

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
With Independent Auditor's Reports Thereon

DECEMBER 31, 2013

# TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Table of Contents

December 31, 2013

	<u>PAGE(S)</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS .....	i-ii

### Basic Financial Statements

#### Exhibit

#### Government Wide Financial Statements

Statement of Net Position .....	A1	2
Statement of Activities .....	A2	3

#### Fund Financial Statements

Balance Sheet – Governmental Funds .....	B1	4
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	B2	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	B3	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	B4	7
Notes to the Financial Statements .....		8-22

### Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	C1	23
Notes to Required Supplementary Information – Budgetary Reporting .....		24

### Combining and Individual Fund Statements and Schedules

#### Schedule

#### *GENERAL FUND*

Schedule of Estimated and Actual Revenues .....	D1a	25
Schedule of Appropriations, Expenditures and Encumbrances .....	D1b	26-27

#### *NON-MAJOR GOVERNMENTAL FUNDS*

Balance Sheet .....	D2a	28
Statement of Revenues, Expenditures and Changes in Fund Balances .....	D2b	29

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Table of Contents  
December 31, 2013

---

PAGE(S)

## Single Audit Reports and Schedules

<i>INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133 .....</i>	30
<i>INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....</i>	31
<i>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE .....</i>	32-33
<i>SCHEDULE</i>	
<i>Schedule of Expenditures of Federal Awards .....</i>	34
<i>Notes to the Schedule of Expenditures of Federal Awards .....</i>	35
<i>Schedule of Expenditures of Findings and Questioned Costs .....</i>	36
<i>Summary Schedule of Prior Audit Findings.....</i>	37
<i>Corrective Action Plan .....</i>	38

# The Mercier Group

*a professional corporation*

---

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Selectboard and Management  
Town of Waterville Valley, New Hampshire

**Report on the Financial Statements.** We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Waterville Valley, New Hampshire as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

**Auditor's Responsibility.** Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 basic 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 risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation of the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions.** In our opinion, the basic 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 the Town of Waterville Valley, New Hampshire, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Required Supplementary Information.** Management has not presented a *Management's Discussion and Analysis* of the financial statements. Although it is not required to be part of the basic financial statements, accounting principles generally accepted in the United States of America requires it along with the budgetary information presented in the section marked *Required Supplementary Information* to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Report on Combining and Individual Fund Statements and Schedules.** Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the basic financial statements as a whole.

**Other reporting required by *Government Auditing Standards*.** In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2014 on our consideration of the Town of Waterville Valley, New Hampshire's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Waterville Valley, New Hampshire's internal control over financial reporting and compliance.

*Paul J. Mercier, Jr. cpa for*

---

**The Mercier Group**, a professional corporation

Canterbury, New Hampshire

August 31, 2014

# **Basic Financial Statements**

Exhibit A1  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Statement of Net Position*  
December 31, 2013

*All numbers are expressed in USA Dollars*

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	1,210,959
Investments	536,441
Receivables <i>(net of allowance for uncollectibles)</i>	
Taxes	239,756
Accounts	239,608
Capital assets:	
Land	1,086,303
Buildings and other structures	2,842,121
Construction in progress	2,883,138
Machinery, vehicles & equipment	2,572,959
Infrastructure	6,529,776
Accumulated depreciation	(6,284,273)
	<u>11,856,788</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	71,690
Intergovernmental payable	464,791
Bond anticipation notes payable	1,375,000
Long-term obligations:	
Due within one year:	
Bonds & notes payable	523,014
Post-employment benefits payable	52,765
Due Beyond one year:	
Bonds & notes payable	1,893,482
Post-employment benefits payable	111,357
	<u>4,492,099</u>
<b>NET ASSETS</b>	
Net investment in capital assets	7,213,528
Restricted for:	
Open purchase orders	582,838
Special Revenue purposes	14,680
Capital & noncapital reserves	83,933
Unrestricted	(530,290)
	<u><u>7,364,689</u></u>

The notes to the financial statements are an integral part of these statements.

Exhibit A2  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Statement of Activities*  
For the Fiscal Year Ended December 31, 2013

*All numbers are expressed in USA Dollars.*

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	
<i>Governmental activities:</i>					
General Government	715,094	-	30,900		(684,194)
Public safety	776,942	51,081			(725,861)
Highways and streets	351,607		11,210		(340,397)
Sanitation	453,334	426,426	6,161		(20,747)
Water distribution & treatment	145,786	240,260			94,474
Health	4,124				(4,124)
Welfare	40				(40)
Culture and recreation	309,942	151,669			(158,273)
Conservation	8,558				(8,558)
Interest on long-term debt	85,356				(85,356)
Depreciation-unallocated	218,382				(218,382)
	3,069,165	869,436	48,271		(2,151,458)

General revenues and transfers:

Taxes:

Property taxes, levied for general purposes 2,003,724  
Property taxes, levied for debt services 500,956  
Licenses and permits 96,391  
Other local revenues 100,497

	2,701,568
Change in net position	550,110
Net position - beginning	6,814,579
Net position - ending	7,364,689

The notes to the financial statements are an integral part of these statements.

Exhibit B1  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Balance Sheet*  
*Governmental Funds*  
 December 31, 2013

*All numbers are expressed in USA Dollars*

	General	WV Capital Improvements	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	1,089,655	106,624	14,680	1,210,959
Investments	446,736		89,705	536,441
Receivables				
Taxes	239,756		-	239,756
Accounts	239,608		-	239,608
Interfund receivable	120,077		-	120,077
	<u>2,135,832</u>	<u>106,624</u>	<u>104,385</u>	<u>2,346,841</u>
<b>LIABILITIES</b>				
Accounts payable	71,690		-	71,690
Interfund payable		100,000	20,077	120,077
Intergovernmental payable	464,791		-	464,791
Bond anticipation notes payable		1,375,000	-	1,375,000
	<u>536,481</u>	<u>1,475,000</u>	<u>20,077</u>	<u>2,031,558</u>
<b>DEFERRED INFLOWS</b>				
Deferred taxes	90,000		-	90,000
<b>FUND BALANCES</b>				
<i>Committed for</i>				
Open purchase orders	582,838		-	582,838
Special revenue purposes			14,680	14,680
Capital & noncapital reserves			83,933	83,933
Unassigned (deficits)	926,513	(1,368,376)	(14,305)	(456,168)
	<u>1,509,351</u>	<u>(1,368,376)</u>	<u>84,308</u>	<u>225,283</u>
	<u>2,135,832</u>	<u>106,624</u>	<u>104,385</u>	<u>2,346,841</u>

