

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

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

DECEMBER 31, 2014

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

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December 31, 2014

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# The Mercier Group

*a professional corporation*

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## *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, 2014, 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, 2014, 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 7, 2015 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*

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**The Mercier Group**, a professional corporation  
Canterbury, New Hampshire  
August 7, 2015

# **Basic Financial Statements**

Exhibit A1  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Statement of Net Position*  
December 31, 2014

*All numbers are expressed in USA Dollars*

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	1,755,167
Receivables <i>(net of allowance for uncollectibles)</i>	
Taxes	247,612
Accounts	215,880
Capital assets:	
Land	1,086,303
Buildings and other structures	3,717,121
Construction in progress	4,053,531
Equipment & furnishings	2,610,820
Infrastructure	6,743,493
Accumulated depreciation	(6,366,633)
	14,063,294
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	29,258
Compensated absences payable	67,248
Intergovernmental payable	510,216
Long-term obligations:	
Due within one year	
Bonds & notes payable	668,223
Due Beyond one year:	
Bonds & notes payable	4,383,302
	5,658,247
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	6,793,110
Restricted for:	
Open purchase orders	545,295
Special Revenue purposes	15,528
Capital acquisitions & construction	230,387
Unrestricted	820,727
	8,405,047

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, 2014

*All numbers are expressed in USA Dollars.*

<b>Functions/Programs</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
			<b>Primary Government Governmental Activities</b>
Primary government:			
<i>Governmental activities:</i>			
General Government	753,577	-	276,280
Public safety	802,289	43,937	
Highways and streets	340,419		11,363
Sanitation	470,427	422,986	5,904
Water distribution & treatment	124,301	256,174	
Health	1,624		
Welfare	1,922		
Culture and recreation	253,972	146,879	
Conservation	1,407		
Interest on long-term debt	99,662		
Depreciation-unallocated	255,454		
	<u>3,105,054</u>	<u>869,976</u>	<u>293,547</u>
General revenues and transfers:			
Taxes:			
Property taxes, levied for general purposes			2,151,808
Property taxes, levied for debt services			661,904
Licenses and permits			100,295
Other local revenues			67,882
			<u>2,981,889</u>
Change in net position			1,040,358
Net assets - beginning			7,364,689
Net assets - ending			<u>8,405,047</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, 2014

*All numbers are expressed in USA Dollars*

	<b>General</b>	<b>WV Capital Improvements</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	1,185,551	454,366	115,250	1,755,167
Receivables				
Taxes	247,612		-	247,612
Accounts	215,880		-	215,880
Interfund	323,701		-	323,701
	<u>1,972,744</u>	<u>454,366</u>	<u>115,250</u>	<u>2,542,360</u>
<b>LIABILITIES</b>				
Accounts payable	29,258		-	29,258
Interfund payable		312,287	11,414	323,701
Intergovernmental payable	510,216		-	510,216
	<u>539,474</u>	<u>312,287</u>	<u>11,414</u>	<u>863,175</u>
<b>DEFERRED INFLOWS</b>				
Deferred tax inflows	75,000			75,000
	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
<b>FUND BALANCES</b>				
<i>Restricted for</i>				
Special revenue purposes			15,528	15,528
<i>Committed for</i>				
Open purchase orders	545,295		-	545,295
Capital acquisitions & construction		142,079	88,308	230,387
Unassigned	812,975		-	812,975
	<u>1,358,270</u>	<u>142,079</u>	<u>103,836</u>	<u>1,604,185</u>
	<u>1,972,744</u>	<u>454,366</u>	<u>115,250</u>	<u>2,542,360</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, 2014

*All numbers are expressed in USA Dollars*

**Total Fund Balance - Governmental Funds (Exhibit B1)** 1,604,185

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	4,053,531	
Machinery, Vehicles and Equipment	2,610,820	
Infrastructure	6,743,493	
Accumulated depreciation	<u>(6,366,633)</u>	
		11,844,635

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

Deferred inflows of resources - property taxes		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	(5,051,525)	
Compensated absences (sick & vacation leave)	<u>(67,248)</u>	
		<u>(5,118,773)</u>

