

**EMERALD LAKE VILLAGE DISTRICT**

**Management Letter**

**For the Year Ended December 31, 2017**

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Additional Offices:

Andover, MA  
Greenfield, MA  
Manchester, NH  
Ellsworth, ME

To the Board of Commissioners  
Emerald Lake Village District

In planning and performing our audit of the basic financial statements of the Emerald Lake Village District as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Emerald Lake Village District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Emerald Lake Village District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Emerald Lake Village District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

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

*Melanson Heath*

July 16, 2018

## Summary of Recommendations

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

- Document preparation and approval of cash reconciliations – Because of the small size of the District, it is difficult to maintain an adequate segregation of duties. To compensate, the District has two employees involved in the monthly bank reconciliations.

We recommend both employees sign the monthly reconciliations to improve the documented oversight of this critical internal control procedure. We also recommend the signed reconciliations be provided to the Commissioners for review.

- Inquire about unauthorized use of the District's EIN number - Currently there is no periodic inquiry of local banks to ensure there are no unauthorized accounts open with the District's EIN number.

We recommend that an annual inquiry be made with local banks to ensure no unauthorized accounts have been opened in the District's name.

- Document approval for all rates and manifests – During our testing, we identified that there was no documentation of stipends or salaries paid. Additionally, 7 out of the 25 payroll selections did not have a signed manifest.

We recommend that at least annually, the minutes of the Commissioners document the approval of stipends and salary amounts for all paid individuals and all payroll manifests be signed by the Commissioners.

- Evaluate internal controls over information technology – The District did not maintain adequate controls to information technology.

We recommend that best practices should be followed relating to information technology including frequent back-ups stored offsite, password protection, and overall IT functions.

- Retain support for all invoices – During our testing we identified 2 out of 25 invoices tested that did not have paper documentation.

We recommend that all expenditures be supported by original invoices.

- Review QuickBooks budget – Information was included in the budget feature in QuickBooks. However, that information did not agree to the MS 232 and MS 434 submitted to the Department of Revenue Administration.

We recommend that the budget in QuickBooks be adjusted to the annual certified budget.

- Write off old receivable balances – As of December 31, 2017, there was a receivable on the books of approximately \$18,000 from water hook-ups or disconnections. The District should evaluate collectability of this balance.

We recommend the District establish a policy and procedure for receivables and to include write-off policies and authorizations.

- Evaluate withholding accounts – During review of the withholding accounts, we noted that they did not appear to clear after year-end.

We recommend the District evaluate the withholding accounts to make sure the correct amounts are flowing through on a monthly basis.

**EMERALD LAKE VILLAGE DISTRICT**

**Annual Financial Statements**

**For the Year Ended December 31, 2017**

**Emerald Lake Village District**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Emerald Lake Village District

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Emerald Lake Village District (the District) as of and for the year ended December 31, 2017, which collectively comprise the Emerald Lake Village District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Emerald Lake Village District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

**Management's Responsibility for the Financial Statements**

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

**Auditors' 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 financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that



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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Emerald Lake Village District, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general and water funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Melanson Heath*

July 16, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Emerald Lake Village District, we offer readers this narrative overview and analysis of the financial activities of the Emerald Lake Village District for the year ended December 31, 2017.

### A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public works, and culture and recreation.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$1,854,823 (i.e., net position), a change of \$243,078 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$744,215, a change of \$186,839 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$212,313, a change of \$29,715 in comparison to the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET POSITION</u>	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 867	\$ 726
Capital assets	<u>2,760</u>	<u>2,842</u>
Total assets	3,627	3,568
Long-term liabilities outstanding	1,612	1,738
Other liabilities	<u>160</u>	<u>218</u>
Total liabilities	1,772	1,956
Net position:		
Net investment in capital assets	1,021	977
Restricted	288	210
Unrestricted	<u>546</u>	<u>425</u>
Total net position	<u>\$ 1,855</u>	<u>\$ 1,612</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$1,854,823, a change of \$243,078 from the prior year.