Exhibit B2  
**TOWN OF WATERTVILLE VALLEY, NEW HAMPSHIRE**  
*Reconciliation of Governmental Funds*  
*Balance Sheet to the Statement of Net Position*  
December 31, 2013

---

*All numbers are expressed in USA Dollars*

**Total Fund Balance - Governmental Funds (Exhibit B1)**

225,283

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

*Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:*

Land	1,086,303	
Buildings and other structures	2,842,121	
Construction in progress	2,883,138	
Machinery, vehicles & equipment	2,572,959	
Infrastructure	6,529,776	
Accumulated depreciation	<u>(6,284,273)</u>	9,630,024

*Receivables in the Balance Sheet that do not provide current financial resources are deferred in the funds:*

Deferred Taxes 90,000

*Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:*

Notes payable	(2,416,496)	
Post employment benefits payable	<u>(164,122)</u>	(2,580,618)
		<u><u>7,364,689</u></u>

**Net Position of Governmental Activities (Exhibit A1)**

The notes to the financial statements are an integral part of these statements.

Exhibit B3  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended December 31, 2013

*All numbers are expressed in USA Dollars*

	<u>Capital Project</u>			
	WV	Non-major	Total	
	Capital	Governmental	Governmental	
	General	Improvements	Funds	Funds
<b>REVENUES</b>				
Taxes	2,524,680		-	2,524,680
Licenses and permits	96,391		-	96,391
State support	28,365		-	28,365
Federal support	19,906		-	19,906
Charges for services	869,436		-	869,436
Other local sources	99,483	11	1,003	100,497
	<u>3,638,261</u>	<u>11</u>	<u>1,003</u>	<u>3,639,275</u>
<b>EXPENDITURES</b>				
Current:				
General Government	751,311		-	751,311
Public safety	776,942		-	776,942
Highways and streets	339,536		-	339,536
Sanitation	453,334		-	453,334
Water distribution & treatment	145,786		-	145,786
Health	4,124		-	4,124
Welfare	40		-	40
Culture and recreation	302,198		5,975	308,173
Conservation	8,558		-	8,558
Debt service				
Principal	426,580		-	426,580
Interest	85,356		-	85,356
Capital outlay	707,588	353,353	23,063	1,084,004
	<u>4,001,353</u>	<u>353,353</u>	<u>29,038</u>	<u>4,383,744</u>
Excess of revenues over(under) expenditures	<u>(363,092)</u>	<u>(353,342)</u>	<u>(28,035)</u>	<u>(744,469)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	7,647	52,006	59,653
Transfers out	(59,653)		-	(59,653)
Proceeds of long-term debt	680,950		204,050	885,000
	<u>621,297</u>	<u>7,647</u>	<u>256,056</u>	<u>885,000</u>
Net change in fund balances	258,205	(345,695)	228,021	140,531
Fund balances(deficits) - beginning	1,251,146	(1,022,681)	(143,713)	84,752
Fund balances(deficits) - ending	<u>1,509,351</u>	<u>(1,368,376)</u>	<u>84,308</u>	<u>225,283</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B4  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended December 31, 2013*

---

*All numbers are expressed in USA Dollars*

<b>Net change in fund balances - total governmental funds (Exhibit B3)</b>	140,531
Amounts reported for governmental activities in the statement of activities (Exhibit A2) are different because:	
<i>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.</i>	
Reduce expenditures for capital outlays increasing capital assets	1,058,413
Increase expenditures for depreciation charges	(218,382)
<i>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</i>	
Increase(decrease) in Deferred Taxes	(20,000)
<i>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</i>	
Reduction in Other Financing Sources for long-term debt issued	(885,000)
Reduction in expenditures for principal payments on debt	426,580
Reduction in expenditures for post-employment benefits paid	47,968
<b>Change in net position of governmental activities (Exhibit A2)</b>	<u><u>550,110</u></u>

The notes to the financial statements are an integral part of these statements.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Waterville Valley is a New Hampshire Municipal Corporation governed by a Selectboard and other elected officials. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies and its conformity with such principles are disclosed below. These disclosures are an integral part of the Town's financial statements.

### FINANCIAL REPORTING ENTITY

The accompanying financial statements present the Town and its component units. A component unit is defined by GASB as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity and the Town is not a component unit of any other primary government.

### GOVERNMENT-WIDE AND FUND 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 Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, constitute all of the Town's activities.

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

### MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

---

# TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

---

**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 Town considers all revenues except property taxes to be available if they are collected within 60 days of the end of the current fiscal period. A period of 180 days is used for property taxes due to large offsetting liabilities for school taxes payable, which are payable in installments through June 30, 2013. 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.

Tax assessments (property and other taxes), grants, charges for services, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period when measurable and available. If any, only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's main operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.
- The *WV Capital Improvements Fund* is a capital project fund which accounts for capital projects authorized through the Town's capital improvement program.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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. Likewise, general revenues include all taxes.

**General Budget Policies** – General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes. Appropriations are made on an annual basis for the General and all major Special Revenue Funds. Project-length financial plans are adopted for all Capital Projects. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted

# TOWN OF WATERTVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Revenue Administration. State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2013, \$155,000 of the beginning General Fund balance was applied for this purpose.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

Expenditures and Other Financing Uses ~ Budgetary Basis (see Exhibit C1)	\$ 4,321,803
Adjustments:	
Encumbrances - December 31, 2012	322,041
Encumbrances - December 31, 2013	(582,838)
Expenditures and Other Financing Uses ~ GAAP Basis (see Exhibit B3)	<u>\$ 4,061,006</u>

## ASSETS, LIABILITIES AND FUND EQUITY

**Deposits and Investments.** For financial reporting purposes, cash and equivalents include amounts in demand deposits and money market funds, as well as certificates of deposit and short-term investments with original maturities of 90 days or less. With the exception of Library and Trust Fund monies, which are held by separately elected trustees, the Town Treasurer is required by State statute to have custody of all monies belonging to the Town and shall pay out the same only upon orders of the selectmen. The Town Treasurer shall deposit all such monies in solvent banks in the state or in participation units in the public deposit investment pool established pursuant to RSA 383:22. Monies may be deposited in banks outside the state if such banks pledge and deliver to the state treasurer as collateral security for such deposits in value at least equal to the amount of the deposit in each case.