**Net Position of Governmental Activities (Exhibit A1)** 8,405,047

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, 2014

*All numbers are expressed in USA Dollars*

	General	WV Capital Improvements	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	2,828,712		-	2,828,712
Licenses and permits	100,295		-	100,295
State support	29,223		-	29,223
Federal support	-	264,324	-	264,324
Charges for services	869,976		-	869,976
Other local sources	65,432	16	2,434	67,882
	<u>3,893,638</u>	<u>264,340</u>	<u>2,434</u>	<u>4,160,412</u>
<b>EXPENDITURES</b>				
Current:				
General Government	850,451		-	850,451
Public safety	802,289		-	802,289
Highways and streets	340,419		-	340,419
Sanitation	470,427		-	470,427
Water distribution & treatment	124,301		-	124,301
Health	1,624		-	1,624
Welfare	1,922		-	1,922
Culture and recreation	250,403		3,569	253,972
Conservation	1,407		-	1,407
Debt service:				
Principal	565,871		-	565,871
Interest	77,957	21,705	-	99,662
Capital outlay	1,336,985	1,133,080	-	2,470,065
	<u>4,824,056</u>	<u>1,154,785</u>	<u>3,569</u>	<u>5,982,410</u>
Excess of revenues over(under) expenditures	(930,418)	(890,445)	(1,135)	(1,821,998)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of long-term debt	800,000	2,400,900	-	3,200,900
Transfers in	5,642		26,305	31,947
Transfers out	(26,305)		(5,642)	(31,947)
	<u>779,337</u>	<u>2,400,900</u>	<u>20,663</u>	<u>3,200,900</u>
Net change in fund balances	(151,081)	1,510,455	19,528	1,378,902
Fund balances(deficits) - beginning	1,509,351	(1,368,376)	84,308	225,283
Fund balances(deficits)- ending	<u>1,358,270</u>	<u>142,079</u>	<u>103,836</u>	<u>1,604,185</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, 2014

*All numbers are expressed in USA Dollars*

<b>Net change in fund balances - total governmental funds (Exhibit B3)</b>	<b>1,378,902</b>
 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	2,470,065
Increase expenditures for depreciation charges	(255,454)
 <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 inflows of taxes	(15,000)
 <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	(3,200,900)
Reduction in expenditures for principal payments on debt	<u>565,871</u>
 <i>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.</i>	
(Increase)decrease in compensated absences payable	<u>96,874</u>
 <b>Change in net position of governmental activities (Exhibit A2)</b>	 <b><u><u>1,040,358</u></u></b>

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, 2014

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**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, 2014. 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, 2014

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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 2014, \$316,302 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> )	\$ 4,812,818
Adjustments:	
Encumbrances - December 31, 2013	582,838
Encumbrances - December 31, 2014	<u>(545,295)</u>
Expenditures and Other Financing Uses ~ GAAP Basis ( <i>see Exhibit B3</i> )	<u>\$ 4,850,361</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, 2014

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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".

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2014

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**Inventories and Prepaid Items.** Inventory in the Governmental and Proprietary Funds consists of 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 Inflows.** A *deferred inflow of resources* is an acquisition of net assets by the government that is applicable to a future reporting period. It also arises in governmental funds 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

# TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

## Notes to Financial Statements

December 31, 2014

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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.

**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 *allowance for uncollectible 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 taxes* is based on liens committed during the current fiscal year and the estimated balance of outstanding taxes receivable on June 30, 2014.
- 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 WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2014

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**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 2014 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 2014 property tax levy was based on a net assessed valuation as of April 1, 2014 of \$333,199,380. State Education Taxes were based on a State-wide equalized valuation of \$331,745,080. 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. 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, 2014, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Levied
Municipal portion	\$ 8.11	\$ 2,700,539
Local School Tax Assessment	0.93	311,527
State Education Tax Assessment	2.59	859,043
County Tax Assessment	1.77	589,996
	<u>\$ 13.40</u>	<u>\$ 4,461,105</u>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2014

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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, 2014, are as follows:

<u>Uncollected Taxes</u>		
Property	\$ 219,039	
Unassigned credits	<u>(18,170)</u>	
		\$ 200,869
<u>Unredeemed Taxes (under tax liens)</u>		
Levy of 2013	\$ 37,283	
Levy of 2012	<u>14,460</u>	
		<u>51,743</u>
		252,612
Reserve for uncollectible taxes receivable		<u>(5,000)</u>
		<u>\$ 247,612</u>