The largest portion of net position \$1,021,494 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$288,106 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$545,223 may be used to meet the government's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 377	\$ 382
Property taxes	221	186
taxes	9	27
Miscellaneous	3	5
Total revenues	<u>610</u>	<u>600</u>
Expenses:		
General government	34	30
Public works	299	363
Culture and recreation	11	16
Interest expense	23	28
Total expenses	<u>367</u>	<u>437</u>
Change in net position	243	163
Net position - beginning of year	<u>1,612</u>	<u>1,449</u>
Net position - end of year	<u>\$ 1,855</u>	<u>\$ 1,612</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$243,078. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 109,201
Water fund accrual basis	87,226
Excess principal maturities, a budgeted expense over depreciation, which is not budgeted or funded	34,597
Other	<u>12,054</u>
Total	<u>\$ 243,078</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$744,215 a change of \$186,839 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 109,201
Water fund operating results	<u>77,638</u>
Total	<u>\$ 186,839</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$212,313, while total fund balance was \$456,109. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 212,313	\$ 182,598	\$ 29,715	138.6%
Total fund balance	\$ 456,109	\$ 346,908	\$ 109,201	297.7%

The total fund balance of the general fund changed by \$109,201 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 4,331
Expenditures turnback	30,400
Shortfall of tax collections	(5,016)
Change in capital reserve	<u>79,486</u>
Total	<u>\$ 109,201</u>

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Capital reserve	\$ <u>243,796</u>	\$ <u>164,310</u>	\$ <u>79,486</u>
Total	\$ <u>243,796</u>	\$ <u>164,310</u>	\$ <u>79,486</u>

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

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

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year end amounted to \$2,759,862 (net of accumulated depreciation). This investment in capital assets includes infrastructure improvements, and machinery and equipment.

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$1,738,368, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Emerald Lake Village District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

EMERALD LAKE VILLAGE DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 617,550
Receivables:	
Property taxes	119,591
User fees	95,983
Intergovernmental	7,621
Other current asset	26,181
Noncurrent:	
Capital assets, net of accumulated depreciation	<u>2,759,862</u>
<b>TOTAL ASSETS</b>	<b>3,626,788</b>
<b>LIABILITIES</b>	
Current:	
Accrued liabilities	32,943
Other current liabilities	654
Current portion of long-term liabilities:	
Bonds payable	126,658
Noncurrent:	
Bonds payable, net of current portion	<u>1,611,710</u>
<b>TOTAL LIABILITIES</b>	<b>1,771,965</b>
<b>NET POSITION</b>	
Net investment in capital assets	1,021,494
Restricted for:	
Grants and other statutory restrictions	288,106
Unrestricted	<u>545,223</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>1,854,823</u></b>

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

EMERALD LAKE VILLAGE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>			
General government	\$ 33,940	\$ -	\$ (33,940)
Public works	299,126	376,516	77,390
Culture and recreation	10,557	-	(10,557)
Interest	<u>23,138</u>	<u>-</u>	<u>(23,138)</u>
Total Governmental Activities	<u>\$ 366,761</u>	<u>\$ 376,516</u>	9,755
<b>General Revenues:</b>			
			220,960
			9,117
			357
			<u>2,889</u>
			<u>233,323</u>
			243,078
<b>Net Position:</b>			
			<u>1,611,745</u>
			<u>\$ 1,854,823</u>

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



EMERALD LAKE VILLAGE DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	<u>General</u>	<u>Water Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 361,397	\$ 256,153	\$ 617,550
Receivables:			
Property taxes	119,591	-	119,591
User fees	-	95,983	95,983
Intergovernmental	-	7,621	7,621
Other assets	<u>750</u>	<u>25,431</u>	<u>26,181</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 481,738</u></b>	<b><u>\$ 385,188</u></b>	<b><u>\$ 866,926</u></b>
<b>LIABILITIES</b>			
Other liabilities	<u>\$ (445)</u>	<u>\$ 1,099</u>	<u>\$ 654</u>
<b>TOTAL LIABILITIES</b>	<b>(445)</b>	<b>1,099</b>	<b>654</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>26,074</b>	<b>95,983</b>	<b>122,057</b>
<b>FUND BALANCES</b>			
Restricted	-	288,106	288,106
Committed	243,796	-	243,796
Unassigned	<u>212,313</u>	<u>-</u>	<u>212,313</u>
<b>TOTAL FUND BALANCES</b>	<b><u>456,109</u></b>	<b><u>288,106</u></b>	<b><u>744,215</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 481,738</u></b>	<b><u>\$ 385,188</u></b>	<b><u>\$ 866,926</u></b>