Whenever the Town Treasurer has an excess of monies which are not immediately needed for the purpose of expenditure, State statutes require the Treasurer, with the approval of the Town Manager, to invest the same in obligations of the United States government, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire or in certificates of deposits of banks incorporated under the laws of the State of New Hampshire or in national banks located within this state or the Commonwealth of Massachusetts. Any person who directly or indirectly receives any such monies for deposit or for investment in securities of any kind shall, prior to acceptance of such monies, make available at the time of such deposit or investment an option to have such monies

# TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

---

secured by collateral having a value at least equal to the amount of such monies. Such collateral shall be segregated for the exclusive benefit of the town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

The Town Trustees are authorized by State statute to invest Trust Funds, including Capital Reserve Funds, in obligations of political subdivisions and stocks, bonds that are legal for investment by New Hampshire savings banks except mutual funds unless the mutual funds are registered with the Securities and Exchange Commission, qualified for sale in the State of New Hampshire in accordance with the New Hampshire Uniform Securities Act of the New Hampshire Secretary of State's Office, and have in their prospectus a stated investment policy that is consistent with the investment policy adopted by the Trustees of Trust Funds in accordance with RSA 35:9. The Trustees may also invest trust monies in New Hampshire credit unions and in the public deposit investment pool established pursuant to RSA 383:22. Capital Reserve monies must be kept in separate accounts and not intermingled with other monies.

With the exception of investments in the New Hampshire Public Deposit Investment Pool (the Pool), investments are stated at fair value. Under the terms of GASB Statement #31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Pool is considered to be a **2a7-like pool** which means that it has a policy that it will, and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This rule allows SEC-registered mutual funds to use amortized cost rather than market value to report net position to compute share prices if certain conditions are met. Therefore, the Town reports its investments in the Pool at amortized cost, which equals the Pool's participation unit price.

**Receivables and Revenues.** Revenues for the most part are recorded when received, except for the following items for which receivables have been recorded: **Tax revenue** is recorded when a warrant for collection is committed to the Tax Collector. However, any taxes not liened or deeded within statutory time limits and 1.0% of the remaining uncollected balances have been reserved as an allowance for non-current taxes receivable. Property tax revenues not collected within 180 days after year-end are not considered an "available spendable resource" and likewise are deferred in the governmental funds. As prescribed by law, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town. **Interest on investments** is recorded as revenue in the year earned. Certain **grants** received from other governments require that eligible expenditures be made in order to recognize the revenue. Revenue for these grants is recorded for the period in which eligible expenditures are made. Various **service charges** (Water, Sewer, Landfill, Ambulance, etc.) are recorded as revenue for the period when service was provided.

**Interfund Receivables and Payables.** During the course of normal operations, the Town has activity between funds, including expenditures and transfers of resources to provide services and fund capital outlay. All outstanding balances between funds are reported as "due to/from other funds." The Town considers all interfund balances collectible and therefore makes no provision for bad debt in its financial statements.



# TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

**Capital Assets.** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an initial estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Public domain infrastructure	40
Light vehicles	5
Heavy vehicles	10
Office equipment	5
Computer equipment	5
Other equipment & furnishings	10

**Deferred Inflows.** Deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the deferred inflow is removed from the combined balance sheet and revenue is recognized.

**Long-Term Obligations.** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Compensated Absences.** It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

---

**Fund Equity.** In the governmental fund Balance Sheet, fund balances are reported using a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned depending on the level of constraints. *Nonspendable fund balance* includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. *Restricted fund balance* is the amount that is restricted to specific purposes by external requirements such as those of creditors, grantors, contributors or laws and regulations or imposed by law through constitutional provisions or legally enforceable enabling legislation. *Committed fund balance* is the amount that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority (the legislative body). *Assigned fund balance* is the amount that is constrained by the Town's intent to be used for specific purposes, but is not restricted or committed. *Unassigned fund balance* is the residual classification for the general fund. Whenever multiple classifications of resources are available for use, it is the Town's policy to use spendable, restricted, committed and assigned resources in that order first, then unassigned resources as they are needed.

**Accounting Estimates.** Accounting estimates are an integral part of the financial statements. They are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates used in the preparation of these financial statements were:

- Management's estimate of the *reserve for non-current taxes* is based on the percentage of overlay used in the calculation of tax rates, the status of any non-lienable or non-deedable accounts at year-end and unpaid accounts that are considered significant for other reasons.
- Management's estimate of *deferred taxes* is based on liens committed during the current fiscal year and the estimated balance of outstanding taxes receivable on June 30, 2013.
- Management's estimate of *depreciation* is based on the expected number of years an asset will be use in operations and on the age and condition of capital assets at year-end.

# TOWN OF WATERTVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

---

### ASSETS

#### CASH AND INVESTMENTS

**Deposits.** Throughout the fiscal year, all bank deposits were insured by Federal Depository Insurance (FDIC) or collateralized with securities held by the Town or its agent in the Town's name.

**Investments.** During the course of the fiscal year and at year-end, the Town's investments consist of participation units of the *New Hampshire Public Deposit Investment Pool*. At this time, the Pool's investments are limited to short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire municipal obligations, certificates of deposit from AI/PI-rated banks, money market mutual funds (maximum of 20% of portfolio), overnight to 30-day repurchase agreements and reverse overnight repurchase agreements with primary dealers or dealer banks.

**Concentrations of credit and market risk.** Financial instruments that potentially expose the Town to credit risk consist primarily of bank deposits and investments in participation units of the New Hampshire Public Deposit Investment Pool. It is the Town's policy to deposit monies in high quality financial institutions according to State Statutes and to limit risk by maintaining deposits within the Federal Depository Insurance Corporation (FDIC) limits whenever possible or to require banking institutions to collateralize deposits. The Town has not experienced any losses on its cash deposits during 2013 and management believes the Town is not exposed to significant credit risk on those amounts. Each participation unit of the Pool is valued at one-dollar and does not fluctuate with the market values of underlying investments.

#### PROPERTY TAXES

The property tax year is from April 1 to March 31 and all property taxes are assessed on the inventory taken in April of that year. The 2013 property tax levy was based on a net assessed valuation as of April 1, 2013 of \$327,983,000. State Education Taxes were based on a State-wide equalized valuation of \$326,407,300. In connection with the setting of the tax rate, Town Officials, with the approval of the New Hampshire Department of Revenue Administration, establish and raise through taxation an amount for abatements and refunds of property taxes, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any tax reserves at year-end.