**ACCOUNTS RECEIVABLE**

Accounts receivables as of December 31, 2014 are as follows:

<u>Accounts</u>	
Sewer & MSD services	211,300
Other	<u>4,580</u>
	<u>\$ 215,880</u>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2014

**INTERFUND RECEIVABLES/PAYABLES**

Individual fund interfund receivable and payable balances at December 31, 2014 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b><i>Governmental Activities:</i></b>		
General Fund	\$ 323,701	\$ -
Capital Projects Funds:		
Capital & Noncapital Reserves		11,414
WV Capital Improvements	-	312,287
	<u>\$ 323,701</u>	<u>\$ 323,701</u>

**CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended December 31, 2014 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	2,842,121	875,000	-	3,717,121
Construction in Progress	2,883,138	1,656,964	486,571	4,053,531
Machinery, Vehicles & Equipmer	2,572,959	204,237	166,376	2,610,820
Infrastructure	6,529,776	376,847	163,130	6,743,493
	15,914,297	3,113,048	816,077	18,211,268
Less: Accumulated Depreciation	(6,284,273)	(238,477)	(156,117)	(6,366,633)
	<u>\$ 9,630,024</u>	<u>\$ 2,874,571</u>	<u>\$ 659,960</u>	<u>\$ 11,844,635</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 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 1/1/14 – 1/1/15 by *Primex<sup>3</sup>*, 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.

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2014

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Total contributions and any credits or balances due as of December 31, 2014 are as follows:

*Town contributions billed for the coverage period:*

Property/Liability	\$ 39,159
Workers' Compensation	\$ 33,431

*Contribution due from(to) member:*

Property/Liability	\$ 0
Workers' Compensation	\$ (9,183)

The Workers' Compensation Section of the Self-Insurance Membership Agreement permits *Primex*<sup>3</sup> 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, 2014 include:

General Fund

*School District Assessment due in monthly installments though June 30, 2015*

\$ 510,216

**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 employees, teachers, police and fire. NHRS employers are required by the New Hampshire

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2014

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, 2014 through June 30, 2015 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, 2014, was \$1,077,590; the Town's total payroll was \$1,380,225. Contribution requirements for the year ended December 31, 2014, were as follows:

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

**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, 2014:

	January 1, 2014	Issued	Retired	December 31, 2014	Within One Year
<b>General Obligation Debt</b>					
Bonds & notes	\$ 2,416,496	\$ 3,200,900	\$ 565,871	\$ 5,051,525	\$ 668,223
Voluntary Separation Program	<u>164,122</u>	-	<u>96,874</u>	<u>67,248</u>	<u>21,181</u>
	<u><u>\$ 2,580,618</u></u>	<u><u>\$ 3,200,900</u></u>	<u><u>\$ 662,745</u></u>	<u><u>\$ 5,118,773</u></u>	<u><u>\$ 689,404</u></u>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2014

**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, 2014, is comprised of the following individual issues:

Description of Issue	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding December 31 2014
<b>General obligation bonds &amp; notes:</b>					
Refridgeration	\$ 900,000	08/15/95	08/15/15	5.25-5.625	45,000
Sewer upgrade/Ice arena/Solid waste	\$ 673,700	08/15/98	08/15/16	3.9-5.0	50,000
Pond and Boulder Path	\$ 575,000	07/20/08	08/20/18	3.42	230,000
Refi. Well & Tank Improvements	\$ 484,286	03/01/10	03/01/17	3.80	172,961
Refi. Land Purchase	\$ 402,500	03/01/10	03/01/17	3.80	143,750
Town Community Center	\$ 244,000	07/15/10	07/15/17	3.80	87,143
Fire truck	\$ 454,000	08/31/12	08/31/22	2.15	363,200
WWTP Media Tank	\$ 500,000	05/01/13	05/01/20	1.59	428,571
Recycling/Road Repairs	\$ 385,000	05/01/13	05/01/20	1.59	330,000
Water and Sewer Improvements	\$ 481,900	02/03/14	02/03/24	3.19	481,900
DPW Garage	\$ 800,000	07/11/14	07/11/24	2.91	800,000
Water and Sewer Improvements	\$ 1,919,000	11/07/14	11/07/40	3.25	<u>1,919,000</u>
					5,051,525
<b>Post-employment Benefits</b>					
Voluntary Separation Program					<u>67,138</u>
					<u>\$ 5,118,663</u>

