

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

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

DECEMBER 31, 2015

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

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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, 2015, 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. 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, 2015, 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 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.

Paul J. Mercier, Jr. cpa for

The Mercier Group, *a professional corporation*
Canterbury, New Hampshire
May 19, 2016

Basic Financial Statements

Exhibit A1
TOWN OF , WATERVILLE VALLEY NEW HAMPSHIRE
Statement of Net Position
December 31, 2015

All numbers are expressed in USA Dollars

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	1,917,804
Receivables <i>(net of allowance for uncollectibles)</i>	
Taxes	254,919
Accounts	213,038
Capital assets:	
Land	1,086,303
Buildings and other structures	3,717,121
Construction in progress	4,494,948
Vehicles	2,857,820
Infrastructure	6,743,493
Accumulated depreciation	(6,633,542)
	14,651,904
LIABILITIES	
Accounts payable and other current liabilities	87,240
Intergovernmental payable	592,270
Long-term obligations due beyond one year:	
Due within one year	
Bonds & notes payable	623,224
Post employments benefits payable	17,434
Due Beyond one year:	
Bonds & notes payable	3,760,078
Post employments benefits payable	28,633
Town share of NHRS net pension liability	1,822,337
	6,931,216
DEFERRED INFLOWS OF RESOURCES	
Town share of NHRS for GASB 68	120,388
	120,388
NET POSITION	
Net investment in capital assets	7,882,841
Restricted for:	
Open purchase orders	435,024
Special Revenue purposes	7,509
Capital projects	250,587
Capital & noncapital reserves	117,134
Enterprise fund purposes	
Unrestricted(deficit)	(1,092,795)
	7,600,300

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, 2015

All numbers are expressed in USA Dollars.

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating	Capital
			Grants and Contributions	Grants and Contributions
				Primary Government Governmental Activities
Primary government:				
<i>Governmental activities:</i>				
General Government	758,166	-	56,323	(701,843)
Public safety	799,018	45,800		(753,218)
Highways and streets	351,900		12,256	(339,644)
Sanitation	432,915	396,690		(36,225)
Water distribution & treatment	140,151	266,510	5,647	132,006
Health	1,228			(1,228)
Welfare	2,216			(2,216)
Culture and recreation	296,199	203,808		(92,391)
Conservation	321			(321)
Interest on long-term debt	155,379			(155,379)
Depreciation-unallocated	266,909			(11,436)
	<u>3,204,402</u>	<u>912,808</u>	<u>74,226</u>	<u>255,473</u>
				<u>(1,961,895)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,108,578
Property taxes, levied for debt services				829,745
Licenses and permits				112,199
Other local revenues				93,936
				<u>3,144,458</u>
Change in net position				1,182,563
Net position - beginning, as restated				6,417,737
Net position - ending				<u>7,600,300</u>

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, 2015

All numbers are expressed in USA Dollr

	<u>Non-major Governmental Funds</u>					Total Governmental Funds
	General	WV Capital Improvements	Oseola Library	Conservation Commision	Capital & Noncapital Reserves	
ASSETS						
Cash and cash equivalents	1,530,287	257,453	7,509	5,421	117,134	1,917,804
Receivables						
Taxes	254,919					254,919
Accounts	213,038					213,038
Interfund	12,287					12,287
	<u>2,010,531</u>	<u>257,453</u>	<u>7,509</u>	<u>5,421</u>	<u>117,134</u>	<u>2,398,048</u>
LIABILITIES						
Accounts payable	87,240					87,240
Interfund payable		12,287				12,287
Intergovernmental payable	592,270					592,270
	<u>679,510</u>	<u>12,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>691,797</u>
DEFERRED INFLOWS OF RESOURCES						
Property taxes not available to pay current obligations	75,000					75,000
	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
FUND BALANCES						
<i>Committed for</i>						
Open purchase orders	435,024					435,024
Special revenue purposes			7,509			7,509
Capital projects		245,166		5,421		250,587
Capital & noncapital reserves					117,134	117,134
Unassigned	820,997					820,997
	<u>1,256,021</u>	<u>245,166</u>	<u>7,509</u>	<u>5,421</u>	<u>117,134</u>	<u>1,631,251</u>
	<u>2,010,531</u>	<u>257,453</u>	<u>7,509</u>	<u>5,421</u>	<u>117,134</u>	<u>2,398,048</u>

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

Exhibit B2
TOWN OF , WATERVILLE VALLEY NEW HAMPSHIRE
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
December 31, 2015