The tax rate for the year ended December 31, 2013, was as follows:

Municipal portion	\$	7.39
Local School Tax Assessment		0.90
State Education Tax Assessment		2.39
County Tax Assessment		1.72
	\$	<u>12.40</u>

# TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

Property taxes collected by the Town include taxes levied for other governmental entities as follows:

<u>State of New Hampshire</u>	
State Education Tax	\$ 788,956
<u>Waterville Valley School District</u>	
Local School Tax Assessment	298,331
<u>Grafton County:</u>	
Local Tax Assessment	570,514
	<u>\$ 1,657,801</u>

The responsibility for the collection of taxes rests with the Town and tax amounts must be remitted to other municipal entities as requested. Any amounts due at year-end are reported in these financial statements as Intergovernmental payables.

The Town subscribes to the semi-annual method of tax collection as provided for by RSA 76:15-a. Under this method, tax bills are sent on or around June 1 and November 1 of each year, with interest accruing at a rate of 12% on bills outstanding for more than 30 days. The June 1 billing is considered an estimate only and is one-half of the previous year's tax billing. The remaining balance of taxes due is billed in the fall after the State Department of Revenue Administration has calculated and approved the Town's tax rate for the fiscal year.

As prescribed by law, within 18 months of the date assessed, the Tax Collector places a lien on properties for all uncollected property taxes in the following year after taxes are due. The lien on these properties has priority over other liens and accrues interest at 18% per annum. If property is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town.

### TAXES RECEIVABLE

Taxes receivable at December 31, 2013, are as follows:

<u>Uncollected Taxes</u>	
Property	\$ 173,558
Unassigned credits	<u>(19,735)</u>
	\$ 153,823
<u>Unredeemed Taxes (under tax liens)</u>	
Levy of 2011	\$ 53,901
Levy of 2010	32,656
Levy of 2009	<u>19,376</u>
	105,933
	259,756
	<u>(20,000)</u>
Reserve for uncollectible taxes receivable	<u>\$ 239,756</u>



# TOWN OF WATERTVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

### ACCOUNTS RECEIVABLE

Accounts receivables as of December 31, 2013 are as follows:

<u>Accounts</u>	
Unassigned credits	\$ (14,434)
Water services	93,447
Sewer & MSD services	156,561
Other	4,034
	<u>\$ 239,608</u>

### INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances at December 31, 2013 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>Governmental Activities:</b>		
General Fund	\$ 120,077	\$ -
Capital Projects Funds:		
Capital & Noncapital Reserves		5,772
WV Capital Improvements	-	100,000
Solid Waste Collection Facilities	-	14,305
	<u>\$ 120,077</u>	<u>\$ 120,077</u>

### CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended December 31, 2013 is as follows:

	<i>Governmental Activities</i>		
	<u>Balance January 1</u>	<u>Additions</u>	<u>Balance December 31</u>
Land	\$ 1,086,303	\$ -	\$ 1,086,303
Buildings & Other Structures	2,827,644	14,477	2,842,121
Construction in Progress	1,971,653	911,485	2,883,138
Machinery, Vehicles & Equipmer	2,520,935	52,024	2,572,959
Infrastructure	6,449,349	80,427	6,529,776
	14,855,884	1,058,413	15,914,297
Less: Accumulated Depreciation	(6,065,891)	(218,382)	(6,284,273)
	<u>\$ 8,789,993</u>	<u>\$ 840,031</u>	<u>\$ 9,630,024</u>

**RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. During the fiscal year, the Town was a member of the following public-entity risk pools, currently operating as a common risk management and insurance programs for member towns and school administrative units.

The *New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and P/C GROUP* are pooled risk management programs under RSA 5-B and RSA 281-A. Limits of protection and deductibles are set forth in the Member Agreement and other Underwriting forms on file with *Primex<sup>3</sup>*. Such additional records are also provided to the member with each renewal and upon request. The Member Participation Agreement permits *Primex<sup>3</sup>* to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of an additional assessment for this or any prior year. Claims have not exceeded insurance coverage in any of the past years.

**LIABILITIES****INTERGOVERNMENTAL PAYABLE**

Payables due other governments at December 31, 2013 include:

General Fund

*School District Assessment due in monthly installments through June 30,  
2014*

\$ 464,791

**DEFINED BENEFIT PENSION PLAN**

Full-time employees participate in the State of New Hampshire Retirement System (NHRS), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the System. Full-time employees of political subdivisions, including counties, municipalities, districts and others, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

NHRS, a Public Employees Retirement System (PERS), is divided into two membership groups. By statute, Group I (employee and teacher) members contribute 7% of their salary to NHRS. Group II (police & fire) members contribute 11.5% and 11.8% respectively. While member rates are set by statute, employer rates are set by the NHRS Board of Trustees every two years after a biennial actuarial valuation is conducted using the *Entry Age Normal* actuarial method. Employer contributions are assessed at five different rates, one each for state employees, political subdivisions

# TOWN OF WATERTVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

employees, teachers, police and fire. NHRS employers are required by the New Hampshire Constitution to pay 100% of the actuarial sound employer contribution rate as certified by the NHRS Board of Trustees to fully fund the pension plan and to pay down the retirement system's unfunded actuarial accrued liability over a closed amortization period. Currently, employer contribution rates for the period July 1, 2013 through June 30, 2014 are as follows:

Group I		Group II	
Employees	10.77%	Police	25.30%
Teachers	14.16%	Fire	27.74%

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the NHRS located at Regional Drive ~ Concord, NH 03301-8509.

The payroll for employees covered by the System for the year ended December 31, 2013, was \$1,077,590; the Town's total payroll was \$1,380,225. Contribution requirements for the year ended December 31, 2013, were as follows:

Employer Contributions	\$ 151,358
Employee Contributions	<u>91,310</u>
	<u>\$ 242,668</u>

## SHORT-TERM DEBT

**Bond Anticipation Notes.** In connection with its *WV Capital Improvements Project*, the Town, as of December 31, 2013, had a three-year authorized line of credit with a local bank in the amount of \$2,138,000 of which \$1,375,000 had been borrowed. The note, which contains an interest rate of 1.97% will be used to finance the construction project. Also in connection with this project, the town has been granted authorization for a long-term USDA – Rural Development loan not to exceed \$1,919,000 and a USDA – Rural Development grant not to exceed \$1,595,000; a combination of which will be used to pay off the short-term debt once the project has been satisfactorily completed and inspected by the US Government Agency.

