3,566 in comparison with the prior year. Key elements of this change are as follows:

	<u>Fund Balance</u> <u>Governmental Funds</u>
General fund deficit	\$ (57,430)
Water improvement fund surplus	10,077
Water fund surplus	63,979
Nonmajor fund deficit	<u>(13,060)</u>
Total	<u>\$ 3,566</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 120,228, while total fund balance was \$ 124,339. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 66 percent of total general fund expenditures, while total fund balance represents 69 percent of the same amount.

The fund balance of the general fund changed by \$ (57,430) during the current fiscal year. Key factors in this change are as follows:

	<u>Fund Balance General Funds</u>
Excess state and local revenues over budget	\$ 3,726
Budgetary appropriation underspent by departments	20,108
Shortfall tax collections over budget	(15,875)
Excess of prior year encumbrances spent in the current year over encumbered appropriations to be spent in the subsequent year	(25,301)
Use of fund balance	<u>(40,088)</u>
Total	<u>\$ (57,430)</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budget and the final budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$ 835,549 (net of accumulated depreciation). This investment in capital assets includes infrastructure improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Construction in progress of \$ 38,360 for the FEMA Bridge project, water master plan, and pump house.
- Machinery and equipment of \$ 12,635 for 3 generators.

Additional information on capital assets can be found in the footnotes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 650,278, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Emerald Lake Village District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of District Administrator
Emerald Lake Village District
P.O. Box 2217
Hillsboro, New Hampshire 03244

EMERALD LAKE VILLAGE DISTRICT

STATEMENT OF NET ASSETS

DECEMBER 31, 2009

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 99,187
Property taxes	68,715
User fees	67,637
Departmental and other	3,035
Intergovernmental	33,080
Other current asset	395
Capital Assets:	
Land and construction in progress	153,346
Capital assets, net of accumulated depreciation	<u>682,203</u>
TOTAL ASSETS	1,107,598
LIABILITIES	
Current:	
Accrued liabilities	13,553
Other current liabilities	6,072
Current portion of long-term liabilities:	
Bonds payable	50,197
Noncurrent:	
Bonds payable, net of current portion	<u>600,081</u>
TOTAL LIABILITIES	669,903
NET ASSETS	
Invested in capital assets, net of related debt	191,086
Unrestricted	<u>246,609</u>
TOTAL NET ASSETS	\$ <u><u>437,695</u></u>

See notes to financial statements.

EMERALD LAKE VILLAGE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental Activities:					
General government	\$ 51,242	\$ -	\$ 8,554	\$ -	\$ (42,688)
Public works	254,153	279,825	-	-	25,672
Culture and recreation	2,073	-	-	-	(2,073)
Interest	31,901	-	-	-	(31,901)
	<u>339,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,990)</u>
Total Governmental Activities	<u>\$ 339,369</u>	<u>\$ 279,825</u>	<u>\$ 8,554</u>	<u>\$ -</u>	<u>(50,990)</u>
		General Revenues:			
					128,490
					7,585
					<u>9,053</u>
					<u>145,128</u>
					94,138
					<u>343,557</u>
					<u>\$ 437,695</u>

See notes to financial statements.

EMERALD LAKE VILLAGE DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2009

ASSETS	<u>General</u>	Water Improvement <u>Fund</u>	Water <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 70,630	\$ -	\$ 22,743	\$ 5,814	\$ 99,187
Receivables:					
Property taxes	68,715	-	-	-	68,715
User fees	-	-	67,637	-	67,637
Departmental and other	3,035	-	396	-	3,431
Due from other governments	<u>-</u>	<u>28,648</u>	<u>4,432</u>	<u>-</u>	<u>33,080</u>
TOTAL ASSETS	<u>\$ 142,380</u>	<u>\$ 28,648</u>	<u>\$ 95,208</u>	<u>\$ 5,814</u>	<u>\$ 272,050</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenues	\$ 16,365	\$ -	\$ 67,637	\$ -	\$ 84,002
Other liabilities	<u>1,676</u>	<u>-</u>	<u>6,073</u>	<u>-</u>	<u>7,749</u>
TOTAL LIABILITIES	18,041	-	73,710	-	91,751
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	4,111	-	-	-	4,111
Unreserved:					
Undesignated, reported in:					
General fund	120,228	-	-	-	120,228
Special revenue funds	-	28,648	21,498	-	50,146
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,814</u>	<u>5,814</u>
TOTAL FUND BALANCES	<u>124,339</u>	<u>28,648</u>	<u>21,498</u>	<u>5,814</u>	<u>180,299</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 142,380</u>	<u>\$ 28,648</u>	<u>\$ 95,208</u>	<u>\$ 5,814</u>	<u>\$ 272,050</u>

See notes to financial statements.