**Annual Requirements to Amortize General Obligation Debt.** The annual requirements to amortize all general obligation debt outstanding as of December 31, 2014, including interest payments, are as follows:

Fiscal Year Ending <u>December 31,</u>	General Obligation Notes and Bonds		
	Principal	Interest	Total
2015	\$ 668,224	\$ 156,522	\$ 824,746
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
	2,624,762	560,365	3,185,127
2020-40	2,426,763	596,011	3,022,774
	<u>\$ 5,051,525</u>	<u>\$ 1,156,376</u>	<u>\$ 6,207,901</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, 2014, 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, 2014

Fiscal Year Ending December 31,	State Aid for Water Debt		
	Principal	Interest	Total
2015	5,134	513	5,647
2016	5,134	257	5,391
	<u>\$ 10,268</u>	<u>\$ 770</u>	<u>\$ 11,038</u>

**Bonds or Notes Authorized – Unissued.** Bonds and notes authorized and unissued as of December 31, 2014 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 6	Purchase of Stone Management Propert	406,000
March 12, 2013 ~ Article 7	Reconstruct Tripoli Road Base	183,000
		<u>\$ 1,932,100</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>
2015	\$ 21,181
2016	17,434
2017	18,653
2018	9,980
	<u>\$ 67,248</u>

**DEFERRED INFLOWS OF RESOURCES**

The deferred inflow of resources at December 31, 2014 is as follows:

<u>General Fund</u>	
Taxes receivable not available to pay current obligations	<u>\$ 75,000</u>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to Financial Statements*

December 31, 2014

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**FUND BALANCE**

Elements of fund balance as of December 31, 2014 were as follows:

General Fund

*Committed for open purchase orders:*

Corcoran's pond dredging	\$	42,065
Maintenance vehicle lift		8,253
Sidewalk Tractor		976
Curious George reserve		1
Nature trail reserve		3,696
Ambulance		120,519
Recreation building improvements		916
Arena capital improvements		130,913
Tecumseh Road sidewalk		15,000
Federal Property acquisition		19,513
Street light replacement		5,499
Water/WWTP system repairs		8,987
WVRA reserve		6
Town car/utility vehicle		24,000
1-ton dump truck replacement		1,356
Pedestrian Village Study		14,396
WWTP dual media tank replacement		74,199
WWTP Grinder Pump		75,000
		<u>75,000</u>
	\$	<u>545,295</u>

Nonmajor Special Revenue Funds

*Committed for fund purposes:*

Osceola Library	\$	10,106
Conservation Commission		5,422
		<u>15,528</u>

Nonmajor Capital Project Fund

*Committed for fund purposes:*

Capital & Noncapital Reserves:

Snows Brook Road Reconstruction	\$	996
Corcoran Pond Dam		68,643
Trash Truck Replacement		1,777
Toxicity Corrective Testing		16,892
		<u>16,892</u>
	\$	<u>88,308</u>

## 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 2012 and 2013 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.

## NEW GOVERNMENTAL ACCOUNTING PRONOUNCEMENTS

**GASB Statement No. 68**, "Accounting and Financial Reporting for Pensions," revises and establishes new financial reporting requirements for employers participating in cost-sharing, multi-employer plans such as the New Hampshire Retirement System (NHRS). Beginning in FY2015, the Town will be 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.

As required by GASB 67 "Financial Reporting for Pension Plans", beginning in 2014, NHRS will report two different pension liability numbers in its comprehensive annual financial report (CAFR):

1. the liability for accounting purposes, referred to as the Net Pension Liability (NPL), calculated according to GASB 67; and
2. the liability for funding purposes, referred to as the Unfunded Actuarial Accrued Liability (UAAL) calculated by the NHRS' independent actuary. The current method of calculating the UAAL is not affected by GASB 67.

Further, GASB 67 requires NHRS to use the year-to-year fair market value of assets to calculate the retirement system's funded ratio – as opposed to NHRS' current actuarial method of "smoothing" investment gains and losses over a five-year period – which may lead to greater annual fluctuations in NHRS' reported NPL as compared to the UAAL.

