

EMERALD LAKE VILLAGE DISTRICT

Management Letter

For the Year Ended December 31, 2014

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Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

To the Board of Commissioners
Emerald Lake Village District

In planning and performing our audit of the basic financial statements of the Emerald Lake Village District as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Emerald Lake Village District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Emerald Lake Village District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Emerald Lake Village District's internal control over financial reporting.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

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

Melanson Heath

April 24, 2015

Summary of Recommendations

The following summarizes areas where improvements could be made. These issues are discussed briefly, however, we are available to discuss in more detail, if requested.

- Document preparation and approval of cash reconciliations – Because of the small size of the Organization, it is difficult to maintain an adequate segregation of duties. To compensate the District has two employees involved in the monthly bank reconciliations. We recommend both employees sign the monthly reconciliations to improve the documented oversight of this critical internal control procedure.

District's response:

The District had difficulty with a past Treasurer who would not cooperate. Since that Treasurer has been replaced as of February 2015, all bank reconciliation statements are signed off on by both the Treasurer and the person preparing the QuickBooks Reconciliation Reports, which has been a Commissioner but in future will be a contract bookkeeper.

- Establish related party policy – The Commission should establish formal policies for authorization of all related party transactions.

District's response:

The District adopted a Financial Policy as of August 7, 2014, which provides as follows:

14.2 Commissioners and other elected officials of the District, or anyone related by family or business association with such official, shall not be entitled to also act as vendors for the District or to receive payment for services rendered to the District without prior approval of a quorum of the Board on a case by case basis for each such payment, in which case the payment must be specified in advance and the scope of work particularly described. Such payments shall be authorized only for amounts less than \$250 and where competitive bidding is not appropriate or reasonable.

- Document invoice approval – All vendor invoices should be signed or initialed and dated to document the goods or services were actually provided and that the bill is appropriate for the manifest process.

District's response:

That is in fact done on a regular basis. If any were missed in 2014, it was an oversight.

- Contact local banks – All local banks should be contacted periodically to ensure there are not unauthorized bank accounts using the District's federal identification number.

District's response:

This is a requirement which is beyond the scope of this District's abilities, as it operates with no administrator and largely through resident volunteers. The District bookkeeper will be asked if this can be done annually.

- Require supporting invoices – Vendor disbursements should be processed only if an approved vendor invoice is present. We noted 3 situations in our sample of 25 disbursements that were lacking a supporting vendor invoice.

District's response:

Supporting Invoices are required. However, the District roads contractor who has done the roads maintenance for 25 or so years refuses to provide monthly invoices. The contractor is paid on a monthly basis at the same rate. This year, as of April 2015, the District did get this Contractor to sign a contract specifying the monthly fee.

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Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

April 24, 2015

Board of Commissioners
Emerald Lake Village District
P.O. Box 2217
Hillsboro, New Hampshire 03244

Dear Board of Commissioners:

Enclosed is the Emerald Lake Village District's governance letter. The purpose of the governance letter is to inform those charged with governance about certain results of the annual audit.

Please distribute the enclosed letter to all parties charged with the governance of the Emerald Lake Village District. As always, we will be available to discuss the results of the audit or any other applicable issues in more detail, at any time.

Sincerely,

Melanson Heath

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

Additional Offices:
Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Dear Mr. Hutchinson:

We have audited the financial statements of the Emerald Lake Village District as of and for the year ended December 31, 2014 and have issued our report thereon dated April 24, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Emerald Lake Village District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding other matters noted during our audit in a separate letter to you dated April 24, 2015.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our Firm have complied with all relevant ethical requirements regarding independence. Safeguards that have been applied to eliminate threats to independence or reduce them to an acceptable level include annual certification by all Firm staff of independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Emerald Lake Village District is included in the notes to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2014. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Estimated lives and depreciation methods for depreciable assets.
- Collectability of receivables.

Management's estimates of the above are based on various criteria. We evaluated the key factors and assumptions used to develop these estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive disclosures affecting the Emerald Lake Village District’s financial statements.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. We did not identify any uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following summarizes material misstatements that we identified as a result of our audit procedures and were brought to the attention of, and corrected by, management.