All numbers are expressed in USA Dollars

Total Fund Balance - Governmental Funds (Exhibit B1) 1,631,251

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

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

Land	1,086,303	
Buildings and other structures	3,717,121	
Construction in progress	4,494,948	
Vehicles	2,857,820	
Infrastructure	6,743,493	
Accumulated depreciation	<u>(6,633,542)</u>	
		12,266,143

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

Taxes receivable not available to pay current obligations		75,000
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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	(4,383,302)	
Town's share of New Hampshire Retirement System:		
Net pension liability	(1,822,337)	
Deferred inflows of resources	<u>(120,388)</u>	
		(1,942,725)
Post employment benefits payable (<i>Voluntary Separation Program</i>)	<u>(46,067)</u>	

Net Position of Governmental Activities (Exhibit A1) 7,600,300

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, 2015

All numbers are expressed in USA Dollars

	<u>Non-major Governmental Funds</u>					Total Governmental Funds
	General	WV Capital Improvements	Oseola Library	Conservation Commision	Capital & Noncapital Reserves	
REVENUES						
Taxes	2,938,323					2,938,323
Licenses and permits	112,199					112,199
State support	74,226					74,226
Federal support		255,473				255,473
Charges for services	912,808					912,808
Other local sources	81,832	34	471		11,599	93,936
	<u>4,119,388</u>	<u>255,507</u>	<u>471</u>	<u>-</u>	<u>11,599</u>	<u>4,386,965</u>
EXPENDITURES						
Current:						
General Government	823,932					823,932
Public safety	799,018					799,018
Highways and streets	351,900					351,900
Sanitation	432,915					432,915
Water distribution & treatment	140,151					140,151
Health	1,228					1,228
Welfare	2,216					2,216
Culture and recreation	290,929		5,270			296,199
Conservation	320			1		321
Debt service						
Principal	668,223					668,223
Interest	155,379					155,379
Capital outlay	535,997	152,420				688,417
	<u>4,202,208</u>	<u>152,420</u>	<u>5,270</u>	<u>1</u>	<u>-</u>	<u>4,359,899</u>
Excess of revenues over(under) expenditures	(82,820)	103,087	(4,799)	(1)	11,599	27,066
OTHER FINANCING SOURCES (USES)						
Transfers in	2,773		2,202		20,000	24,975
Transfers out	(22,202)				(2,773)	(24,975)
	<u>(19,429)</u>	<u>-</u>	<u>2,202</u>	<u>-</u>	<u>17,227</u>	<u>-</u>
Net change in fund balances	(102,249)	103,087	(2,597)	(1)	28,826	27,066
Fund balances - beginning	1,358,270	142,079	10,106	5,422	88,308	1,604,185
Fund balances - ending	<u>1,256,021</u>	<u>245,166</u>	<u>7,509</u>	<u>5,421</u>	<u>117,134</u>	<u>1,631,251</u>

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

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, 2015

All numbers are expressed in USA Dollars

Net change in fund balances - total governmental funds (Exhibit B3) 27,066

Amounts reported for governmental activities in the statement of activities (Exhibit A2) are different because:

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

Reduce expenditures for capital outlays increasing capital assets	688,417
Increase expenditures for depreciation charges	(266,909)

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.

Reduction in expenditures for principal payments on debt	<u>668,223</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(Increase)decrease in compensated absences payable	21,181
Town's share of New Hampshire Retirement System:	
(increase)decrease in net pension liability	(78,460)
(Increase)decrease in deferred inflows of resources	<u>123,045</u>
	<u>44,585</u>

Change in net position of governmental activities (Exhibit A2) 1,182,563

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, 2015

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, 2015. 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 appropriations in total. Unexpended balances of special articles for specific purposes may not be

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

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 2015, \$ 195,000 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>)	\$ 4,114,139
Adjustments:	
Encumbrances - December 31, 2014	545,295
Encumbrances - December 31, 2015	<u>(435,024)</u>
Expenditures and Other Financing Uses ~ GAAP Basis (<i>see Exhibit B3</i>)	<u>\$ 4,224,410</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 Selectboard. 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 secured by collateral having a value at least equal to the amount of such monies. Such collateral

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

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 recognized in the period for which the taxes were levied. However, any taxes not liened or deeded within statutory time limits and 1.0% of the remaining uncollected balances are considered in determining the allowance for uncollectible receivables. Property tax revenues not collected within 180 days after year-end are not considered an "available spendable resource" and likewise are reported as deferred inflows of resources 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 deposits** 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".