Starting with fiscal years beginning after June 30, 2014, GASB 68 will require individual employers to begin reporting a proportionate share of the NPL in their Statement of Net Position. Previously, employers reported annual contributions they made to the NHRS in the footnotes only. NHRS is currently developing informational materials for employers, as well as a mechanism for determining the proportionate shares of the NPL, pension expense and other financial disclosures, and providing it to employers.

## **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, 2014

All amounts are expressed in USA Dollars

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
<b>REVENUES</b>				
Taxes	2,767,786	2,767,786	2,828,712	60,926
Licenses and permits	92,150	92,150	100,295	8,145
State support	29,182	29,182	29,223	41
Charges for services	839,950	839,950	869,976	30,026
Miscellaneous	57,900	57,900	65,432	7,532
	<u>3,786,968</u>	<u>3,786,968</u>	<u>3,893,638</u>	<u>106,670</u>
<b>EXPENDITURES</b>				
Current:				
General government	874,303	874,303	850,451	23,852
Public safety	807,534	807,534	798,089	9,445
Highways and streets	350,792	350,792	340,419	10,373
Sanitation	477,694	477,694	470,427	7,267
Water distribution and treatment	131,316	131,316	124,301	7,015
Health	4,200	4,200	1,624	2,576
Welfare	1,500	1,500	1,922	(422)
Culture and recreation	281,127	281,127	250,403	30,724
Conservation	2,500	2,500	1,407	1,093
Debt service:				
Principal	571,213	571,213	565,871	5,342
Interest	90,691	90,691	77,957	12,734
Capital outlay	733,800	1,303,642	1,303,642	-
	<u>4,326,670</u>	<u>4,896,512</u>	<u>4,786,513</u>	<u>109,999</u>
Excess of revenues over(under) expenditures	(539,702)	(1,109,544)	(892,875)	216,669
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of long-term debt	235,800	800,000	800,000	-
Transfers in	-	5,642	5,642	-
Transfers out	(12,400)	(12,400)	(26,305)	(13,905)
	<u>223,400</u>	<u>793,242</u>	<u>779,337</u>	<u>(13,905)</u>
Net change in fund balances	(316,302)	(316,302)	(113,538)	202,764
Unassigned Fund balances - beginning	926,513	926,513	926,513	-
Unassigned Fund balances - ending	<u>610,211</u>	<u>610,211</u>	<u>812,975</u>	<u>202,764</u>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Note to Required Supplementary Information – Budgetary Reporting*  
December 31, 2014

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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 2014, \$316,302 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> )	\$ 4,812,818
Adjustments:	
Encumbrances - December 31, 2013	582,838
Encumbrances - December 31, 2014	<u>(545,295)</u>
Expenditures and Other Financing Uses ~ GAAP Basis ( <i>see Exhibit B3</i> )	<u>\$ 4,850,361</u>

# **Individual Fund Financial Statements and Schedules**

Schedule D1a  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
**General Fund**

*Detailed Schedule of Estimated and Actual Revenues*  
For the Fiscal Year Ended December 31, 2014

All amounts are expressed in USA Dollars

	<b>Original &amp; Final Budget</b>	<b>Reserves and RSA 31:95-b Authorizations</b>	<b>Actual (GAAP Basis)</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
<b>Taxes</b>				
Property	2,692,039		2,723,231	31,192
Payments in lieu of taxes	42,759		42,759	-
Interest and penalties on delinquent taxes	43,000		62,722	19,722
Overlay	(10,012)		-	10,012
	2,767,786	-	2,828,712	60,926
<b>Licenses and permits</b>				
Motor vehicle fees	80,500		84,204	3,704
Building permits	11,000		14,684	3,684
Other licenses, permits and fees	650		1,407	757
	92,150	-	100,295	8,145
<b>State Support</b>				
Meals and rental tax distributions	11,956		11,956	-
Highway block grant	11,322		11,363	41
Water pollution grant	5,904		5,904	-
	29,182	-	29,223	41
<b>Charges for Services</b>				
Income From Departments				
<i>Public safety services:</i>				
Police department	11,600		11,796	196
Ambulance	31,900		32,141	241
<i>Sanitation:</i>				
Solid waste collection & disposal	110,500		116,480	5,980
Sewer services	306,000		306,506	506
<i>Water Distribution &amp; Treatment:</i>				
Water services	233,000		256,174	23,174
<i>Culture and Recreation:</i>				
Recreation department	116,950		116,879	(71)
Post office	30,000		30,000	-
	839,950	-	869,976	30,026
<b>Miscellaneous</b>				
Interest on investments	500		415	(85)
Fines and forfeitures			299	299
Cable TV franchise agreement	11,500		12,488	988
Cemetery income	1,000		550	(450)
Arena PILOT	22,000		25,112	3,112
Other	22,900		26,568	3,668
	57,900	-	65,432	7,532