EMERALD LAKE VILLAGE DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

DECEMBER 31, 2009

Total governmental fund balances	\$ 180,299
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	835,549
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	84,002
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(11,877)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(650,278)</u>
Net assets of governmental activities	<u>\$ 437,695</u>

See notes to financial statements.

EMERALD LAKE VILLAGE DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	Water Improvement <u>Fund</u>	Water <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues:					
Property taxes	\$ 112,125	\$ -	\$ -	\$ -	\$ 112,125
Charges for services	-	-	287,915	-	287,915
Intergovernmental	6,159	-	2,395	-	8,554
Investment income	223	77	7,284	-	7,584
Miscellaneous	<u>3,652</u>	-	<u>5,402</u>	-	<u>9,054</u>
Total Revenues	122,159	<u>77</u>	<u>302,996</u>	-	<u>425,232</u>
Expenditures:					
Current:					
General government	51,242	-	-	-	51,242
Public works	82,697	-	142,898	13,060	238,655
Culture and recreation	2,073	-	-	-	2,073
Capital outlay	25,301	-	21,818	-	47,119
Debt service	<u>18,276</u>	-	<u>64,301</u>	-	<u>82,577</u>
Total Expenditures	<u>179,589</u>	<u>-</u>	<u>229,017</u>	<u>13,060</u>	<u>421,666</u>
Excess (deficiency) of revenues over expenditures	(57,430)	77	73,979	(13,060)	3,566
Other Financing Sources (Uses):					
Transfers in	-	10,000	-	-	10,000
Transfers out	-	-	(10,000)	-	(10,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Change in fund balance	(57,430)	10,077	63,979	(13,060)	3,566
Fund Equity, at Beginning of Year	<u>181,769</u>	<u>18,571</u>	<u>(42,481)</u>	<u>18,874</u>	<u>176,733</u>
Fund Equity, at End of Year	<u>\$ 124,339</u>	<u>\$ 28,648</u>	<u>\$ 21,498</u>	<u>\$ 5,814</u>	<u>\$ 180,299</u>

See notes to financial statements.

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, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,566
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital purchases	66,025
Depreciation	(34,405)
<ul style="list-style-type: none"> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. 	
	8,276
<ul style="list-style-type: none"> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: 	
Repayments of debt	49,722
<ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	<u>954</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>94,138</u></u>

See notes to financial statements.

EMERALD LAKE VILLAGE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 128,000	\$ 128,000	\$ 128,000	\$ -
Intergovernmental	6,158	6,158	6,159	1
Investment income	150	150	223	73
Miscellaneous	-	-	3,652	3,652
Use of fund balance	<u>40,088</u>	<u>40,088</u>	<u>40,088</u>	<u>-</u>
Total Revenues and Other Sources	174,396	174,396	178,122	3,726
Expenditures and Other Uses:				
General government	66,869	66,869	51,242	15,627
Public works	84,000	84,000	82,697	1,303
Culture and recreation	5,200	5,200	2,073	3,127
Debt service	<u>18,327</u>	<u>18,327</u>	<u>18,276</u>	<u>51</u>
Total Expenditures and Other Uses	<u>174,396</u>	<u>174,396</u>	<u>154,288</u>	<u>20,108</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>23,834</u>	\$ <u>23,834</u>

See notes to financial statements.

EMERALD LAKE VILLAGE DISTRICT

WATER FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 269,942	\$ 269,942	\$ 293,317	\$ 23,375
Miscellaneous	<u>-</u>	<u>-</u>	<u>9,680</u>	<u>9,680</u>
Total Revenues and Other Sources	269,942	269,942	302,997	33,055
Expenditures and Other Uses:				
Public works	<u>269,942</u>	<u>269,942</u>	<u>239,017</u>	<u>30,925</u>
Total Expenditures and Other Uses	<u>269,942</u>	<u>269,942</u>	<u>239,017</u>	<u>30,925</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>63,980</u></u>	\$ <u><u>63,980</u></u>

See notes to financial statements.

EMERALD LAKE VILLAGE DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Emerald Lake Village District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the government for which it is considered to be financially accountable. In 2009, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Fund Financial Statements

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 government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 government reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Water Improvement* - To account for the operations related to water improvements.
- *Water Fund* - To account for the water operations and maintenance of the District's water lines, pumping station and plant.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

E. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

F. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

G. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

The District's budget is originally prepared by the Commissioner's office with the cooperation of their primary contractors and engineers, when appropriate. After reviewing the budget, the commissioners hold a public hearing for discussion in the same manner as a Town under the municipal finance act.

