

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

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

DECEMBER 31, 2017

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, 2017, 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, 2017, 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 and pension 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 information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplemental Schedules. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waterville Valley, New Hampshire's basic financial statements. 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
Grantham, New Hampshire
April 3, 2018

Basic Financial Statements

Required Supplementary Information

Exhibit A1
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE
Statement of Net Position
December 31, 2017

All numbers are expressed in USA Dollars

	Governmental Activities
ASSETS	
Cash and cash equivalents	1,848,068
Receivables <i>(net of allowance for uncollectibles)</i>	
Taxes	121,362
Accounts	231,090
Capital assets:	
Land	1,086,303
Buildings and other structures	3,717,121
Construction in progress	6,013,266
Machinery, vehicles & equipment	2,943,289
Infrastructure	6,974,827
Accumulated depreciation	(7,181,122)
	<u>15,754,204</u>
DEFERRED OUTFLOWS OF RESOURCES	
Town share of pension obligations - NHRS	<u>280,363</u>
	<u>280,363</u>
LIABILITIES	
Accounts payable and other current liabilities	42,041
Intergovernmental payable	653,192
Long-term obligations due beyond one year:	
Due within one year	
Bonds & notes payable	436,682
Post employments benefits payable	10,167
Due Beyond one year:	
Bonds & notes payable	2,805,950
Town share of pension obligations - NHRS	<u>2,302,229</u>
	<u>6,250,261</u>
DEFERRED INFLOWS OF RESOURCES	
Town share of pension obligations - NHRS	<u>85,471</u>
	<u>85,471</u>
NET POSITION	
Net investment in capital assets	10,311,052
Restricted for:	
Open purchase orders	177,237
Library purposes	7,232
Conservation purposes	5,422
Capital acquisitions & maintenance	273,534
Unrestricted(deficit)	<u>(1,075,642)</u>
	<u><u>9,698,835</u></u>

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

Exhibit A2
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2017

All numbers are expressed in USA Dollars.

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Governmental Activities
			Grants and Contributions	Capital Grants and Contributions	
Primary government:					
<i>Governmental activities:</i>					
General Government	923,746	-	12,681		(911,065)
Public safety	825,145	30,181			(794,964)
Highways and streets	405,168		13,169		(391,999)
Sanitation	468,960	433,625			(35,335)
Water distribution & treatment	164,968	242,868			77,900
Health	2,324				(2,324)
Welfare	1,140				(1,140)
Culture and recreation	298,111	194,589			(103,522)
Interest on long-term debt	104,847				(104,847)
Depreciation-unallocated	267,786			337,483	69,697
	<u>3,462,195</u>	<u>901,263</u>	<u>25,850</u>	<u>337,483</u>	<u>(2,197,599)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					2,154,049
Property taxes, levied for debt services					625,053
Licenses and permits					123,735
Other local revenues					67,187
					<u>2,970,024</u>
Change in net position					772,425
Net position - beginning					8,926,410
Net position - ending					<u><u>9,698,835</u></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, 2017

All numbers are expressed in USA Dollars

			Capital &	Non-major Governmental Funds		Total
	General	WV Capital Improvements	Noncapital Reserves	Osceola Library	Conservation Commission	Governmental Funds
ASSETS						
Cash and cash equivalents	1,513,513	16,523	305,378	7,232	5,422	1,848,068
Receivables						
Taxes	121,362					121,362
Accounts	231,090					231,090
Interfund	48,367					48,367
	1,914,332	16,523	305,378	7,232	5,422	2,248,887
LIABILITIES						
Accounts payable	42,041					42,041
Interfund payable			48,367			48,367
Intergovernmental payable	653,192					653,192
	695,233	-	48,367	-	-	743,600
DEFERRED INFLOWS						
Taxes <i>(not available for current obligations)</i>	65,000					65,000
	65,000	-	-	-	-	65,000
FUND BALANCES						
<i>Restricted for</i>						
Open purchase orders	177,237					177,237
Library purposes				7,232		7,232
Conservation purposes					5,422	5,422
Capital acquisitions & maintenance		16,523	257,011			273,534
Unassigned	976,862					976,862
	1,154,099	16,523	257,011	7,232	5,422	1,440,287
	1,914,332	16,523	305,378	7,232	5,422	2,248,887