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

EMERALD LAKE VILLAGE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>			
General government	\$ 33,940	\$ -	\$ (33,940)
Public works	299,126	376,516	77,390
Culture and recreation	10,557	-	(10,557)
Interest	<u>23,138</u>	<u>-</u>	<u>(23,138)</u>
Total Governmental Activities	<u>\$ 366,761</u>	<u>\$ 376,516</u>	9,755
<b>General Revenues:</b>			
			220,960
			9,117
			357
			<u>2,889</u>
			<u>233,323</u>
			243,078
<b>Net Position:</b>			
			<u>1,611,745</u>
			<u>\$ 1,854,823</u>

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

EMERALD LAKE VILLAGE DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	<u>General</u>	<u>Water Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 361,397	\$ 256,153	\$ 617,550
Receivables:			
Property taxes	119,591	-	119,591
User fees	-	95,983	95,983
Intergovernmental	-	7,621	7,621
Other assets	<u>750</u>	<u>25,431</u>	<u>26,181</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 481,738</u></b>	<b><u>\$ 385,188</u></b>	<b><u>\$ 866,926</u></b>
<b>LIABILITIES</b>			
Other liabilities	<u>\$ (445)</u>	<u>\$ 1,099</u>	<u>\$ 654</u>
<b>TOTAL LIABILITIES</b>	<b>(445)</b>	<b>1,099</b>	<b>654</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>26,074</b>	<b>95,983</b>	<b>122,057</b>
<b>FUND BALANCES</b>			
Restricted	-	288,106	288,106
Committed	243,796	-	243,796
Unassigned	<u>212,313</u>	<u>-</u>	<u>212,313</u>
<b>TOTAL FUND BALANCES</b>	<b><u>456,109</u></b>	<b><u>288,106</u></b>	<b><u>744,215</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 481,738</u></b>	<b><u>\$ 385,188</u></b>	<b><u>\$ 866,926</u></b>

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

EMERALD LAKE VILLAGE DISTRICT

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

DECEMBER 31, 2017

<b>Total governmental fund balances</b>	\$ 744,215
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,759,862
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	89,114
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,738,368)</u>
<b>Net position of governmental activities</b>	<u>\$ 1,854,823</u>

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

EMERALD LAKE VILLAGE DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Water Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 213,612	\$ -	\$ 213,612
Penalties, interest and other taxes	1,683	9,117	10,800
Charges for services	-	372,509	372,509
Investment income	357	-	357
Miscellaneous	<u>2,648</u>	<u>241</u>	<u>2,889</u>
Total Revenues	218,300	381,867	600,167
<b>Expenditures:</b>			
Current:			
General government	31,202	-	31,202
Public works	96,453	107,922	204,375
Culture and recreation	9,924	-	9,924
Employee benefits	15,649	-	15,649
Debt service	<u>-</u>	<u>152,178</u>	<u>152,178</u>
Total Expenditures	<u>153,228</u>	<u>260,100</u>	<u>413,328</u>
Excess (deficiency) of revenues over expenditures	65,072	121,767	186,839
<b>Other Financing Sources (Uses):</b>			
Transfers in	50,000	5,871	55,871
Transfers out	<u>(5,871)</u>	<u>(50,000)</u>	<u>(55,871)</u>
Total Other Financing Sources (Uses)	<u>44,129</u>	<u>(44,129)</u>	<u>-</u>
Change in fund balance	109,201	77,638	186,839
Fund Balance, at Beginning of Year	<u>346,908</u>	<u>210,468</u>	<u>557,376</u>
Fund Balance, at End of Year	<u>\$ 456,109</u>	<u>\$ 288,106</u>	<u>\$ 744,215</u>

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

EMERALD LAKE VILLAGE DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2017

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 186,839</b>										
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:           <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">9,588</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(92,061)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:           <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Repayments of debt</td> <td style="text-align: right;">126,658</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.           <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">9,672</td> </tr> </table> </li> <li>• Other differences           <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">2,382</td> </tr> </table> </li> </ul>		Capital outlay	9,588	Depreciation	(92,061)	Repayments of debt	126,658		9,672		2,382
Capital outlay	9,588										
Depreciation	(92,061)										
Repayments of debt	126,658										
	9,672										
	2,382										
<b>Change in net position of governmental activities</b>	<b>\$ <u>243,078</u></b>										