Inventories and Prepaid Items. Inventory in the Governmental and Proprietary Funds consists of

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

expendable supplies held for consumption. The cost thereof has been recorded as an expenditure at the time individual inventory items were purchased. Certain payments to vendors reflect costs applicable to future reporting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 Outflows of Resources. Deferred outflows of resources represent the consumption of resources that are applicable to future accounting periods. In subsequent periods, when expense recognition criteria are met, the deferred outflow is removed from the combined balance sheet and expense is recognized.

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.

Long-Term Obligations. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. If any, 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 fund types 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

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources. Deferred inflows of resources arise in governmental funds when potential non-exchange 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.

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 inflows of resources for property taxes not available to pay current obligations* is based on liens committed during the current fiscal year and the estimated balance of outstanding taxes will be six months after the balance sheet date.
- Management's estimate of net pension liability, deferred inflows and outflows of resources related to the Town's proportionate share of the New Hampshire Retirement System (NHRS) is based on independently audited information supplied by NHRS.

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

- 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.

New Governmental Accounting Pronouncements. During FY2015, the Town implemented the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", which revises and establishes new financial reporting requirements for employers participating in cost-sharing, multi-employer plans such as the New Hampshire Retirement System (NHRS). According to GASB 68 the Town is required to report a long-term liability for an estimate of the Town's proportional share of NHRS's net pension liability. Essentially, what this means is that the Town will report in its Statement of Net Position, a long-term liability for the estimated total amount of retirement benefits to be paid to retirees in future years. Previously, employers reported annual contributions they made to the NHRS in the footnotes only.

ASSETS

CASH AND EQUIVALENTS

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.

Cash Equivalents. The Town participates in 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).

Concentrations of credit and market risk. Financial instruments that potentially expose the Town to credit risk consist primarily of bank deposits and 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 2015 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 2015 property tax levy was based on a net assessed valuation as of April 1, 2015 of \$334,327,478. State Education Taxes were based on a State-wide equalized valuation of \$332,873,178. 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

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

at year-end. Property taxes collected by the Town include taxes levied for the State of New Hampshire, the Waterville Valley School District and Grafton County, which are remitted to these entities as required by law.

The tax rates and amounts assessed for the year ended December 31, 2015, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Levied
Municipal portion	\$ 8.58	\$ 2,872,140
County Tax Assessment	1.89	630,786
Local School Tax Assessment	1.34	446,742
State Education Tax Assessment	2.59	860,882
	<u>\$ 14.40</u>	<u>\$ 4,810,550</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 the property lien is not redeemed within the 2-year redemption period, the property is tax-deeded to the Town.

TAXES RECEIVABLE

Taxes receivable at December 31, 2015, are as follows:

<u>Uncollected Taxes</u>		
Property	\$ 227,863	
Unassigned credits	<u>(20,429)</u>	
		\$ 207,434
<u>Unredeemed Taxes (under tax liens)</u>		
Levy of 2014	\$ 40,859	
Levy of 2013	<u>11,626</u>	
		<u>52,485</u>
		259,919
Reserve for uncollectible taxes receivable		<u>(5,000)</u>
		<u>\$ 254,919</u>

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

ACCOUNTS RECEIVABLE

Accounts receivables as of December 31, 2015 are as follows:

<u>Accounts</u>	
Sewer & MSD services	204,689
Other	8,349
	<u>\$ 213,038</u>

INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances at December 31, 2015 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>Governmental Activities:</i>		
General Fund	\$ 12,287	\$ -
Capital Projects Funds:		
WV Capital Improvements	-	12,287
	<u>\$ 12,287</u>	<u>\$ 12,287</u>

CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended December 31, 2015 is as follows:

	<i>Governmental Activities</i>			
	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Land	\$ 1,086,303	\$ -	\$ -	\$ 1,086,303
Buildings & Other Structures	3,717,121	-	-	3,717,121
Construction in Progress	4,053,531	441,417	-	4,494,948
Machinery, Vehicles & Equipmer	2,610,820	247,000	-	2,857,820
Infrastructure	6,743,493	-	-	6,743,493
	18,211,268	688,417	-	18,899,685
Less: Accumulated Depreciation	(6,366,633)	(266,909)	-	(6,633,542)
	<u>\$ 11,844,635</u>	<u>\$ 421,508</u>	<u>\$ -</u>	<u>\$ 12,266,143</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.

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

The *New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability* are pooled risk management programs under RSA 5-B and RSA 281-A. A coverage summary of worker's compensation and property/liability programs provided from 1/1/15 – 1/1/16 by *Primex³*, which retained \$1,000,000 of each Workers' Compensation loss, \$500,000 of each Liability loss and \$200,000 of each Property Loss is available on file at the Town Office. The Board has decided to retain the aggregate exposure and has allocated resources based on actuarial analysis for that purpose.