<u>Account</u>	<u>Amount of Misstatement</u>
• To record general fund balance sheet accounts to agree to PY financials	\$93,860
• To remove liabilities no longer applicable	\$3,545
• To record water balance sheet accounts to agree to PY financials	\$80,457

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Emerald Lake Village District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated April 24, 2015.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Emerald Lake Village District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Emerald Lake Village District's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Emerald Lake Village District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information (if applicable) and considered whether such information, or the manner of its presentation, was materially inconsistent with the presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the governing body 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.

Sincerely,

Melanson Heath

April 24, 2015

EMERALD LAKE VILLAGE DISTRICT

Annual Financial Statements

For the Year Ended December 31, 2014

Emerald Lake Village District

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Emerald Lake Village District

Additional Offices:
Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major funds of the Emerald Lake Village District (the District) as of and for the year ended December 31, 2014, which collectively comprise the Emerald Lake Village 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assess-

ments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of Emerald Lake Village District, at December 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the general and water funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, 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 evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

April 24, 2015

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, 2014.

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 is essential to a full understanding of the data provided in the government-wide and fund financial statements.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$1,279,137 (i.e., net position), a change of \$138,165 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$287,783, a change of \$(101,066) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$103,864, a change of \$70,604 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$2,118,342, a change of \$(126,658) 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.

NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 518	\$ 538
Capital assets	<u>3,023</u>	<u>2,920</u>
Total assets	3,541	3,458
Long-term liabilities outstanding	1,992	2,118
Other liabilities	<u>270</u>	<u>199</u>
Total liabilities	2,262	2,317
Net position:		
Net investment in capital assets	905	675
Restricted	61	341
Unrestricted	<u>313</u>	<u>125</u>
Total net position	<u>\$ 1,279</u>	<u>\$ 1,141</u>

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 338	\$ 294
Property taxes	204	146
taxes	8	7
Miscellaneous	<u>2</u>	<u>3</u>
Total revenues	552	450
Expenses:		
General government	55	53
Public works	325	327
Culture and recreation	3	5
Interest expense	<u>31</u>	<u>57</u>
Total expenses	<u>414</u>	<u>442</u>
Change in net position	138	8
Net position - beginning of year	<u>1,141</u>	<u>1,133</u>
Net position - end of year	<u>\$ 1,279</u>	<u>\$ 1,141</u>

As noted earlier, net position 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 position was \$1,279,137, a change of \$138,165 from the prior year.

A portion of net position \$904,968 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.

An additional portion of net position \$60,994 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$313,175 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 position of \$138,165. Key elements of this change are as follows:

General fund operating results	\$ 73,720
Water fund accrual basis	(18,101)
Excess principal maturities, a budgeted expense over depreciation, which is not budgeted or funded	73,211
Other	<u>9,335</u>
Total	<u>\$ 138,165</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, unassigned 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 \$287,783 a change of \$(101,066) in comparison to the prior year. Key elements of this change are as follows:

General fund surplus	\$	73,720
Water fund surplus		<u>(174,786)</u>
Total	\$	<u><u>(101,066)</u></u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$103,864, while total fund balance was \$225,842. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/14</u>	<u>12/31/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 103,864	\$ 33,260	\$ 70,604	62.0%
Total fund balance	\$ 225,842	\$ 152,122	\$ 73,720	134.7%

The total fund balance of the general fund changed by \$73,720 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$	506
Expenditures turnback		36,052
Surplus of tax collections		16,059
Change in capital reserve		18,116
Other		<u>2,987</u>
Total	\$	<u><u>73,720</u></u>

Included in the total general fund balance are the District's capital reserve accounts with the following balances:

	<u>12/31/14</u>	<u>12/31/13</u>	<u>Change</u>
Capital reserve	\$ <u>121,978</u>	\$ <u>103,862</u>	\$ <u>18,116</u>
Total	\$ <u><u>121,978</u></u>	\$ <u><u>103,862</u></u>	\$ <u><u>18,116</u></u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budgets and the final amended budgets.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$3,023,310 (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:

- \$121,849 construction in progress for the water system improvements

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$2,118,342, 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 Notes 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 POSITION
DECEMBER 31, 2014