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

EMERALD LAKE VILLAGE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES  
AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 218,628	\$ 218,628	\$ 218,628	\$ -
Interest, penalties and other taxes	-	-	1,683	1,683
Transfers in	-	-	2,648	2,648
Total Revenues and Other Sources	<u>218,628</u>	<u>218,628</u>	<u>222,959</u>	<u>4,331</u>
<b>Expenditures and Other Uses:</b>				
General government	57,178	57,178	31,202	25,976
Public works	100,525	100,525	96,453	4,072
Culture and recreation	17,725	17,725	9,924	7,801
Employee benefits	8,200	8,200	15,649	(7,449)
Transfers out	35,000	35,000	35,000	-
Total Expenditures and Other Uses	<u>218,628</u>	<u>218,628</u>	<u>188,228</u>	<u>30,400</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,731</u>	<u>\$ 34,731</u>

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

EMERALD LAKE VILLAGE DISTRICT

WATER FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES  
AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Other Sources:</b>				
Charges for services	\$ 380,056	\$ 380,056	\$ 374,833	\$ (5,223)
Miscellaneous revenue	-	-	9,358	9,358
Transfers in	-	-	5,871	5,871
Total Revenues and Other Sources	380,056	380,056	390,062	10,006
<b>Expenditures and Other Uses:</b>				
Public works	170,752	170,752	162,428	8,324
Transfers out	50,000	50,000	50,000	-
Other uses	159,304	159,304	159,304	-
Total Expenditures and Other Uses	380,056	380,056	371,732	8,324
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 18,330	\$ 18,330

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



## EMERALD LAKE VILLAGE DISTRICT

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Emerald Lake Village District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

##### A. Reporting Entity

The District is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the government for which it is considered to be financially accountable. In 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

##### B. Government-Wide and Fund Financial Statements

###### Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

###### Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

##### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

###### Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Water Fund* - To account for the water operations and maintenance of the District's water lines, pumping station and plant.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the

combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

*E. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30-75
Vehicles	5
Office equipment	5
Computer equipment	5

*F. Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

*G. Fund Equity*

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

*Fund Balance* - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure.

Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

*Net Position* - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

#### H. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## 2. Stewardship, Compliance and Accountability

### A. Budgetary Information

The District's budget is originally prepared by the Commissioner's office with the cooperation of their primary contractors and engineers, when appropriate. After reviewing the budget, the commissioners hold a public hearing for discussion in the same manner as a Town under the municipal finance act.

Should the budget include a bond issue, it will follow the same posting and hearing process as required for towns. The final version of the budget is then posted and printed in the annual report, and submitted for approval at the annual district meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current tax rate and a copy of the approved appropriations is also forwarded to the Selectmen of the Town by the District Clerk as required by RSA Chapter 52.

The Commissioners cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary and in accordance with the municipal finance act.

*B. Budgetary Basis*

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget.

*C. Budget/GAAP Reconciliation*

The budgetary data for the general fund and water fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund and water fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting:

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 218,300	\$ 153,228
Other financing sources/uses (GAAP Basis)	<u>50,000</u>	<u>5,871</u>
Subtotal (GAAP Basis)	268,300	159,099
Adjust tax revenue to accrual basis	5,016	-
To remove unbudgeted capital reserve fund	<u>(50,357)</u>	<u>29,129</u>
Budgetary Basis	<u>\$ 222,959</u>	<u>\$ 188,228</u>
<u>Water Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 381,867	\$ 260,100
Other financing sources/uses (GAAP Basis)	5,871	50,000
Other timing differences	<u>2,324</u>	<u>61,632</u>
Budgetary Basis	<u>\$ 390,062</u>	<u>\$ 371,732</u>

**3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a District with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The District does not have a deposit policy for custodial credit risk.

As of December 31, 2017, \$165,640 of the District's bank balance of \$416,441 was exposed to custodial credit risk as uninsured or uncollateralized.

**4. Taxes Receivable**

The District bills property taxes on a semi-annual basis and they are due in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied to the extent that they become available, i.e., due or receivable, within the current fiscal year and collected within the current period or within 60 days of year-end. Property taxes collected before the due date, and in advance of the year for which they are levied, are recorded as a prepaid tax liability as they are intended to finance the subsequent year's budget. At the time of the tax lien, which the Town of Hillsborough, New Hampshire usually places within 90 to 120 days after the due date, a lien is recorded on the property at the Registry of Deeds. If the property taxes (redemptions) are not paid within two years and one day of the tax lien date, the property could be conveyed to the District by deed and subsequently sold at public sale held in November of each year. The District turns the uncollected balance over to the Town of Hillsborough, New Hampshire annually and receives full payment of the commitment.