Total contributions and any credits or balances due as of December 31, 2015 are as follows:

Town contributions billed for the coverage period:

Property/Liability	\$ 42,263
Workers' Compensation	\$ 24,778

The Workers' Compensation Section of the Self-Insurance Membership Agreement permits *Primex³* to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. At this time, Town management understands that 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 three years.

LIABILITIES

INTERGOVERNMENTAL PAYABLE

Payables due other governments at December 31, 2015 include:

General Fund

School District Assessment due in monthly installments though June 30, 2016

\$ 592,270

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, 2015:

	<u>January 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>December 31, 2015</u>	<u>Within One Year</u>
General Obligation Debt					
Bonds & notes	\$ 5,051,525	\$ -	\$ 668,223	\$ 4,383,302	\$ 623,224
Voluntary Separation Program	67,248	-	21,181	46,067	17,434
	<u>\$ 5,118,773</u>	<u>\$ -</u>	<u>\$ 689,404</u>	<u>\$ 4,429,369</u>	<u>\$ 640,658</u>

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, 2015, is comprised of the following individual issues:

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

Description of Issue	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding December 31 2015
General obligation bonds & notes:					
Refridgeration	\$ 900,000	08/15/95	08/15/15	5.25-5.625	-
Sewer upgrade/Ice arena/Solid waste	\$ 673,700	08/15/98	08/15/16	3.9-5.0	25,000
Pond and Boulder Path	\$ 575,000	07/20/08	08/20/18	3.42	172,500
Refi. Well & Tank Improvements	\$ 484,286	03/01/10	03/01/17	3.80	103,776
Refi. Land Purchase	\$ 402,500	03/01/10	03/01/17	3.80	86,250
Town Community Center	\$ 244,000	07/15/10	07/15/17	3.80	52,286
Fire truck	\$ 454,000	08/31/12	08/31/22	2.15	317,800
WWTP Media Tank	\$ 500,000	05/01/13	05/01/20	1.59	357,143
Recycling/Road Repairs	\$ 385,000	05/01/13	05/01/20	1.59	275,000
Water and Sewer Improvements	\$ 481,900	02/03/14	02/03/24	3.19	428,355
DPW Garage	\$ 800,000	07/11/14	07/11/24	2.91	720,000
Water and Sewer Improvements	\$ 1,919,000	11/07/14	11/07/40	3.25	1,845,192
					<u>4,383,302</u>
Post-employment Benefits					
Voluntary Separation Program					46,067
					<u>\$ 4,429,369</u>

Annual Requirements to Amortize General Obligation Debt. The annual requirements to amortize all general obligation debt outstanding as of December 31, 2015, including interest payments, are as follows:

Fiscal Year Ending December 31,	General Obligation Notes and Bonds		
	Principal	Interest	Total
2016	\$ 623,224	\$ 124,150	\$ 747,374
2017	517,451	105,601	623,052
2018	436,682	92,740	529,422
2019	379,181	81,352	460,533
2020	379,182	71,913	451,095
	<u>2,335,720</u>	<u>475,756</u>	<u>2,811,476</u>
2021-25	940,470	245,245	1,185,715
2026-30	369,040	152,920	521,960
2031-35	369,040	92,951	461,991
2035-40	369,032	32,982	402,014
	<u>\$ 4,383,302</u>	<u>\$ 999,854</u>	<u>\$ 5,383,156</u>

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, 2015, subject to annual State appropriation, the Town will receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	State Aid for Water Debt		
	Principal	Interest	Total
2016	\$ 5,134	\$ 257	\$ 5,391

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

Bonds or Notes Authorized – Unissued. Bonds and notes authorized and unissued as of December 31, 2015 were as follows:

<u>Authorization</u>	<u>Purpose</u>	<u>Unissued Amount</u>
March 09, 2010 ~ Article 3	Impr. Water Treatment & Distribution	673,100
March 09, 2010 ~ Article 4	Extending W&S Lines - West Branch	499,050
March 08, 2011 ~ Article 7	SW Collection Facilities & Equipment	170,950
March 12, 2013 ~ Article 7	Reconstruct Tripoli Road Base	183,000
		<u>\$ 1,526,100</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	
<u>December 31,</u>	<u>Amount</u>
2016	\$ 17,434
2017	18,653
2018	9,980
	<u>\$ 46,067</u>