Schedule D1a  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
**General Fund**

*Detailed Schedule of Estimated and Actual Revenues*  
For the Fiscal Year Ended December 31, 2014

*All amounts are expressed in USA Dollars*

	<b>Original &amp; Final Budget</b>	<b>Reserves and RSA 31:95-b Authorizations</b>	<b>Actual (GAAP Basis)</b>	<b>Over (Under) Budget</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds of long term debt	235,800	564,200	800,000	-
Operating transfers in - Interfund Transfers				
<i>Capital &amp; Noncapital Reserve Funds -</i>				
Corcoran's Pond/Dam		5,642	5,642	-
	<u>235,800</u>	<u>569,842</u>	<u>805,642</u>	<u>-</u>
Total revenues and other financing sources	<u>4,022,768</u>	<u>569,842</u>	<u>4,699,280</u>	<u>106,670</u>
Unreserved Fund Balance Used to Reduce Tax Rate	<u>316,302</u>			
Total revenues and use of fund balance	<u><u>4,339,070</u></u>			

Schedule D1b  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
**General Fund**

*Detailed Statement of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended December 31, 2014

*all numbers are expressed in USA Dollars*

	<b>Reserved From Prior Fiscal Year</b>	<b>Voted Appropriations</b>	<b>Reserves and RSA 31:95-b Authorizations</b>	<b>Expenditures Net of Refunds</b>	<b>Reserved To Next Fiscal Year</b>	<b>(Over) Under Budget</b>
<b>EXPENDITURES</b>						
Current						
General Government						
Executive		59,650		58,001		1,649
Election, Registration & Vital Statistics		2,150		1,674		476
Financial Administration		290,286		295,273		(4,987)
Revaluation of Property		20,000		11,418		8,582
Legal Expenses		11,000		15,587		(4,587)
Planning and Zoning		5,500		3,987		1,513
General Government Buildings		124,942		130,271		(5,329)
Cemeteries		900		-		900
Insurance, not otherwise allocated		63,418		57,141		6,277
Advertising and regional associations		1,620		1,620		-
Town post office		92,419		87,941		4,478
Information technology		76,918		76,066		852
Pond maintenance		5,000		2,370		2,630
Support of the Rey Center		25,000		25,000		-
WV Transit services		48,000		48,000		-
Support of WVAIA		3,000		3,000		-
Voluntary separation program		29,500		29,602		(102)
Triathlon support		15,000		3,500		11,500
	-	874,303	-	850,451	-	23,852
Public safety						
Police Department	2,100	558,249		553,669		6,680
Ambulance	2,100	111,050		114,629		(1,479)
Fire Department		131,735		133,991		(2,256)
Building Inspection (code enforcement)		6,500		-		6,500
	4,200	807,534	-	802,289	-	9,445

Schedule D1b  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
**General Fund**

*Detailed Statement of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended December 31, 2014