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, 2017

All numbers are expressed in USA Dollars

Total Fund Balance - Governmental Funds (Exhibit B1) 1,440,287

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	6,013,266	
Machinery, vehicles & equipment	2,943,289	
Infrastructure	6,974,827	
Accumulated depreciation	<u>(7,181,122)</u>	
		13,553,684

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

Taxes (not available for current obligations)	65,000
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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	(3,242,632)	
Town's share of New Hampshire Retirement System:		
Net pension liability	(2,302,229)	
Deferred outflows of resources	280,363	
Deferred inflows of resources	<u>(85,471)</u>	
	(2,107,337)	
Post employment benefits payable (Voluntary Separation Program)	<u>(10,167)</u>	
		(5,360,136)
Net Position of Governmental Activities (Exhibit A1)		<u><u>9,698,835</u></u>

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, 2017

All numbers are expressed in USA Dollars

		Capital &	Non-major Governmental Funds		Total	
	WV Capital	Noncapital	Osceola	Conservation	Governmental	
	General	Improvements	Reserves	Library	Commission	Funds
REVENUES						
Taxes	2,789,102					2,789,102
Licenses and permits	123,735					123,735
State support	25,850					25,850
Federal support	-	337,483				337,483
Charges for services	901,263					901,263
Other local sources	63,676	7	2,455	1,049	-	67,187
	3,903,626	337,490	2,455	1,049	-	4,244,620
EXPENDITURES						
Current:						
General Government	870,434					870,434
Public safety	816,778		8,367			825,145
Highways and streets	365,168		40,000			405,168
Sanitation	468,960					468,960
Water distribution & treatment	164,968					164,968
Health	2,324					2,324
Welfare	1,140					1,140
Culture and recreation	292,924			5,187		298,111
Debt service						
Principal	517,452					517,452
Interest	104,847					104,847
Capital outlay	180,967	347,838				528,805
	3,785,962	347,838	48,367	5,187	-	4,187,354
Excess of revenues						
over(under) expenditures	117,664	(10,348)	(45,912)	(4,138)	-	57,266
OTHER FINANCING						
SOURCES (USES)						
Transfers in	-		80,000	3,382		83,382
Transfers out	(83,382)					(83,382)
	(83,382)	-	80,000	3,382	-	-
Net change in fund balances						
	34,282	(10,348)	34,088	(756)	-	57,266
Fund balances - beginning						
	1,119,817	26,871	222,923	7,988	5,422	1,383,021
Fund balances - ending						
	1,154,099	16,523	257,011	7,232	5,422	1,440,287

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, 2017

All numbers are expressed in USA Dollars

Net change in fund balances - total governmental funds (Exhibit B3) 57,266

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	528,805
Increase expenditures for depreciation charges	(267,786)

*Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds.*

Increase(decrease) in Deferred inflow of taxes <i>(not available for current obligations)</i>	(10,000)
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*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	517,452
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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 post-employment benefits payable <i>(Voluntary Separation Program)</i>	18,828
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Town's share of New Hampshire Retirement System:

(increase)decrease in net pension liability	120,337
Increase(decrease) in deferred outflows of resources	(176,078)
(Increase)decrease in deferred inflows of resources	(16,399)
	<u>(72,140)</u>