COST-SHARING DEFINED BENEFIT PENSION PLAN

Plan description, participation and funding mechanisms. Full-time employees participate in the State of New Hampshire Retirement System (NHRS), a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan) and four separate cost-sharing multiple-employer postemployment medical subsidy healthcare plans. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. NHRS 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 employees, teachers, police and fire. NHRS employers are required by the New Hampshire Constitution to pay 100% of the actuarial sound

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

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, 2015 through June 30, 2016 are as follows:

Group I:		Group II:	
Employees	11.17%	Police	26.38%
Teachers	15.67%	Fire	29.16%

In fiscal year 2014, NHRS implemented the provisions of GASB Statement No. 67, Financial Reporting for Pension Plans — an Amendment of GASB Statement No. 25 (GASB 67). GASB 67 supersedes the requirements of GASB Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures. For cost-sharing multiple-employer defined benefit pension plans, GASB 67 requires disclosures of total pension liability, fiduciary net position, net pension liability, and annual money-weighted rate of return on plan investments, among other disclosures. GASB 67 requires the net pension liability to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. GASB 67 also revises reporting requirements for required supplementary information to include, among other information, trend information regarding (1) components and sources of changes in the net pension liability, and related ratios; (2) actuarially and contractually determined contributions of employer contributing entities; and (3) the annual money-weighted rate of return on plan investments. This information along with significant assumptions and inputs for total pension liabilities, the NHRS's fiduciary net position and current year sources of changes to net pension liabilities are available for the plan as a whole as well as audited cost-sharing schedules by individual members in the System's Comprehensive Annual Financial Report and other annual reports are available from the NHRS located at 54 Regional Drive ~ Concord, NH 03301-8509 or on its web site at <https://www.nhrs.org/funding-and-investments/reports-valuations/annual-report-archive> and <https://www.nhrs.org/employers/gasb/gasb-67-68-reports> .

In fiscal year 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. As provided in the reports above, collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions to the plan are recognized when legally due, based on statutory requirements.

Estimated future pension obligations. Selected information from NHRS's audited financial statements and cost-sharing schedules that is specific to the Town's current year financial statements is as follows:

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

Proportionate share	0.04600087%
Employer contribution	\$ 154,328
Net Pension Liability	\$ 1,822,337
Deferred inflows of resources:	
Differences between expected and actual	39,989
Net difference between projected and actual investment earnings on pension plan investments	48,704
Changes in proportion	<u>31,695</u>
<i>Total deferred inflows of resources</i>	<u>\$ 120,388</u>
Pension expense:	
Proportionate share of allocable plan pension expense	117,745
Net amortization of deferred amounts from changes in proportion	<u>(8,002)</u>
<i>Total employer pension expense</i>	<u>\$ 109,743</u>

This information should be read in conjunction with the audited actuarial reports presented by the NHRS. As noted therein, the preparation of those reports requires management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of those estimates, actual results could differ, and the differences could be material. As of December 31, 2015, the Town has recognized all statutorily required contributions to the plan. Unless additional assessments are imposed by the NHRS Board due to insolvency or some other circumstances, all future obligations to the plan will become due as a percentage of qualifying wages as they are paid by the Town. At this time, management understands that that the NHRS foresees no likelihood of additional assessment beyond normal contribution rates, which are established every two years by a statutorily-governed rate-setting process. All future obligations of the Town to the NHRS will be paid by current appropriations as they become due.

DEFERRED INFLOWS OF RESOURCES

Other than those related to the New Hampshire Retirement System as noted above, Deferred Inflows of Resources at December 31, 2015 are as follows:

General Fund

Taxes receivable not available to pay current obligations	<u>\$ 75,000</u>
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In accordance with generally accepted accounting principles, taxes receivable older than 180 days are not recognized as available spendable resources and thus are deferred until collected. Likewise, grant revenue is not recorded until the related expenditures have been incurred.

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

FUND BALANCE

Elements of fund balance as of December 31, 2015 were as follows:

General Fund

Committed for open purchase orders:

Corcoran's pond dredging	\$	26,828
Maintenance vehicle lift		1,501
Noon Peak & Jennings Peak Road Repairss		88,907
Nature trail reserve		3,696
Arena capital improvements		130,913
Tecumseh Road sidewalk		15,000
Federal Property acquisition		18,839
Street light replacement		5,499
Water/WWTP system repairs		36,007
Town car/utility vehicle		24,000
Wastewater Collection and Disposal		7,500
WWTP dual media tank replacement		1,334
WWTP Grinder Pump		75,000
		<u>75,000</u>
	\$	<u>435,024</u>