## LONG-TERM LIABILITIES

**Changes in General Long-Term Debt.** The following is a summary of the Town's general obligation long-term debt transactions for the fiscal year ended December 31, 2013:

	January 1, 2013	Issued	Retired	December 31, 2013	Within One Year
<b>General Obligation Debt</b>					
Bonds & notes	\$ 1,958,076	\$ 885,000	\$ 426,580	\$ 2,416,496	\$ 523,014
Voluntary Separation Program	212,090	-	47,968	164,122	52,765
	<u>\$ 2,170,166</u>	<u>\$ 885,000</u>	<u>\$ 474,548</u>	<u>\$ 2,580,618</u>	<u>\$ 575,779</u>

# TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

**General Long-term Debt Payable.** All debt is general obligation debt of the Town, which is backed by its full faith and credit. Long-term debt payable at December 31, 2013, is comprised of the following individual issues:

Description of Issue	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding December 31 2013
<b>General obligation bonds &amp; notes:</b>					
Refridgeration	\$ 900,000	08/15/95	08/15/15	5.25-5.625	90,000
Sewer upgrade/Ice arena/Solid waste	\$ 673,700	08/15/98	08/15/16	3.9-5.0	75,000
Pond and Boulder Path	\$ 575,000	07/20/08	08/20/18	3.42	287,500
Salt/Sand Shed	\$ 325,000	09/11/09	09/11/14	3.50	45,000
Refi. Well & Tank Improvements	\$ 484,286	03/01/10	03/01/17	3.80	242,146
Refi. Land Purchase	\$ 402,500	03/01/10	03/01/17	3.80	201,250
Refi. Boulder Path Water	\$ 120,000	03/01/10	03/01/17	3.80	60,000
Town Community Center	\$ 244,000	07/15/10	07/15/17	3.80	122,000
Fire truck	\$ 454,000	08/31/12	08/31/22	2.15	408,600
WWTP Media Tank	\$ 500,000	05/01/13	05/01/20	1.59	500,000
Recycling/Road Repairs	\$ 385,000	05/01/13	05/01/20	1.59	385,000
					2,416,496
<b>Post-employment Benefits</b>					164,122
Voluntary Separation Program					\$ 2,580,618

**Annual Requirements to Amortize General Obligation Debt.** The annual requirements to amortize all general obligation debt outstanding as of December 31, 2013, including interest payments, are as follows:

Fiscal Year Ending December 31,	General Obligation Notes and Bonds		
	Principal	Interest	Total
2014	\$ 523,014	\$ 64,826	\$ 587,840
2015	478,013	47,161	525,174
2016	433,014	31,990	465,004
2017	318,669	19,211	337,880
2018	229,329	12,632	241,961
	1,982,039	175,820	2,157,859
2019-22	434,457	14,795	449,252
	\$ 2,416,496	\$ 190,615	\$ 2,607,111

**State Aid.** According to State of New Hampshire funding programs, the Town receives a percent of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities, water filtration facilities and landfill closure. As of December 31, 2013, subject to annual State appropriation, the Town will receive the following annual amounts to offset debt payments:

# TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2013

Fiscal Year Ending December 31,	State Aid for Water Debt		
	Principal	Interest	Total
2013	\$ 5,134	\$ 1,027	\$ 6,161
2014	5,134	770	5,904
2015	5,134	513	5,647
2016	5,134	257	5,391
	<u>\$ 20,536</u>	<u>\$ 2,567</u>	<u>\$ 23,103</u>

**Bonds or Notes Authorized – Unissued.** Bonds and notes authorized and unissued as of December 31, 2013 were as follows:

Authorization	Purpose	Unissued Amount
March 10, 2009 ~ Article 4	Extending W&S Lines - West Branch	\$ 230,000
July 22, 2009 ~ Article 1	Phase II W&S Lines - West Branch	525,000
July 22, 2009 ~ Article 2	Replace Variable Speed Drive Unit	65,000
March 09, 2010 ~ Article 3	Impr. Water Treatment & Distribution	2,254,000
March 09, 2010 ~ Article 4	Extending W&S Lines - West Branch	499,050
March 08, 2011 ~ Article 7	SW Collection Facilities & Equipment	970,950
March 12, 2013 ~ Article 6	Purchase of Stone Management Property	406,000
March 12, 2013 ~ Article 7	Reconstruct Tripoli Road Base	183,000
		<u>\$ 5,133,000</u>

**Voluntary Separation Program.** For employees age 58 or older who voluntarily separate from service, Town Policy provides for the payment of health insurance premiums until the employee reaches age 65. In estimating future amounts due, the Town is using a 10% annual increase in costs based on actual experience of 8% annual increases. In accordance with the requirements of GASB 45, the following amounts have been recorded as long-term liabilities to be paid in future accounting periods as follows:

Fiscal Years Ending December 31,	Amount
2014	\$ 52,765
2015	37,854
2016	22,206
2017	24,427
2018	26,870
	<u>\$ 164,122</u>

## DEFERRED INFLOWS OF RESOURCES

The deferred inflow of resources at December 31, 2013 is as follows:

<u>General Fund</u>	
Taxes receivable not available to pay current obligations	<u>\$ 90,000</u>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2013

---

## **FUND BALANCE**

Elements of fund balance as of December 31, 2013 were as follows:

### General Fund

#### *Committed for open purchase orders:*

Corcoran's pond dredging	\$ 42,065
Maintenance vehicle lift	10,000
Town hall safety improvements	21,982
Curious George reserve	1
Nature trail reserve	3,696
Town building engineering design	840
Recreation building improvements	916
Arena capital improvements	150,000
Tecumseh Road sidewalk	15,000
Federal Property acquisition	19,513
Street light replacement	5,499
Water/WWTP system repairs	94
WVRA reserve	5,886
Town car/utility vehicle	24,000
1-ton dump truck replacement	40,276
Public safety vehicle repairs	4,200
WWTP dual media tank replacement	235,131
W. Branch & Tripoli Road repairs	3,739
	<u>\$ 582,838</u>

### Nonmajor Special Revenue Funds

#### Committed for fund purposes:

Osceola Library	\$ 9,260
Conservation Commission	5,420
	<u>\$ 14,680</u>

### Nonmajor Capital Project Fund

#### Committed for fund purposes:

Capital & Noncapital Reserves:	
Snows Brook Road Reconstruction	\$ 996
Corcoran Pond Dam	64,270
Trash Truck Replacement	1,777
Toxicity Corrective Testing	16,890
	<u>\$ 83,933</u>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2013

---

**Fund Deficits.** The following funds had deficit balances as of December 31, 2013:

Capital Project Fund

WV Capital Improvements

\$ 1,368,376

Solid Waste Collection Facilities

14,305

\$ 1,382,681

Deficits occurred primarily due to the application of generally accepted accounting principles in that long-term financing for the projects is not recognized as revenue until issued. Cash flow to these projects is being funded by short-term borrowing that will be converted to long-term debt when the related construction has been completed.