Change in net position of governmental activities (Exhibit A2) 772,425

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

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, 2017

All amounts are expressed in USA Dollars

	Original & Final Budget	Actual	Variance With Final Budget
REVENUES			
Taxes	2,818,716	2,789,102	(29,614)
Licenses and permits	112,665	123,735	11,070
State support	85,850	25,850	(60,000)
Charges for services	878,235	901,263	23,028
Miscellaneous	62,335	63,676	1,341
	<u>3,957,801</u>	<u>3,903,626</u>	<u>(54,175)</u>
EXPENDITURES			
Current:			
General government	920,827	870,434	50,393
Public safety	846,002	816,778	29,224
Highways and streets	357,228	365,168	(7,940)
Sanitation	533,129	468,960	64,169
Water distribution and treatment	161,684	164,968	(3,284)
Health	2,500	2,324	176
Welfare	1,000	1,140	(140)
Culture and recreation	314,422	292,924	21,498
Conservation	250	-	250
Debt service:			
Principal	517,452	517,452	-
Interest	107,601	104,847	2,754
Capital outlay	308,076	181,805	126,271
	<u>4,070,171</u>	<u>3,786,800</u>	<u>283,371</u>
Excess of revenues over(under) expenditures	(112,370)	116,826	229,196
OTHER FINANCING SOURCES (USES)			
Transfers out	(83,500)	(83,382)	118
	<u>(83,500)</u>	<u>(83,382)</u>	<u>118</u>
Net change in fund balances	(195,870)	33,444	229,314
Fund balances - beginning	943,418	943,418	-
Fund balances - ending	<u>747,548</u>	<u>976,862</u>	<u>229,314</u>

Exhibit C2
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE
Comparative Schedule of Pension Obligations
For the Fiscal Year Ended December 31, 2017

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 December 31, (Valuation as of June 30)				
	2013	2014	2015	2016	2017
Proportionate share	0.04703310%	0.04645895%	0.04600087%	0.04555754%	0.04681237%
Employer contribution	\$ 116,950	\$ 150,724	\$ 154,327	\$ 163,132	\$ 171,494
Net Pension Liability	\$ 2,024,203	\$ 1,743,877	\$ 1,822,337	\$ 2,422,566	\$ 2,302,229
Deferred outflows of resources:					
Differences between expected and actual experience	<i>base year</i>	-	-	6,732	5,220
Net difference between projected and actual investment earnings on pension plan investments	<i>base year</i>	-	-	151,568	-
Changes of assumptions	<i>base year</i>	-	-	298,141	231,174
Changes in proportion	<i>base year</i>	-	-	-	43,969
<i>Total deferred outflows of resources</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,441</u>	<u>\$ 280,363</u>
Deferred inflows of resources:					
Differences between expected and actual experience	<i>base year</i>	-	39,989	30,591	29,301
Net difference between projected and actual investment earnings on pension plan investments	<i>base year</i>	223,130	48,704	-	29,320
Changes of assumptions	<i>base year</i>	-	-	-	-
Changes in proportion	<i>base year</i>	20,303	31,695	38,481	26,850
<i>Total deferred inflows of resources</i>	<u>\$ -</u>	<u>\$ 243,433</u>	<u>\$ 120,388</u>	<u>\$ 69,072</u>	<u>\$ 85,471</u>
Pension expense:					
Proportionate share of plan pension expense	<i>base year</i>	118,237	117,745	267,234	244,237
Net amortization of deferred amounts from changes in proportion	<i>base year</i>	(4,406)	(8,003)	(11,630)	(603)
<i>Total employer pension expense</i>	<u>\$ -</u>	<u>\$ 113,831</u>	<u>\$ 109,742</u>	<u>\$ 255,604</u>	<u>\$ 243,634</u>

This information should be read in conjunction with the audited *Schedule of Employer Allocations* and *Schedule of Pension Amounts by Employer* presented by the NHRS. 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 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>. 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, 2017, 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 (subject to annual appropriation by the legislative body) 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.