Nonmajor Special Revenue Funds

Committed for fund purposes:

Osceola Library	\$	7,509
Conservation Commission		5,421
		<u>5,421</u>
	\$	<u>12,930</u>

Nonmajor Capital Project Fund

Committed for fund purposes:

Capital & Noncapital Reserves:

Corcoran's Pond/Dam	\$	90,224
Toxicity Corrective Testing		16,892
Ladder Truck		10,018
		<u>10,018</u>
	\$	<u>117,134</u>

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2015

PRIOR-PERIOD ADJUSTMENT AND UNASSIGNED DEFICIT

Net Position at January 1, 2015 was restated to give retroactive effect to the following prior period adjustment:

Adjustment

Town's estimated share of NHRS obligations - reporting required by generally accepted accounting principles - GASB 68:	
Town share of NHRS Net Pension Liability as of July 1, 2014	\$ (1,743,877)
Town share of NHRS Deferred Inflows as of July 1, 2014	<u>(243,433)</u>
	(1,987,310)
Net Position, as previously reported	<u>8,405,047</u>
Net Position, as restated	<u>\$ 6,417,737</u>

This change to the Government-Wide Financial Statements had no effect on prior-period fund balances as reported in the Fund Financial Statements.

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.

Litigation. A utility company has appealed the Town's denial of tax abatements for their 2013 and 2015 valuations for property tax purposes. At this time, there is no way of knowing what the outcome may be or what impact (if any) those outcomes would have. Interested parties should make inquiries of management regarding the status of this or any other matters.

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, 2015

All amounts are expressed in USA Dollars

	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Taxes	2,910,987	2,938,323	27,336
Licenses and permits	92,563	112,199	19,636
State support	74,121	74,226	105
Charges for services	898,272	912,808	14,536
Miscellaneous	76,650	81,832	5,182
	<u>4,052,593</u>	<u>4,119,388</u>	<u>66,795</u>
EXPENDITURES			
Current:			
General government	887,396	823,932	63,464
Public safety	828,213	799,018	29,195
Highways and streets	350,265	351,900	(1,635)
Sanitation	478,837	440,415	38,422
Water distribution and treatment	132,074	140,151	(8,077)
Health	5,000	1,228	3,772
Welfare	1,500	2,216	(716)
Culture and recreation	287,563	290,929	(3,366)
Conservation	2,500	320	2,180
Debt service:			
Principal	668,223	668,223	-
Interest	161,522	155,379	6,143
Capital outlay	422,000	418,226	3,774
	<u>4,225,093</u>	<u>4,091,937</u>	<u>133,156</u>
Excess of revenues over(under) expenditures	(172,500)	27,451	199,951
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,773	2,773
Transfers out	(22,500)	(22,202)	298
	<u>(22,500)</u>	<u>(19,429)</u>	<u>3,071</u>
Net change in fund balances	(195,000)	8,022	203,022
Fund balances - beginning	812,975	812,975	-
Fund balances - ending	<u>617,975</u>	<u>820,997</u>	<u>203,022</u>

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE
Note to Required Supplementary Information – Budgetary Reporting
December 31, 2015

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 2015, \$195,000 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>)	\$ 4,114,139
Adjustments:	
Encumbrances - December 31, 2014	545,295
Encumbrances - December 31, 2015	<u>(435,024)</u>
Expenditures and Other Financing Uses ~ GAAP Basis (<i>see Exhibit B3</i>)	<u>\$ 4,224,410</u>

Exhibit C2
TOWN OF , WATERVILLE VALLEY NEW HAMPSHIRE
Comparative Schedule of Pension Obligations
For the Fiscal Year Ended December 31, 2015

All amounts are expressed in USA Dollars

Estimated future pension obligations - New Hampshire Retirement System (NHRS). Selected comparative information from NHRS's audited financial statements and cost-sharing schedules that is specific to the Town is as follows:

	As of and for the years ended		
	June 30,		
	2013	2014	2015
Proportionate share	0.04703310%	0.04645895%	0.04600087%
Employer contribution	\$ 116,950	\$ 150,723	\$ 154,328
Net Pension Liability	\$ 2,024,203	\$ 1,743,877	\$ 1,822,337
Deferred outflows of resources:			
Differences between expected and actual experience	<i>base year</i>	-	-
Changes of assumptions	<i>base year</i>	-	-
Changes in proportion	<i>base year</i>	-	-
<i>Total deferred outflows of resources</i>	\$ -	\$ -	\$ -
Deferred inflows of resources:			
Differences between expected and actual experience	<i>base year</i>	-	39,989
Net difference between projected and actual investment earnings on pension plan investments	<i>base year</i>	223,130	48,704
Changes of assumptions	<i>base year</i>	-	-
Changes in proportion	<i>base year</i>	20,303	31,695
<i>Total deferred inflows of resources</i>	\$ -	\$ 243,433	\$ 120,388
Pension expense:			
Proportionate share of allocable plan pension expense	<i>base year</i>	118,237	117,745
Net amortization of deferred amounts from changes in proportion	<i>base year</i>	(4,407)	(8,002)
<i>Total employer pension expense</i>	\$ -	\$ 113,830	\$ 109,743