**SUMMARY DISCLOSURE OF SIGNIFICANT 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 Town expects such amounts, if any, to be immaterial.

## **Required Supplementary Information**



Exhibit C1  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Budgetary Comparison Schedule*  
*Budget to Actual (Non-GAAP Budgetary Basis) - General Fund*  
For the Fiscal Year Ended December 31, 2013

*All amounts are expressed in USA Dollars*

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	2,496,095	2,496,095	2,524,680	28,585
Licenses and permits	87,300	87,300	96,391	9,091
State support	28,396	28,396	28,365	(31)
Federal support	19,906	19,906	19,906	-
Charges for services	779,288	779,288	869,436	90,148
Miscellaneous	54,200	54,200	99,483	45,283
	<u>3,465,185</u>	<u>3,465,185</u>	<u>3,638,261</u>	<u>173,076</u>
<b>EXPENDITURES</b>				
Current:				
General government	825,112	825,112	751,311	73,801
Public safety	786,493	786,493	781,142	5,351
Highways and streets	338,451	338,451	339,536	(1,085)
Sanitation	464,829	464,829	453,334	11,495
Water distribution and treatment	124,969	124,969	145,786	(20,817)
Health	4,200	4,200	4,124	76
Welfare	2,500	2,500	40	2,460
Culture and recreation	306,275	306,275	302,198	4,077
Conservation	10,000	10,000	8,558	1,442
Debt service:				
Principal	415,020	415,020	426,580	(11,560)
Interest	85,936	-	85,356	(85,356)
Capital outlay	1,291,000	1,291,000	964,185	326,815
	<u>4,654,785</u>	<u>4,568,849</u>	<u>4,262,150</u>	<u>306,699</u>
Excess of revenues over(under) expenditures	(1,189,600)	(1,103,664)	(623,889)	479,775
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(54,400)	(54,400)	(59,653)	(5,253)
Proceeds of long-term debt	1,089,000	1,089,000	680,950	(408,050)
	<u>1,034,600</u>	<u>1,034,600</u>	<u>621,297</u>	<u>(413,303)</u>
Net change in fund balances	(155,000)	(69,064)	(2,592)	66,472
Unassigned Fund balances - beginning	929,105	929,105	929,105	-
Unassigned Fund balances - ending	<u>774,105</u>	<u>860,041</u>	<u>926,513</u>	<u>66,472</u>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Note to Required Supplementary Information – Budgetary Reporting*  
December 31, 2013

---

The budgetary comparison schedule – Budget to Actual (Non-GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

**General Budget Policies** – General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the Town's operations. The Town votes appropriations by official ballot in accordance with State Statutes. Appropriations are made on an annual basis for the General and all major Special Revenue Funds. Project-length financial plans are adopted for all Capital Projects. Except as reconciled below, budgets are adopted on a basis generally consistent with the modified accrual basis of accounting. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. Unexpended balances of special articles for specific purposes may not be transferred. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Revenue Administration. State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2013, \$155,000 of the beginning General Fund balance was applied for this purpose.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures and are therefore reported as part of the fund balance at December 31 and are carried forward to supplement appropriations of the subsequent year. Amounts recorded as budgetary expenditures in the *Budgetary Comparison Schedule (Exhibit C1)* are presented on the basis budgeted by the Town. The amounts differ from those reported in conformity with generally accepted accounting principles in the *Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit B3)* as follows:

Expenditures and Other Financing Uses ~ Budgetary Basis ( <i>see Exhibit C1</i> )	\$ 4,321,803
Adjustments:	
Encumbrances - December 31, 2012	322,041
Encumbrances - December 31, 2013	<u>(582,838)</u>
Expenditures and Other Financing Uses ~ GAAP Basis ( <i>see Exhibit B3</i> )	<u>\$ 4,061,006</u>

# **Single Audit Reports and Schedules**

Schedule D1a  
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE  
General Fund

*Schedule of Estimated and Actual Revenues*  
For the Fiscal Year Ended December 31, 2013

*All amounts are expressed in USA Dollars*

	Original & Final Budget	Actual (GAAP Basis)	Over (Under) Budget
<b>REVENUES</b>			
<b>Taxes</b>			
Property	2,445,095	2,454,062	8,967
Timber yield	2,000	2,032	32
Payments in lieu of taxes	39,909	39,909	-
Interest and penalties on delinquent taxes	24,000	37,356	13,356
Overlay	(14,909)	(8,679)	6,230
	<u>2,496,095</u>	<u>2,524,680</u>	<u>28,585</u>
<b>Licenses and permits</b>			
Motor vehicle fees	75,500	82,234	6,734
Building permits	6,300	13,117	6,817
Other licenses, permits and fees	5,500	1,040	(4,460)
	<u>87,300</u>	<u>96,391</u>	<u>9,091</u>
<b>State Support</b>			
Meals and rental tax distributions	10,994	10,994	-
Highway block grant	11,241	11,210	(31)
Water pollution grant	6,161	6,161	-
Other			-
	<u>28,396</u>	<u>28,365</u>	<u>(31)</u>
<b>Federal Support</b>			
Homeland security - FEMA	19,906	19,906	-
	<u>19,906</u>	<u>19,906</u>	<u>-</u>
<b>Charges for Services</b>			
Income From Departments			
<i>Public Safety Services:</i>			
Police department	11,600	11,299	(301)
Ambulance	40,000	39,782	(218)
<i>Sanitation:</i>			
Solid waste collection & disposal	55,000	110,625	55,625
Sewer services	295,000	315,801	20,801
<i>Water Distribution &amp; Treatment:</i>			
Water services	220,738	240,260	19,522
<i>Culture and Recreation:</i>			
Recreation department	126,950	121,669	(5,281)
Post office	30,000	30,000	-
	<u>779,288</u>	<u>869,436</u>	<u>90,148</u>
<b>Miscellaneous</b>			
Sale of municipal property	7,800	13,889	6,089
Interest on investments	1,500	129	(1,371)
Rents of property - Arena			-
Fines and forfeitures			-
Cable TV franchise agreement	11,900	11,531	(369)
Cemetery income	3,000	3,300	300
Arena PILOT	21,000	23,238	2,238
Insurance dividends & reimbursements	-	39,681	39,681
Other	9,000	7,715	(1,285)
	<u>54,200</u>	<u>99,483</u>	<u>45,283</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds of long term debt	1,089,000	680,950	(408,050)
Total revenues and other financing sources	<u>4,554,185</u>	<u>4,319,211</u>	<u>(234,974)</u>
Unreserved Fund Balance Used to Reduce Tax Rate	<u>155,000</u>		
Total revenues and use of fund balance	<u><u>4,709,185</u></u>		