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 278,379
Receivables:	
Property taxes	111,915
User fees	98,013
Departmental and other	6,737
Intergovernmental	6,432
Other current asset	16,084
Capital Assets:	
Land and construction in progress	121,849
Capital assets, net of accumulated depreciation	<u>2,901,461</u>
TOTAL ASSETS	3,540,870
 LIABILITIES	
Current:	
Accounts payable	14,960
Accrued liabilities	40,090
Other current liabilities	88,341
Current portion of long-term liabilities:	
Bonds payable	126,658
Noncurrent:	
Bonds payable, net of current portion	<u>1,991,684</u>
TOTAL LIABILITIES	2,261,733
 NET POSITION	
Net investment in capital assets	904,968
Restricted for:	
Grants and other statutory restrictions	60,994
Unrestricted	<u>313,175</u>
TOTAL NET POSITION	\$ <u><u>1,279,137</u></u>

The accompanying notes are an integral part of these financial statements.

EMERALD LAKE VILLAGE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>
Governmental Activities:			
General government	\$ 54,906	\$ -	\$ (54,906)
Public works	324,905	338,085	13,180
Culture and recreation	3,235	-	(3,235)
Interest	<u>31,439</u>	<u>-</u>	<u>(31,439)</u>
Total Governmental Activities	<u>\$ 414,485</u>	<u>\$ 338,085</u>	<u>(76,400)</u>
General Revenues:			
			203,595
			7,772
			310
			<u>2,888</u>
			<u>214,565</u>
			138,165
Net Position:			
			<u>1,140,972</u>
			<u>\$ 1,279,137</u>

The accompanying notes are an integral part of these financial statements.

EMERALD LAKE VILLAGE DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2014

	<u>General</u>	<u>Water Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 131,357	\$ 147,022	\$ 278,379
Receivables:			
Property taxes	111,915	-	111,915
User fees	-	98,013	98,013
Departmental and other	6,737	-	6,737
Intergovernmental	-	6,432	6,432
Other assets	<u>5,513</u>	<u>10,571</u>	<u>16,084</u>
TOTAL ASSETS	<u>\$ 255,522</u>	<u>\$ 262,038</u>	<u>\$ 517,560</u>
LIABILITIES			
Accounts payable	\$ 1,122	\$ 13,838	\$ 14,960
Other liabilities	<u>95</u>	<u>88,246</u>	<u>88,341</u>
TOTAL LIABILITIES	1,217	102,084	103,301
DEFERRED INFLOWS OF RESOURCES	28,463	98,013	126,476
FUND BALANCES			
Restricted	-	61,941	61,941
Committed	121,978	-	121,978
Unassigned	<u>103,864</u>	<u>-</u>	<u>103,864</u>
TOTAL FUND BALANCES	<u>225,842</u>	<u>61,941</u>	<u>287,783</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 255,522</u>	<u>\$ 262,038</u>	<u>\$ 517,560</u>

The accompanying notes are an integral part of these financial statements.

EMERALD LAKE VILLAGE DISTRICT

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

DECEMBER 31, 2014

Total governmental fund balances	\$ 287,783
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,023,310
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	126,476
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(40,090)
• 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>(2,118,342)</u>
Net position of governmental activities	<u>\$ 1,279,137</u>

The accompanying notes are an integral part of these financial statements.

EMERALD LAKE VILLAGE DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Water Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 219,558	\$ -	\$ 219,558
Penalties, interest and other taxes	-	7,772	7,772
Charges for services	-	315,169	315,169
Investment income	231	79	310
Miscellaneous	<u>1,941</u>	<u>947</u>	<u>2,888</u>
Total Revenues	221,730	323,967	545,697
Expenditures:			
Current:			
General government	54,156	-	54,156
Public works	110,068	318,637	428,705
Culture and recreation	3,235	-	3,235
Capital outlay	188	-	188
Debt service	<u>-</u>	<u>160,479</u>	<u>160,479</u>
Total Expenditures	<u>167,647</u>	<u>479,116</u>	<u>646,763</u>
Excess (deficiency) of revenues over expenditures	54,083	(155,149)	(101,066)
Other Financing Sources (Uses):			
Transfers in	20,000	363	20,363
Transfers out	<u>(363)</u>	<u>(20,000)</u>	<u>(20,363)</u>
Total Other Financing Sources (Uses)	<u>19,637</u>	<u>(19,637)</u>	<u>-</u>
Change in fund balance	73,720	(174,786)	(101,066)
Fund Equity, at Beginning of Year	<u>152,122</u>	<u>236,727</u>	<u>388,849</u>
Fund Equity, at End of Year	<u>\$ 225,842</u>	<u>\$ 61,941</u>	<u>\$ 287,783</u>