This information should be read in conjunction with the audited actuarial reports presented by the NHRS. As noted there in, the preparation of those reports requires management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of those estimates, actual results could differ, and the differences could be material. As of December 31, 2015, the Town has recognized all statutorily required contributions to the plan. Unless additional assessments are imposed by the NHRS Board due to insolvency or some other circumstances, all future obligations to the plan will become due as a percentage of qualifying wages as they are paid by the Town. At this time, management understands that that the NHRS foresees no likelihood of additional assessment beyond normal contribution rates, which are established every two years by a statutorily-governed rate-setting process. All future obligations of the Town to the NHRS will be paid by current appropriations as they become due.

All significant assumptions, inputs for total pension liabilities, the NHRS's fiduciary net position and current year sources of changes to net pension liabilities are available for the plan as a whole and as audited cost-sharing schedules by individual members in the System's Comprehensive Annual Financial Report and other annual reports, which are available from the NHRS located at Regional Drive ~ Concord, NH 03301-8509 or on its web site at <https://www.nhrs.org/funding-and-investments/reports-valuations/annual-report-archive> and <https://www.nhrs.org/employers/gasb/gasb-67-68-reports>.

Schedules

Schedule D1a
TOWN OF , WATERVILLE VALLEY NEW HAMPSHIRE
General Fund

Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended December 31, 2015

All amounts are expressed in USA Dollars

	Original & Final Budget	Actual (GAAP Basis)	Over (Under) Budget
REVENUES			
Taxes			
Property	2,864,140	2,883,137	18,997
Payments in lieu of taxes	39,261	42,607	3,346
Interest and penalties on delinquent taxes	20,500	26,401	5,901
Overlay	(12,914)	(13,822)	(908)
	2,910,987	2,938,323	27,336
Licenses and permits			
Motor vehicle fees	80,200	89,527	9,327
Building permits	11,925	21,848	9,923
Other licenses, permits and fees	438	824	386
	92,563	112,199	19,636
State Support			
Meals and rental tax distributions	11,878	11,878	-
Highway block grant	12,151	12,256	105
Water pollution grant	5,647	5,647	-
Generator grant	44,445	44,445	-
	74,121	74,226	105
Charges for Services			
Income From Departments			
<i>Public safety services:</i>			
Police department	6,050	4,404	(1,646)
Ambulance	35,000	41,396	6,396
<i>Sanitation:</i>			
Solid waste collection & disposal	105,850	106,541	691
Sewer services	304,600	290,149	(14,451)
<i>Water Distribution & Treatment:</i>			
Water services	261,500	266,510	5,010
<i>Culture and Recreation:</i>			
Recreation department	155,272	173,808	18,536
Post office	30,000	30,000	-
	898,272	912,808	14,536
Miscellaneous			
Sale of municipal property	-	1,000	1,000
Interest on deposits	350	689	339
Cable TV franchise agreement	12,000	12,836	836
Areana PILOT	25,000	26,986	1,986
Other	39,300	40,321	1,021
	76,650	81,832	5,182

Schedule D1a
TOWN OF , WATERVILLE VALLEY NEW HAMPSHIRE
General Fund

Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended December 31, 2015

All amounts are expressed in USA Dollars

	Original & Final Budget	Actual (GAAP Basis)	Over (Under) Budget
OTHER FINANCING SOURCES			
Operating transfers in - Interfund Transfers			
<i>Capital & Noncapital Reserve Funds -</i>			
Snows Brook Road Reconstruction	-	996	996
Trash Truck Replacement	-	1,777	1,777
	-	2,773	2,773
Total revenues and other financing sources	4,052,593	4,122,161	69,568
Unassigned fund balance			
voted to off-set appropriations	195,000		
Total revenues and use of fund balance	4,247,593		

Schedule D1b
TOWN OF , WATERVILLE VALLEY NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2015