Schedule D1a
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE
General Fund

Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended December 31, 2017

All amounts are expressed in USA Dollars

	Original & Final Budget	Actual (GAAP Basis)	Over (Under) Budget
REVENUES			
Taxes			
Property	2,758,154	2,711,167	(46,987)
Timber yield	1,453	1,453	-
Payments in lieu of taxes	43,945	43,945	-
Interest and penalties on delinquent taxes	21,000	34,591	13,591
Overlay	(5,836)	(2,054)	3,782
	<u>2,818,716</u>	<u>2,789,102</u>	<u>(29,614)</u>
Licenses and permits			
Motor vehicle fees	102,000	112,383	10,383
Building permits	9,650	10,148	498
Other licenses, permits and fees	1,015	1,204	189
	<u>112,665</u>	<u>123,735</u>	<u>11,070</u>
State Support			
Meals and rooms tax distribution	12,681	12,681	-
Highway block grant	13,169	13,169	-
Other	60,000	-	(60,000)
	<u>85,850</u>	<u>25,850</u>	<u>(60,000)</u>
Charges for Services			
Income From Departments			
<i>Public safety services:</i>			
Police department	4,050	4,943	893
Ambulance	25,000	25,238	238
<i>Sanitation:</i>			
Solid waste collection & disposal	105,050	111,974	6,924
Sewer services	303,100	321,651	18,551
<i>Water Distribution & Treatment:</i>			
Water Services	252,300	242,868	(9,432)
<i>Culture and Recreation:</i>			
Recreation department	158,735	164,589	5,854
Post office	30,000	30,000	-
	<u>878,235</u>	<u>901,263</u>	<u>23,028</u>
Miscellaneous			
Sale of municipal property	1,500	1,301	(199)
Interest on investments	1,250	1,935	685
Fines and forfeitures	-	100	100
Other	59,585	60,340	755
	<u>62,335</u>	<u>63,676</u>	<u>1,341</u>
Total revenues and other financing sources	<u>3,957,801</u>	<u>3,903,626</u>	<u>(54,175)</u>
Unreserved Fund Balance Used to Reduce Tax Rate	<u>195,870</u>		
Total revenues and use of fund balance	<u><u>4,153,671</u></u>		

Schedule D1b
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2017

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		51,960	49,392		2,568
Election, Registration & Vital Statistics		2,200	2,384		(184)
Financial Administration		329,707	319,283		10,424
Revaluation of Property		42,500	47,166		(4,666)
Legal Expenses		11,000	6,170		4,830
Planning and Zoning		13,500	4,312		9,188
General Government Buildings		117,018	116,189		829
Cemeteries		1,000	1,996		(996)
Insurance, not otherwise allocated		96,673	94,201		2,472
Advertising & regional associations		1	-		1
Other general government:					
Town post office		94,288	89,546		4,742
Information technology		38,980	21,132		17,848
Pond maintenance		5,000	3,310		1,690
Support of the Rey Center		25,000	25,000		-
WV Transit services		53,500	53,502		(2)
Support of WVAIA		3,000	3,000		-
Grant writing		5,000	-		5,000
Voluntary separation program		18,000	17,464		536
Shakespear in the Valley		2,500	2,500		-
50th Anniversary celebration		10,000	13,887		(3,887)
	-	920,827	870,434	-	50,393
Public safety					
Police Department		597,249	572,532		24,717
Ambulance		108,875	98,273		10,602
Fire Department		139,878	145,973		(6,095)
	-	846,002	816,778	-	29,224
Highways and streets					
Highways and streets		350,728	358,352		(7,624)
Street Lighting		6,500	6,816		(316)
	-	357,228	365,168	-	(7,940)
Sanitation					
Solid waste collection		227,242	189,080		38,162
Solid waste disposal		74,200	72,399		1,801
Wastewater collection & disposal		231,687	207,481		24,206
	-	533,129	468,960	-	64,169
Water Distribution & Treatment					
Water Services		161,684	164,968		(3,284)
	-	161,684	164,968	-	(3,284)
Health					
Health Agencies & Hospitals		2,500	2,324		176
	-	2,500	2,324	-	176