The accompanying notes are an integral part of these 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, 2014

Net changes in fund balances - total governmental funds	\$ (101,066)				
<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: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital purchases</td> <td style="text-align: right;">156,685</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(53,447)</td> </tr> </table> 		Capital purchases	156,685	Depreciation	(53,447)
Capital purchases	156,685				
Depreciation	(53,447)				
<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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">6,953</td> </tr> </table> 			6,953		
	6,953				
<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 position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">126,658</td> </tr> </table> 		Repayments of debt	126,658		
Repayments of debt	126,658				
<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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>2,382</u></td> </tr> </table> 			<u>2,382</u>		
	<u>2,382</u>				
Change in net position of governmental activities	<u><u>\$ 138,165</u></u>				

The accompanying notes are an integral part of these 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, 2014

	<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	\$ 203,499	\$ 203,499	\$ 203,499	\$ -
Investment income	<u>1,450</u>	<u>1,450</u>	<u>1,956</u>	<u>506</u>
Total Revenues and Other Sources	204,949	204,949	205,455	506
Expenditures and Other Uses:				
General government	58,499	58,499	50,406	8,093
Public works	129,000	129,000	110,068	18,932
Culture and recreation	12,450	12,450	3,235	9,215
Capital outlay	-	-	188	(188)
Other uses	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>204,949</u>	<u>204,949</u>	<u>168,897</u>	<u>36,052</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>36,558</u>	\$ <u>36,558</u>

The accompanying notes are an integral part of these 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, 2014

	<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:				
Charges for services	\$ 324,327	\$ 324,327	\$ 315,169	\$ (9,158)
Miscellaneous revenue	-	-	9,161	9,161
Use of surplus	<u>162,000</u>	<u>162,000</u>	<u>162,000</u>	<u>-</u>
Total Revenues and Other Sources	486,327	486,327	486,330	3
Expenditures and Other Uses:				
Public works	466,327	466,327	479,116	(12,789)
Other uses	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>486,327</u>	<u>486,327</u>	<u>499,116</u>	<u>(12,789)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(12,786)</u>	\$ <u>(12,786)</u>

The accompanying notes are an integral part of these 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 District 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 2014, it was determined that no entities met the required GASB 14 (as amended) 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 Position and the Statement of Activities) 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 District 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 claims and judgments, are recorded only when payment is due.

The District 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 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, 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 are included under investment income.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

F. 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 District 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.

Capital assets are 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

G. 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.

H. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The District's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., District Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital

assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the 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. The remaining net position is reported as unrestricted.

I. 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 and water 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:

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
<u>General Fund</u>		
Revenues/Expenditures (GAAP Basis)	\$ 221,730	\$ 167,647
Other financing sources/uses (GAAP Basis)	<u>20,000</u>	<u>363</u>
Subtotal (GAAP Basis)	241,730	168,010
Adjust tax revenue to accrual basis	(16,059)	-
To remove unbudgeted capital reserve fund	(13,479)	4,637
Other timing differences	<u>(6,737)</u>	<u>(3,750)</u>
Budgetary Basis	<u>\$ 205,455</u>	<u>\$ 168,897</u>
	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
<u>Water Fund</u>		
Revenues/Expenditures (GAAP Basis)	\$ 323,967	\$ 479,116
Other financing sources/uses (GAAP Basis)	<u>363</u>	<u>20,000</u>
Subtotal (GAAP Basis)	324,330	499,116
To record use of fund balance	<u>162,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 486,330</u>	<u>\$ 499,116</u>

3. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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, 2014, none of the District's bank balance of \$156,400 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Taxes Receivable

Real estate taxes are levied and based on values assessed on April 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 semiannual 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 of Hillsborough, NH has an ultimate right to foreclose on property for unpaid taxes.