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
EXPENDITURES					
Current					
General Government					
Executive		66,650	58,220		8,430
Election, Registration & Vital Statistics		2,400	1,777		623
Financial Administration		295,211	296,587		(1,376)
Revaluation of Property		15,400	12,694		2,706
Legal Expenses		14,000	9,700		4,300
Planning and Zoning		82,869	45,244		37,625
General Government Buildings		117,969	133,224		(15,255)
Cemeteries		500	-		500
Insurance, not otherwise allocated		81,197	68,078		13,119
Advertising and regional associations		1	-		1
Other general government:					
Town post office		92,699	87,651		5,048
Dog ordinance enforcement		3,000	-		3,000
Pond maintenance		5,000	2,370		2,630
Support of the Rey Center		25,000	25,000		-
WV Transit services		53,500	57,759		(4,259)
Support of WVAIA		3,000	3,000		-
Voluntary separation program		24,000	22,628		1,372
53rd payroll costs		5,000	-		5,000
	-	887,396	823,932	-	63,464
Public safety					
Police Department		582,037	557,825		24,212
Ambulance		106,201	111,415		(5,214)
Fire Department		136,745	129,728		7,017
Building Inspection (code enforcement)		3,230	50		3,180
	-	828,213	799,018	-	29,195

Schedule D1b
TOWN OF , WATERVILLE VALLEY NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances

For the Fiscal Year Ended December 31, 2015

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
Highways and streets					
Highways and streets		344,265	346,485		(2,220)
Street Lighting		6,000	5,415		585
	-	350,265	351,900	-	(1,635)
Sanitation					
Solid waste collection		153,379	147,843		5,536
Solid waste disposal		79,000	67,778		11,222
Wastewater collection & disposal		246,458	217,294	7,500	21,664
	-	478,837	432,915	7,500	38,422
Water Distribution & Treatment					
Water Services		132,074	140,151		(8,077)
	-	132,074	140,151	-	(8,077)
Health					
Health Agencies & Hospitals		5,000	1,228		3,772
	-	5,000	1,228	-	3,772
Welfare					
Administration & Direct Assistance		1,500	2,216		(716)
	-	1,500	2,216	-	(716)
Culture and recreation					
Parks and Recreation		278,563	282,429		(3,866)
Patriotic Purposes		9,000	8,500		500
	-	287,563	290,929	-	(3,366)
Conservation					
Conservation Commission		2,500	320		2,180
	-	2,500	320	-	2,180
Debt service					
Principal of long-term debt		668,223	668,223		-
Interest expense - long-term debt		156,522	154,001		2,521
Interest expense - tax anticipation notes		5,000	1,378		3,622
	-	829,745	823,602	-	6,143

Schedule D1b
TOWN OF , WATERVILLE VALLEY NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances

For the Fiscal Year Ended December 31, 2015

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
Facilities acquisition and construction					
Land and Improvements:					
Corcoran's Pond maintenance	42,065		15,237	26,828	-
Federal property acquisition	19,513		674	18,839	-
Machinery, vehicles & equipment					
Town building improvements	8,253		6,752	1,501	-
Sidewalk tractor	976				976
Town car/utility vehicle	24,000			24,000	-
1-ton dump truck	1,356				1,356
Ambulance	120,519		120,000		519
WWTP grinder pump replacement	75,000			75,000	-
Town Hall/Safety Bldg generator		88,000	88,000		-
Ambulance power stretcher		39,000	39,000		-
Buildings					
Nature trail grant	3,696			3,696	-
Curious George Cottage repairs	1				1
Recreation building improvements	916				916
Arena capital improvements	130,913			130,913	-
Improvements other than buildings					
Street light replacement	5,499			5,499	-
Tecumseh Road sidewalk	15,000			15,000	-
Water/WWTP system repairs	8,987	140,000	112,980	36,007	-
WVRA reserve	6				6
WWTP sand filters	74,199		72,865	1,334	-
Pedestrian village study	14,396		14,396		-
Noon Peak & Jennings Peak Road Repairs		155,000	66,093	88,907	-
	545,295	422,000	535,997	427,524	3,774

Schedule D1b
TOWN OF , WATERVILLE VALLEY NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2015

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
OTHER FINANCING USES					
Operating transfers out - Interfund transfers					
<i>Special revenue</i>					
Oseola Library		2,500	2,202		298
<i>Capital & Noncapital Reserves:</i>					
Improvements to Corcoran's Pond Dam		10,000	10,000		-
Ladder Truck		10,000	10,000		-
	-	22,500	22,202	-	298
	545,295	4,247,593	4,224,410	435,024	133,454