Schedule D1b
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2017

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
Welfare					
Administration & Direct Assistance		1,000	1,140		(140)
	-	1,000	1,140	-	(140)
Culture and recreation					
Parks and Recreation		305,822	284,424		21,398
Patriotic Purposes		8,600	8,500		100
	-	314,422	292,924	-	21,498
Conservation					
Conservation Commission		250	-		250
	-	250	-	-	250
Debt service					
Principal of long-term debt		517,452	517,452		-
Interest expense - long-term debt		105,601	104,847		754
Interest expense - tax anticipation notes		2,000	-		2,000
	-	625,053	622,299	-	2,754
Facilities acquisition and construction					
Land and Improvements:					
Corcoran's Pond maintenance	15,211		9,079	6,132	-
Machinery, vehicles & equipment					
Town building improvements	1,501		-	1,501	-
Town car/utility vehicle	3,452		-		3,452
Police cruiser (lease)		14,162	14,162		-
Mower/tractor (lease)		9,914	9,649		265
Water/WWTP Pick-up		34,000	27,199	6,801	-
WWTP emergency generator		80,000	64,326	15,674	-
Engine #2 repairs	1,234			1,234	-
Buildings					
Nature trail grant	3,696		-	3,696	-
WWTP grinder pump replacement	2,554		-		2,554
Arena capital improvements	102,474		-	102,474	-
Improvements other than buildings					
Street light replacement	5,499		-	5,499	-
Tecumseh Road sidewalk	15,000		-	15,000	-
Water/WWTP system repairs	15,802	25,000	27,036	13,766	-
Noon Peak & Jennings Peak Road Repairs	9,976		9,976		-
Road & Trail Signs/Pedestrian Village Study		120,000	-		120,000
Well #3 evaluation & repair		25,000	19,540	5,460	-
	176,399	308,076	180,967	177,237	126,271
OTHER FINANCING USES					
Operating transfers out - Interfund transfers					
<i>Special revenue</i>					
Osceola Library		3,500	3,382		118
<i>Capital & Noncapital Reserves:</i>					
Corcoran's Pond Dam Improvements		20,000	20,000		-
Ladder Truck		20,000	20,000		-

Schedule D1b
TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances
For the Fiscal Year Ended December 31, 2017

all numbers are expressed in USA Dollars

	Reserved		Expenditures	Reserved	(Over)
	From Prior	Voted	Net of	To Next	Under
	Fiscal Year	Appropriations	Refunds	Fiscal Year	Budget
Road Repairs		20,000	20,000		-
Fire Apparatus		10,000	10,000		-
Public Works Backhoe		10,000	10,000		-
	-	83,500	83,382	-	118
	176,399	4,153,671	3,869,344	177,237	283,489

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, 2017

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, 2018. 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.
- The *Capital and Noncapital Reserves Fund* is a capital projects fund that accounts for the Town's capital and non-capital reserves, which were created by vote of the legislative body and are restricted for specific purposes.

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

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

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 2017, \$ 195,870 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>)	\$ 3,870,182
Adjustments:	
Encumbrances - December 31, 2016	176,399
Encumbrances - December 31, 2017	<u>(177,237)</u>
Expenditures and Other Financing Uses ~ GAAP Basis (<i>see Exhibit B3</i>)	<u>\$ 3,869,344</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

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

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

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

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 1.25% 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 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

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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 are 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 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 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 balance sheet and revenue is recognized.