Taxes receivable at December 31, 2014 consist of the following (in thousands):

Real Estate	
2014	\$ <u>112</u>
Total	\$ <u><u>112</u></u>

5. Intergovernmental Receivables

This balance represents collections made by the Town Tax Collector for water receivables through December 31, 2014, which were subsequently paid in January.

6. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 146	\$ 32	\$ -	\$ 178
Machinery, equipment, and furnishings	565	1,839	-	2,404
Infrastructure	<u>665</u>	<u>-</u>	<u>-</u>	<u>665</u>
Total capital assets, being depreciated	1,376	1,871	-	3,247
Less accumulated depreciation for:				
Buildings and improvements	(15)	(4)	-	(19)
Machinery, equipment, and furnishings	(232)	(32)	-	(264)
Infrastructure	<u>(46)</u>	<u>(17)</u>	<u>-</u>	<u>(63)</u>
Total accumulated depreciation	<u>(293)</u>	<u>(53)</u>	<u>-</u>	<u>(346)</u>
Total capital assets, being depreciated, net	1,083	1,818	-	2,901
Capital assets, not being depreciated:				
Construction in progress	<u>1,837</u>	<u>122</u>	<u>(1,837)</u>	<u>122</u>
Total capital assets, not being depreciated	<u>1,837</u>	<u>122</u>	<u>(1,837)</u>	<u>122</u>
Governmental activities capital assets, net	<u>\$ 2,920</u>	<u>\$ 1,940</u>	<u>\$ (1,837)</u>	<u>\$ 3,023</u>

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

Governmental Activities:	
Public works	\$ <u>53</u>
Total depreciation expense - governmental activities	\$ <u>53</u>

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent fiscal 2014 expenditures paid in fiscal 2015.

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</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>12/31/14</u>
Water bond	08/15/26	4.74%	\$ 410,000
General obligation	05/01/33	2.86%	<u>1,708,342</u>
Total Governmental Activities:			<u>\$ 2,118,342</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 126,658	\$ 34,261	\$ 160,919
2016	126,658	31,719	158,377
2017	126,658	29,177	155,835
2018	126,658	26,635	153,293
2019	126,658	24,268	150,926
2020 - 2024	633,290	84,965	718,255
2025 - 2029	518,290	30,560	548,850
2030 - 2033	<u>333,472</u>	<u>6,773</u>	<u>340,245</u>
Total	<u>\$ 2,118,342</u>	<u>\$ 268,358</u>	<u>\$ 2,386,700</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

<u>Governmental Activities</u>	<u>Total</u> <u>Balance</u> <u>1/1/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total</u> <u>Balance</u> <u>12/31/14</u>	<u>Less</u> <u>Current</u> <u>Portion</u>	<u>Equals</u> <u>Long-Term</u> <u>Portion</u> <u>12/31/14</u>
Bonds payable	\$ 2,245,000	\$ -	\$ (126,658)	\$ 2,118,342	\$ (126,658)	\$ 1,991,684
Totals	<u>\$ 2,245,000</u>	<u>\$ -</u>	<u>\$ (126,658)</u>	<u>\$ 2,118,342</u>	<u>\$ (126,658)</u>	<u>\$ 1,991,684</u>

9. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of December 31, 2014:

	<u>General Fund</u>	<u>Water</u>
Unearned revenue	\$ 28,463	\$ 98,013

10. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

11. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The District implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2014:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at District Meetings, capital reserve funds set aside by District Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various District departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the District's fund balances at December 31, 2014:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Total Governmental Funds</u>
Restricted			
Special revenue funds	\$ -	\$ 61,941	\$ 61,941
Total Restricted	-	61,941	61,941
Committed			
Capital reserve funds	121,978	-	121,978
Total Committed	121,978	-	121,978
Unassigned	103,864	-	103,864
Total Unassigned	103,864	-	103,864
Total Fund Balance	\$ 225,842	\$ 61,941	\$ 287,783

12. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 103,864
Deferred inflows	28,463
Statutory (UMAS) Balance	\$ 132,327

13. 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.

14. 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 District 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.