Schedule D1b  
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE  
General Fund

*Schedule of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended December 31, 2013

*all numbers are expressed in USA Dollars*

	Reserved From Prior Fiscal Year	Voted Appropriations	Expenditures Net of Refunds	Reserved To Next Fiscal Year	(Over) Under Budget
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government		69,150	36,531		32,619
Executive		1,900	1,514		386
Election, Registration & Vital Statistics		305,933	301,160		4,773
Financial Administration		24,500	12,577		11,923
Revaluation of Property		11,000	11,391		(391)
Legal Expenses		2,500	419		2,081
Planning and Zoning		118,596	115,399		3,197
General Government Buildings		900	96		804
Cemeteries		61,926	54,177		7,749
Insurance, not otherwise allocated		1	-		1
Advertising and regional associations		91,706	86,866		4,840
Town post office		5,000	2,410		2,590
Pond maintenance		25,000	25,000		-
Support of the Rey Center		48,000	48,000		-
WV Transit services		3,000	3,000		-
Support of WVAIA		11,900	5,446		6,454
Community communications		44,100	47,325		(3,225)
Voluntary separation program		-	751,311	-	73,801
Public safety		544,846	544,646	2,100	(1,900)
Police Department		108,062	110,835	2,100	(4,873)
Ambulance		127,085	121,461		5,624
Fire Department		6,500	-		6,500
Building Inspection (code enforcement)		-	776,942	4,200	5,351
Highways and streets		332,951	334,239		(1,288)
Highways and streets		5,500	5,297		203
Street Lighting		-	339,536	-	(1,085)
Sanitation		149,211	154,767		(5,556)
Solid waste collection		73,600	71,340		2,260
Solid waste disposal		242,018	227,227		14,791
Wastewater collection & disposal		-	453,334	-	11,495
Water Distribution & Treatment		124,969	145,786		(20,817)
Water Services		-	145,786	-	(20,817)
Health		4,200	4,124		76
Health Agencies & Hospitals		-	4,124	-	76
Welfare		2,500	40		2,460
Administration & Direct Assistance		-	40	-	2,460
Culture and recreation		297,275	293,698		3,577
Parks and Recreation		9,000	8,500		500
Patriotic Purposes		-	302,198	-	4,077
Conservation		10,000	8,558		1,442
Conservation promotion		-	8,558	-	1,442

Schedule D1b  
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE  
General Fund

*Schedule of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended December 31, 2013

all numbers are expressed in USA Dollars

	Reserved From Prior Fiscal Year	Voted Appropriations	Expenditures Net of Refunds	Reserved To Next Fiscal Year	(Over) Under Budget
Debt service					
Principal of long-term debt		415,020	426,580		(11,560)
Interest - long-term debt		70,936	65,099		5,837
Interest - tax anticipation notes		15,000	20,257		(5,257)
	-	500,956	511,936	-	(10,980)
Facilities acquisition and construction					
Land and Improvements:					
Cocoran's Pond engineering	485		485		-
Corcoran's Pond maintenance	42,065		-	42,065	-
Federal property acquisition	20,000		487	19,513	-
Land purchase - SPM		406,000	-		406,000
Machinery, vehicles & equipment					
Maintenance vehicle lift	10,000		-	10,000	-
Sidewalk tractor		53,000	52,024		976
Town car/utility vehicle		24,000	-	24,000	-
1-Ton dump truck w/plow & equipment		75,000	34,724	40,276	-
Buildings					
Town hall sewer connect	1,341		1,245		96
Nature trail grant	5,465		1,769	3,696	-
Curious George Cottage repairs	1			1	-
Town buildings design engineering	840			840	-
Recreation building improvements	916			916	-
Town hall safety improvements	25,000		3,018	21,982	-
Town hall roof	14,477		14,477		-
Arena capital improvement	150,000		-	150,000	-
Improvements other than buildings					
Street light replacement	13,220		7,721	5,499	-
Recreation climbing wall	170				170
Tcumseh Road sidewalk	15,000		-	15,000	-
Greely Hill Road repairs	4,350		4,350		-
Water/WWTP system repair	2,320	20,000	22,226	94	-
WVRA reserve	13,296		7,410	5,886	-
Pedestrian bridge replacement		-	80,427		(80,427)
Mad River trail repairs	3,095		3,095		-
W Branch/Tripoli Road repairs		213,000	209,261	3,739	-
WWTP Sand Filters		500,000	264,869	235,131	-
	322,041	1,291,000	707,588	578,638	326,815
OTHER FINANCING USES					
Operating transfers out - Interfund transfers					
Special revenue					
Oseola Library		4,400	2,000		2,400
Capital Project					
WV Capital Improvements		-	7,647		(7,647)
Capital & Noncapital Reserves:					
Improvements to Corcoran's Pond Dam		50,000	50,006		(6)
	-	54,400	59,653	-	(5,253)
	322,041	4,709,185	4,061,006	582,838	387,382

Schedule D2a  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Balance Sheet*  
*Non-major Governmental Funds*  
December 31, 2013

*All numbers are expressed in USA Dollars*

	<i>Special Revenue</i>		<i>Capital Project</i>		<i>Total</i>
	<i>Oseola Library</i>	<i>Conservation Commission</i>	<i>Capital &amp; Noncapital Reserves</i>	<i>Solid Waste Collection Facilities</i>	
<b>ASSETS</b>					
Cash	9,260	5,420			14,680
Investments			89,705		89,705
	9,260	5,420	89,705	-	104,385
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:			5,772	14,305	20,077
Interfund payable	-	-	5,772	14,305	20,077
Fund balances:					
<i>Committed for</i>					14,680
Special revenue purposes	9,260	5,420			83,933
Capital & noncapital reserves			83,933	(14,305)	(14,305)
Unassigned (deficit)	9,260	5,420	83,933	(14,305)	84,308
	9,260	5,420	89,705	-	104,385

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Non-major Governmental Funds*  
For the Fiscal Year Ended December 31, 2013