Fund Equity. In the governmental fund Balance Sheet, fund balances are reported using a

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

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 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.
- 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, 2017

ASSETS

CASH AND CASH 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 made only in securities approved by the New Hampshire Bank Commissioner with the assistance of the Advisory Committee, and in accordance with policies designed to preserve capital. While the Pool seeks to maintain a stable net asset value of \$1.00 per Share, it is possible to lose money investing in the Pool. An investment in the Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

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 2017 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 2017 property tax levy was based on a net assessed valuation as of April 1, 2017 of \$329,417,957. State Education Taxes were based on a State-wide equalized valuation of \$327,435,357. 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, 2017, were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Levied
Municipal portion	\$ 8.39	\$ 2,764,654
County Tax Assessment	1.92	631,562
Local School Tax Assessment	1.52	499,313
State Education Tax Assessment	2.42	793,879
	<u>\$ 14.25</u>	<u>\$ 4,689,408</u>

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

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, 2017, are as follows:

<u>Uncollected Taxes</u>		
Property	\$ 256,385	
Unassigned credits	<u>(181,133)</u>	
		\$ 75,252
<u>Unredeemed Taxes (under tax liens)</u>		
Levy of 2016	\$ 44,024	
Levy of 2015	5,659	
Levy of 2014	974	
Levy of 2013	<u>453</u>	
		<u>51,110</u>
		126,362
Reserve for uncollectible taxes receivable		<u>(5,000)</u>
		<u>\$ 121,362</u>

ACCOUNTS RECEIVABLE

Accounts receivables as of December 31, 2017 are as follows:

<u>Accounts</u>		
Utility services (Sewer, Water & MSD)		215,112
Other		<u>15,978</u>
		<u>\$ 231,090</u>

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE*Notes to Financial Statements*

December 31, 2017

INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances at December 31, 2017 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>Governmental Activities:</i>		
General Fund	\$ 48,367	\$ -
Capital & Non-capital Reserves:		
Road Repairs		40,000
Fire Apparatus	-	8,367
	<u>\$ 48,367</u>	<u>\$ 48,367</u>

CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended December 31, 2017 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	5,663,272	504,994	155,000	6,013,266
Machinery, Vehicles & Equipment	2,919,478	23,811	-	2,943,289
Infrastructure	6,819,827	155,000	-	6,974,827
	20,206,001	683,805	155,000	20,734,806
Less: Accumulated Depreciation	(6,913,336)	(267,786)	-	(7,181,122)
	<u>\$ 13,292,665</u>	<u>\$ 416,019</u>	<u>\$ 155,000</u>	<u>\$ 13,553,684</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 (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 1/1/17 – 1/1/18 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.

The Workers' Compensation Section of the Membership Agreement permits *Primex³* to make additional assessments to members should there be a deficiency in contributions for any member

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

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.

Total contributions billed for coverage period and any credits or balances due as of December 31, 2017 are as follows:

Property/Liability	\$ 48,095
Workers' Compensation	\$ 48,012

LIABILITIES

INTERGOVERNMENTAL PAYABLE

Payables due other governments at December 31, 2017 include:

General Fund

School District Assessment due in monthly installments though June 30, 2018

\$ 653,192

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, 2017:

	<u>January 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>December 31, 2017</u>	<u>Within One Year</u>
General Obligation Debt					
Bonds & notes	\$ 3,760,084	\$ -	\$ 517,452	\$ 3,242,632	\$ 436,682
Voluntary Separation Program	28,995	-	18,828	10,167	10,167
	<u>\$ 3,789,079</u>	<u>\$ -</u>	<u>\$ 536,280</u>	<u>\$ 3,252,799</u>	<u>\$ 446,849</u>

Bonds or Notes Authorized – Unissued. Bonds and notes authorized and unissued as of December 31, 2017 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 12, 2013 ~ Article 7	Reconstruct Tripoli Road Base	183,000
		<u>\$ 1,355,150</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, 2017, is comprised of the following individual issues:

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

Description of Issue	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding December 31 2017
General obligation bonds & notes:					
Pond and Boulder Path	\$ 575,000	07/20/08	08/20/18	3.42	57,500
Fire truck	\$ 454,000	08/31/12	08/31/22	2.15	227,000
WWTP Media Tank	\$ 500,000	05/01/13	05/01/20	1.59	214,286
Recycling/Road Repairs	\$ 385,000	05/01/13	05/01/20	1.59	165,000
Water and Sewer Improvements	\$ 481,900	02/03/14	02/03/24	3.19	321,270
DPW Garage	\$ 800,000	07/11/14	07/11/24	2.91	560,000
Water and Sewer Improvements	\$ 1,919,000	11/07/14	11/07/40	3.25	1,697,576
					3,242,632
Post-employment Benefits					
Voluntary Separation Program					10,167
					<u>\$ 3,252,799</u>

Annual Requirements to Amortize General Obligation Debt. The annual requirements to amortize all general obligation debt outstanding as of December 31, 2017, including interest payments, are as follows:

Fiscal Year Ending	General Obligation Notes and Bonds		
December 31,	Principal	Interest	Total
2018	\$ 436,682	\$ 92,740	\$ 529,422
2019	379,181	81,352	460,533
2020	379,182	71,913	451,095
2021	252,753	62,509	315,262
2022	252,753	55,098	307,851
	1,700,551	363,612	2,064,163
2023-27	582,585	196,003	778,588
2028-32	369,040	128,932	497,972
2033-37	369,040	68,963	438,003
2038-40	221,416	12,593	234,009
	<u>\$ 3,242,632</u>	<u>\$ 770,103</u>	<u>\$ 4,012,735</u>

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

Fiscal Years Ending	
December 31,	Amount
2018	<u>\$ 10,167</u>

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

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 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, 2016 through June 30, 2018 are as follows:

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

In fiscal year 2016, 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. 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 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>.

DEFERRED INFLOWS OF RESOURCES

Other than those related to the New Hampshire Retirement System as noted above, Deferred Inflows

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

of Resources at December 31, 2017 are as follows:

General Fund

Taxes receivable not available to pay current obligations	\$ 65,000
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According to generally accepted accounting principles, taxes receivable older than 180 days are not recognized as available spendable resources and thus are deferred until collected.

FUND BALANCE

Elements of fund balance as of December 31, 2017 were as follows:

General Fund

Restricted for open purchase orders:

Corcoran's pond engineering	\$ 6,132
Building improvements	1,501
Well #3 evaluation	5,460
WWTP generator replacement	15,674
Nature trail grant	3,696
Arena capital improvements	102,474
Tecumseh Road sidewalk	15,000
Engine #2 repairs	1,233
Street light replacement	5,499
Water/WWTP system repairs	13,767
Pick-up truck	6,801
	<u>\$ 177,237</u>

WV Capital Improvements Fund

Restricted for capital acquisitions & maintenance:

Project related costs	\$ 16,523
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Capital & Noncapital Reserves Fund

Restricted for capital acquisitions & maintenance:

Corcoran's Pond/Dam	\$ 131,624
Toxicity Corrective Testing	17,074
Ladder Truck	50,484
Backhoe	20,213
Cruiser Maintenance	25,342
Fire Apparatus	11,847
Road Repairs	427
	<u>\$ 257,011</u>

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE

Notes to Financial Statements

December 31, 2017

Non-major Special Revenue Funds

Restricted for special revenue purposes

Osceola Library	\$ 7,232
Conservation Commission	<u>5,422</u>
	<u>\$ 12,654</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. The town is involved in a state-wide tax appeal by a communications company. At this time, there is no way of knowing what the outcome may be or what impact (if any) it would have. Interested parties should make inquiries of management regarding the status of this or any other matters.

TOWN OF WATERVILLE VALLEY, NEW HAMPSHIRE
Note to Required Supplementary Information – Budgetary Reporting
December 31, 2017

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 2017, \$195,870 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>)	\$ 3,870,182
Adjustments:	
Encumbrances - December 31, 2016	176,399
Encumbrances - December 31, 2017	<u>(177,237)</u>
Expenditures and Other Financing Uses ~ GAAP Basis (<i>see Exhibit B3</i>)	<u>\$ 3,869,344</u>