Should the budget include a bond issue, it will follow the same posting and hearing process as required for towns. The final version of the budget is then posted and printed in the annual report, and submitted for approval at the annual district meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current tax rate and a copy of the approved appropriations is also forwarded to the Selectmen of the Town by the District Clerk as required by RSA Chapter 52.

The Commissioners cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary and in accordance with the municipal finance act.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget.

C. Budget/GAAP Reconciliation

The budgetary data for the general is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data. There were no differences between the GAAP basis and the budgetary basis financial statements.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting:

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ <u>122,159</u>	\$ <u>179,589</u>
Subtotal (GAAP Basis)	122,159	179,589
To adjust property tax revenue to the budgetary basis	15,875	-
To reverse expenditures of prior year appropriation carryforwards	-	(29,412)
To book current year appropriation carryforwards	-	4,111
To record use of free cash	<u>40,088</u>	<u>-</u>
Budgetary Basis	<u>\$ 178,122</u>	<u>\$ 154,288</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a District with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The District does not have a deposit policy for custodial credit risk.

As of December 31, 2009, none of the District's bank balance of \$ 126,692 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the District's name.

4. Taxes Receivable

Real estate taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a semi-annual basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien

against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes.

Taxes receivable at December 31, 2009 consist of the following (in thousands):

Real Estate		
2009	\$ <u>69</u>	
		<u>69</u>
Total		\$ <u><u>69</u></u>

5. Intergovernmental Receivables

This balance represents collections made by the Town Tax Collector for water receivables through December 31, 2009, which were subsequently paid in January.

6. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 25	\$ -	\$ -	\$ 25
Machinery, equipment, and furnishings	550	13	-	563
Infrastructure	<u>199</u>	<u>15</u>	<u>-</u>	<u>214</u>
Total capital assets, being depreciated	774	28	-	802
Less accumulated depreciation for:				
Buildings and improvements	(2)	(1)	-	(3)
Machinery, equipment, and furnishings	(74)	(30)	-	(104)
Infrastructure	<u>(8)</u>	<u>(4)</u>	<u>-</u>	<u>(12)</u>
Total accumulated depreciation	<u>(84)</u>	<u>(35)</u>	<u>-</u>	<u>(119)</u>
Total capital assets, being depreciated, net	690	(7)	-	683
Capital assets, not being depreciated:				
Construction in progress	<u>114</u>	<u>39</u>	<u>-</u>	<u>153</u>
Total capital assets, not being depreciated	<u>114</u>	<u>39</u>	<u>-</u>	<u>153</u>
Governmental activities capital assets, net	\$ <u><u>804</u></u>	\$ <u><u>32</u></u>	\$ <u><u>-</u></u>	\$ <u><u>836</u></u>

Depreciation expense was charged to functions of the District as follows (in thousands):

Governmental Activities:	
Public works	\$ <u>35</u>
Total depreciation expense - governmental activities	\$ <u>35</u>

7. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the *deferred revenue* accounts is equal to the total of all December 31, 2009 receivable balances, except real estate property taxes that are accrued for subsequent 60 day collections.

8. Long-Term Debt

A. General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of December 31, 2009</u>
Water bond	08/15/26	4.74%	\$ 585,000
General obligation	07/10/13	4.72%	<u>65,278</u>
Total Governmental Activities:			<u>\$ 650,278</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of December 31, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 50,197	\$ 30,630	\$ 80,827
2011	50,914	28,513	79,427
2012	51,665	26,362	78,027
2013	52,502	23,825	76,327
2014	35,000	21,251	56,251
2015-2019	175,000	80,181	255,181
2020-2024	175,000	38,881	213,881
2025-2028	<u>60,000</u>	<u>4,275</u>	<u>64,275</u>
Total	<u>\$ 650,278</u>	<u>\$ 253,918</u>	<u>\$ 904,196</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2009, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/09	Additions	Reductions	Total Balance 12/31/09	Less Current Portion	Equals Long-Term Portion 12/31/09
<u>Governmental Activities</u>						
Bonds payable	\$ 700,000	\$ -	\$ (49,722)	\$ 650,278	\$ (50,197)	\$ 600,081
Totals	\$ <u>700,000</u>	\$ <u>-</u>	\$ <u>(49,722)</u>	\$ <u>650,278</u>	\$ <u>(50,197)</u>	\$ <u>600,081</u>

9. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at December 31, 2009:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

10. Commitments and Contingencies

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

11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.