*All numbers are expressed in USA Dollars*

	<i>Special Revenue</i>		<i>Capital Projects</i>		<i>Total</i>
	<i>Oseola Library</i>	<i>Conservation Commission</i>	<i>Capital &amp; Noncapital Reserves</i>	<i>Solid Waste Collection Facilities</i>	
<b>REVENUES</b>					
Miscellaneous	983	1	19		1,003
	983	1	19	-	1,003
<b>EXPENDITURES</b>					
Current:					5,975
Culture and recreation	5,975				5,975
Capital outlay			5,772	17,291	23,063
	5,975	-	5,772	17,291	29,038
Excess (deficiency) of revenues over (under) expenditures	(4,992)	1	(5,753)	(17,291)	(28,035)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,000		50,006		52,006
Proceeds of long-term debt				204,050	204,050
	2,000	-	50,006	204,050	256,056
Net change in fund balances	(2,992)	1	44,253	186,759	228,021
Fund balances(deficits) - beginning	12,252	5,419	39,680	(201,064)	(143,713)
Fund balances(deficits) - ending	9,260	5,420	83,933	(14,305)	84,308



# **Individual Fund Financial Statements and Schedules**

# The Mercier Group

*a professional corporation*

---

## INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Members of the Selectboard and Management  
Town of Waterville Valley, New Hampshire

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Waterville Valley, New Hampshire as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report there on dated August 31, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waterville Valley, New Hampshire's basic financial statements. As required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other audit procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Paul J. Mercier, Jr. cpa for*

**The Mercier Group**, a professional corporation  
Canterbury, New Hampshire  
August 31, 2014

# The Mercier Group

*a professional corporation*

## INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Selectboard and Management  
Town of Waterville Valley, New Hampshire

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Waterville Valley, New Hampshire as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town of Waterville Valley, New Hampshire's basic financial statements, and have issued our report thereon dated August 31, 2014.

**Internal Control Over Financial Reporting.** In planning and performing our audit of the financial statements, we considered the Town of Waterville Valley, New Hampshire's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the Town of Waterville Valley, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Waterville Valley, New Hampshire's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

**Compliance and Other Matters.** As part of obtaining reasonable assurance about whether the Town of Waterville Valley, New Hampshire's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report.** The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Paul J. Mercier, Jr. CPA for*

The Mercier Group, a professional corporation  
Canterbury, New Hampshire  
August 31, 2014

# The Mercier Group

*a professional corporation*

---

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Members of the Selectboard and Management  
Town of Waterville Valley, New Hampshire

**Report on Compliance for Each Major Federal Program.** We have audited the Town of Waterville Valley, New Hampshire's compliance with the types of compliance requirements described in the *OMB circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Waterville Valley, New Hampshire's major federal program for the year ended December 31, 2013. The Town of Waterville Valley, New Hampshire's major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility.** Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility.** Our responsibility is to express an opinion on compliance for the Town of Waterville Valley, New Hampshire's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Waterville Valley, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Town of Waterville Valley, New Hampshire's compliance.

**Opinion on Major Federal Program.** In our opinion, Town of Waterville Valley, New Hampshire complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

**Internal Control Over Compliance.** Management of the Town of Waterville Valley, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Waterville Valley, New Hampshire's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Waterville Valley, New Hampshire's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be *material weaknesses*. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Paul J. Mercier Jr., CPA for*

---

**The Mercier Group**, a professional corporation  
Canterbury, New Hampshire  
August 31, 2014

## Schedule I

## TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended December 31, 2013

All amounts are expressed in USA Dollars

Federal grantor/Pass-through grantor/Program title	Federal CFDA Number	Pass-through Grants Number	Program or Award Amount	Expenditures of Federal Awards
---	---------------------------	----------------------------------	-------------------------------	--------------------------------------

all numbers are expressed in USA Dollars

## U.S. Department of Agriculture

## Direct Grants

## Community Facilities Loans and Grants Cluster\*

administered by the Rural Development Field Office

## Community Facilities Loans and Grants

Waterville Valley Water and Sewer Improvements:

Loan

Grant

Town contribution

Connection/tap fees

10.766

n/a	1,919,000	353,353
n/a	1,595,000	-
n/a	176,000	-
n/a	43,000	-
	<u>3,733,000</u>	<u>353,353</u>

## U.S. Department of Homeland Security

## Direct Grants

## Disaster Grants - Public Assistance (Presidentially Declared Disasters)

97.036

Hurricane Irene

FEMA-4026-DR-NH

19,906	19,906
<u>19,906</u>	<u>19,906</u>
<u>3,752,906</u>	<u>373,259</u>

\* Denotes a major grant

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES USED IN PREPARING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### BASIS OF PRESENTATION

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of the Town of Waterville Valley, New Hampshire and is presented on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

### RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Expenditures of Federal awards in the financial statements include the following:

	<u>Federal Support</u>
<i>Governmental Funds:</i>	
General Fund	\$ 19,906
<u>Capital Project Fund</u>	
WV Capital Improvements	<u>353,353</u>
Federal Awards per Schedule of Federal Awards	<u>\$ 373,259</u>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Schedule of Findings and Questioned Costs*

For the Fiscal Year Ended December 31, 2013

---

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Control deficiency(ies) identified?

\_\_\_\_\_ yes      ✓ \_\_\_\_\_ no  
\_\_\_\_\_ yes      ✓ \_\_\_\_\_ no

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      ✓ \_\_\_\_\_ no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?
- Control deficiency(ies) identified?

\_\_\_\_\_ yes      ✓ \_\_\_\_\_ no  
\_\_\_\_\_ yes      ✓ \_\_\_\_\_ no

Type of auditor’s report issued on compliance  
for major programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with section  
510(a) of Circular A-133?

\_\_\_\_\_ yes      ✓ \_\_\_\_\_ no

Identification of major program:

CFDA Number (s)

10.766

Name of Federal Program or Cluster  
*Community Facilities Loan and Grants Cluster*  
Community Facilities Loan and Grants

Dollar threshold used to distinguish

Between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

✓ \_\_\_\_\_ yes      \_\_\_\_\_ no

**SECTION II – FINANCIAL STATEMENT FINDINGS:**

No matters were identified which required reporting.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were identified which required reporting.



**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Summary Schedule of Prior Audit Findings*  
For the Fiscal Year Ended December 31, 2013

---

**PRIOR AUDIT FINDINGS:**

Not Applicable – No prior findings and questioned costs were reported

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Corrective Action Plan*

For the Fiscal Year Ended December 31, 2013

---

**CORRECTIVE ACTION PLAN**

Not Applicable – No current audit findings and questioned costs were reported