*all numbers are expressed in USA Dollars*

	<b>Reserved From Prior Fiscal Year</b>	<b>Voted Appropriations</b>	<b>Reserves and RSA 31:95-b Authorizations</b>	<b>Expenditures Net of Refunds</b>	<b>Reserved To Next Fiscal Year</b>	<b>(Over) Under Budget</b>
Highways and streets						
Highways and streets		344,792		334,677		10,115
Street Lighting		6,000		5,742		258
	-	350,792	-	340,419	-	10,373
Sanitation						
Solid waste collection		158,873		161,957		(3,084)
Solid waste disposal		74,960		78,699		(3,739)
Wastewater collection & disposal		243,861		229,771		14,090
	-	477,694	-	470,427	-	7,267
Water Distribution & Treatment						
Water Services		131,316		124,301		7,015
	-	131,316	-	124,301	-	7,015
Health						
Health Agencies & Hospitals		4,200		1,624		2,576
	-	4,200	-	1,624	-	2,576
Welfare						
Administration & Direct Assistance		1,500		1,922		(422)
	-	1,500	-	1,922	-	(422)
Culture and recreation						
Parks and Recreation		272,127		241,903		30,224
Patriotic Purposes		9,000		8,500		500
	-	281,127	-	250,403	-	30,724
Conservation						
Conservation Commission		2,500		1,407		1,093
	-	2,500	-	1,407	-	1,093
Debt service						
Principal of long-term debt		571,213		565,871		5,342
Interest expense - long-term debt		80,691		77,957		2,734
Interest expense - tax anticipation notes		10,000		-		10,000
	-	661,904	-	643,828	-	18,076

Schedule D1b  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
**General Fund**

*Detailed Statement of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended December 31, 2014

*all numbers are expressed in USA Dollars*

	<b>Reserved From Prior Fiscal Year</b>	<b>Voted Appropriations</b>	<b>Reserves and RSA 31:95-b Authorizations</b>	<b>Expenditures Net of Refunds</b>	<b>Reserved To Next Fiscal Year</b>	<b>(Over) Under Budget</b>
Facilities acquisition and construction						
Land and Improvements:						
Corcoran's Pond maintenance	42,065		5,642	5,642	42,065	-
Federal property acquisition	19,513			-	19,513	-
Machinery, vehicles & equipment						
Maintenance vehicle lift	10,000			1,747	8,253	-
Sidewalk tractor		53,000		52,024	976	-
Town car/utility vehicle	24,000			-	24,000	-
1-ton dump truck w/plow & equipment	40,276			38,920	1,356	-
Ambulance		180,000		59,481	120,519	-
WWTP grinder pump replacement		75,000			75,000	-
Buildings						
Nature trail grant	3,696				3,696	-
Curious George Cottage repairs	1				1	-
Town buildings design engineering	840			840		-
Recreatoin building improvements	916				916	-
Town hall safety improvements	21,982	50,000		71,982		-
Areana capital improvements	150,000			19,087	130,913	-
Public Works Building		235,800	564,200	800,000		-
Improvements other than buildings						
Street light replacement	5,499				5,499	-
Tecumseh Road sidewalk	15,000				15,000	-
Greely Hill Road repairs						-
Water/WWTP system repairs	94	50,000		41,107	8,987	-
WVRA reserve	5,886			5,880	6	-
W Branch/Tripoli Road repairs	3,739			3,739		-
WWTP sand filters	235,131			160,932	74,199	-
Pedestrian village study		90,000		75,604	14,396	-
	<b>578,638</b>	<b>733,800</b>	<b>569,842</b>	<b>1,336,985</b>	<b>545,295</b>	<b>-</b>

Schedule D1b  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
**General Fund**

*Detailed Statement of Appropriations, Expenditures and Encumbrances*  
For the Fiscal Year Ended December 31, 2014

*all numbers are expressed in USA Dollars*

	<b>Reserved From Prior Fiscal Year</b>	<b>Voted Appropriations</b>	<b>Reserves and RSA 31:95-b Authorizations</b>	<b>Expenditures Net of Refunds</b>	<b>Reserved To Next Fiscal Year</b>	<b>(Over) Under Budget</b>
<b>OTHER FINANCING USES</b>						
Operating transfers out - Interfund transfers						
<i>Special revenue:</i>						
Oseola Library		2,400		2,000		400
<i>Capital Projects:</i>						
Solid Waste Collection Facilities				14,305		(14,305)
<i>Capital &amp; Noncapital Reserves:</i>						
Improvements to Corcoran's Pond Dam		10,000		10,000		-
	-	12,400	-	26,305	-	(13,905)
	582,838	4,339,070	569,842	4,850,361	545,295	96,094

Schedule D2a  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Balance Sheet*  
*Non-major Governmental Funds*  
December 31, 2014