Property taxes receivable reported in the government-wide financial statements are \$119,591.

**5. Intergovernmental Receivables**

This balance represents collections made by the Town Tax Collector for water receivables through December 31, 2017, which were subsequently paid in January.

**6. Interfund Fund Accounts**

**Transfers**

The District reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 50,000	\$ 5,871
Water Fund	\$ 5,871	\$ 50,000

The District's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

**7. Capital Assets**

Capital asset activity for the year ended December 31, 2017 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 178	\$ -	\$ -	\$ 178
Machinery, equipment, and furnishings	565	10	-	575
Infrastructure	<u>2,641</u>	<u>-</u>	<u>-</u>	<u>2,641</u>
Total capital assets, being depreciated	3,384	10	-	3,394
Less accumulated depreciation for:				
Buildings and improvements	(39)	(10)	-	(49)
Machinery, equipment, and furnishings	(307)	(13)	-	(320)
Infrastructure	<u>(196)</u>	<u>(69)</u>	<u>-</u>	<u>(265)</u>
Total accumulated depreciation	<u>(542)</u>	<u>(92)</u>	<u>-</u>	<u>(634)</u>
Total capital assets, being depreciated, net	<u>2,842</u>	<u>(82)</u>	<u>-</u>	<u>2,760</u>
Governmental activities capital assets, net	<u>\$ 2,842</u>	<u>\$ (82)</u>	<u>\$ -</u>	<u>\$ 2,760</u>

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

<b>Governmental Activities:</b>	
General government	\$ 1
Public works	<u>91</u>
Total depreciation expense - governmental activities	<u>\$ 92</u>

**8. Accrued Expenses**

Accrued expenses represent fiscal 2017 expenditures paid in fiscal 2018.

**9. Long-Term Debt**

**A. General Obligation Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/17</u>
Water bond	08/15/26	4.74%	\$ 305,000
General obligation	05/01/33	2.86%	<u>1,433,368</u>
Total Governmental Activities:			<u>\$ 1,738,368</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 126,658	\$ 26,635	\$ 153,293
2019	126,658	24,268	150,926
2020	126,658	21,858	148,516
2021	126,658	19,447	146,105
2022	126,658	16,993	143,651
2023 - 2027	588,290	49,089	637,379
2028 - 2032	458,288	14,405	472,693
2033 - 2034	<u>58,500</u>	<u>506</u>	<u>59,006</u>
Total	<u>\$ 1,738,368</u>	<u>\$ 173,201</u>	<u>\$ 1,911,569</u>

**C. Changes in General Long-Term Liabilities**

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

<u>Governmental Activities</u>	<u>Total Balance 1/1/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 12/31/17</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 12/31/17</u>
Bonds payable	\$ 1,865,026	\$ -	\$ (126,658)	\$ 1,738,368	\$ (126,658)	\$ 1,611,710
Totals	<u>\$ 1,865,026</u>	<u>\$ -</u>	<u>\$ (126,658)</u>	<u>\$ 1,738,368</u>	<u>\$ (126,658)</u>	<u>\$ 1,611,710</u>



10. **Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The District reports deferred inflows which arise from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

11. **Governmental Funds - Balances**

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

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

The following types of fund balances are reported at December 31, 2017:

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

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

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

**Assigned** - Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various District

departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

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

Following is a breakdown of the District's fund balances at December 31, 2017:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Total Governmental Funds</u>
Restricted			
Special revenue funds	\$ -	\$ 288,106	\$ 288,106
Total Restricted	-	288,106	288,106
Committed			
Capital reserve funds	243,796	-	243,796
Total Committed	243,796	-	243,796
Unassigned	212,313	-	212,313
Total Unassigned	212,313	-	212,313
Total Fund Balance	\$ 456,109	\$ 288,106	\$ 744,215

## 12. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 212,313
Unavailable revenue	26,074
Statutory (UMAS) Balance	\$ 238,387

## 13. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the District is involved. The District's management is of the

opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