All numbers are expressed in USA Dollars

	<i>Special Revenue</i>		<i>Capital Projects</i>		<b>Total</b>
	<b>Oseola Library</b>	<b>Conservation Commission</b>	<b>Capital &amp; Noncapital Reserves</b>	<b>Solid Waste Colleciton Facility</b>	
<b>ASSETS</b>					
Cash and cash equivalents	10,106	5,422	99,722		115,250
	10,106	5,422	99,722	-	115,250
<b>LIABILITIES</b>					
Interfund payable			11,414		11,414
	-	-	11,414	-	11,414
<b>FUND BALANCES</b>					
<i>Committed for</i>					
Special revenue purposes	10,106	5,422			15,528
Capital projects			88,308	-	88,308
	10,106	5,422	88,308	-	103,836
	10,106	5,422	99,722	-	115,250

Schedule D2b  
**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, 2014

All numbers are expressed in USA Dollars

	<i>Special Revenue</i>		<i>Capital Projects</i>		<b>Total</b>
	<b>Oseola Library</b>	<b>Conservation Commission</b>	<b>Capital &amp; Noncapital Reserves</b>	<b>Solid Waste Colleciton Facility</b>	
<b>REVENUES</b>					
Miscellaneous	2,415	2	17		2,434
	<u>2,415</u>	<u>2</u>	<u>17</u>	<u>-</u>	<u>2,434</u>
<b>EXPENDITURES</b>					
Current:					
Culture and recreation	3,569				3,569
	<u>3,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,569</u>
Excess (deficiency) of revenues over (under) expenditures	(1,154)	2	17	-	(1,135)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,000		10,000	14,305	26,305
Transfers out			(5,642)		(5,642)
	<u>2,000</u>	<u>-</u>	<u>4,358</u>	<u>14,305</u>	<u>20,663</u>
Net change in fund balances	846	2	4,375	14,305	19,528
Fund balances(deficits) - beginning	9,260	5,420	83,933	(14,305)	84,308
Fund balances(deficits) - ending	<u>10,106</u>	<u>5,422</u>	<u>88,308</u>	<u>-</u>	<u>103,836</u>

# **Single Audit Reports and Schedules**

# The Mercier Group

*a professional corporation*

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## *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, 2014, 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 7, 2015, 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*

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**The Mercier Group**, *a professional corporation*  
Canterbury, New Hampshire  
August 7, 2015

# The Mercier Group

*a professional corporation*

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## *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, 2014, 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 7, 2015.

**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*

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**The Mercier Group**, *a professional corporation*  
Canterbury, New Hampshire  
August 7, 2015

# The Mercier Group

*a professional corporation*

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## 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, 2014. 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, 2014.

**Report on 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*

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**The Mercier Group**, a professional corporation  
Canterbury, New Hampshire  
August 7, 2015

Schedule I  
**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
 For the Fiscal Year Ended December 31, 2014

*All amounts are expressed in USA Dollars*

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

**10.766**

Waterville Valley Water and Sewer Improvements:

Loan		n/a	1,919,000	594,897
Grant		n/a	1,288,042	264,324
Town contribution		n/a	438,958	273,859
Connection/tap fees		n/a	43,000	-
			<b>3,689,000</b>	<b>1,133,080</b>

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Notes to the Schedule of Expenditures of Federal Awards*

For the Fiscal Year Ended December 31, 2014

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**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:

*Governmental Funds:*

Capital Project Fund

WV Capital Improvements:

Grants reported as revenue 264,324

Loans reported as proceeds of long-term debt 868,756

Total expenditures of Federal Awards \$ 1,133,080

**TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE**

*Schedule of Findings and Questioned Costs*  
For the Fiscal Year Ended December 31, 2014

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**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? \_\_\_\_\_ yes    \_\_✓\_\_ no
- Control deficiency(ies) identified? \_\_\_\_\_ yes    \_\_✓\_\_ no

Noncompliance material to financial statements noted? \_\_\_\_\_ yes    \_\_✓\_\_ no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes    \_\_✓\_\_ no
- Control deficiency(ies) identified? \_\_\_\_\_ 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:

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
10.766	<i>Community Facilities Loan and Grants Cluster</i> 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, 2014

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**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, 2014

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**CORRECTIVE ACTION PLAN**

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