

WATERVILLE ESTATES VILLAGE DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2010

WATERVILLE ESTATES VILLAGE DISTRICT
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To the Commissioners
Waterville Estates Village District
Campton, New Hampshire

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Waterville Estates Village District as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 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 Waterville Estates Village District, as of December 31, 2010, and the respective changes in financial position, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Waterville Estates Village District has not presented the management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on page 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

J. Harding & Company, PLLC

Plymouth, New Hampshire
February 25, 2011

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Net Assets
December 31, 2010

	PRIMARY GOVERNMENT		
	<u>Governmental Activities</u>	<u>Business-type Activites</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 689,958	\$ 1,042	\$ 691,000
Taxes receivable	435,040	-	435,040
Other receivables	9,751	-	9,751
Prepaid Insurance	12,500	-	12,500
Due (to) from Association	32,437	-	32,437
Due (to) from General Fund	(44,579)	44,579	-
Capital assets, net of accumulated depreciation, where applicable:			
Land	18,200	-	18,200
Buildings	878,450	-	878,450
Water system	920,444	-	920,444
Ski Area	113,173	-	113,173
Vehicles	66,353	-	66,353
Equipment	208,937	-	208,937
 Total capital assets - net	 <u>2,205,557</u>	 <u>-</u>	 <u>2,205,557</u>
 Total Assets	 <u>\$ 3,340,664</u>	 <u>\$ 45,621</u>	 <u>\$ 3,386,285</u>
LIABILITIES			
Accounts payable	\$ 25,977	\$ -	\$ 25,977
Bond and note interest payable	4,280	-	4,280
Bonds and notes payable			
Portion due within one year	64,262	-	64,262
Portion due after one year	353,221	-	353,221
 Total Liabilities	 <u>447,740</u>	 <u>-</u>	 <u>447,740</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,788,074	-	1,788,074
Unrestricted	1,104,850	45,621	1,150,471
 Total Net Assets	 <u>2,892,924</u>	 <u>45,621</u>	 <u>2,938,545</u>
 Total Liabilities and Net Assets	 <u>\$ 3,340,664</u>	 <u>\$ 45,621</u>	 <u>\$ 3,386,285</u>

The accompanying notes are an integral part of these financial statements

WATERVILLE ESTATES VILLAGE DISTRICT
Reconciliation of Total Governmental Fund Balances to Net Assets
of Governmental Activities
December 31, 2010

Total Governmental Fund Balances	\$ 1,025,194
Amounts reported in governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds net of accumulated depreciation	2,205,557
Bond interest payable but not due in the current period	(4,280)
Deferred revenue that does not provide current financial resources are not reported in the funds	83,936
Bonds and notes payable are not due and payable in the current period and therefore are not reported in the funds	<u>(417,483)</u>
Net Assets of Governmental Activities	<u><u>\$ 2,892,924</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Activities
For the Year Ended December 31, 2010

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
Primary Government:				
Governmental Activities				
General Government				
Administration	\$ 208,909	\$ -	\$ -	\$ (208,909)
Building	199,091	-	-	(199,091)
Water	132,606	-	3,242	(129,364)
Roads	163,607	-	-	(163,607)
Depreciation	119,828	-	-	(119,828)
Operating lease payments	14,338	-	-	(14,338)
Public safety	17,843	-	-	(17,843)
Interest on long-term debt	19,299	-	-	(19,299)
Total Governmental Activities	875,521	-	3,242	(872,279)
Business Type Activities:				
Recreation Center	476,085	473,035	-	(3,050)
Total business-type activities	476,085	473,035	-	(3,050)
Total primary government	\$ 1,351,606	\$ 473,035	\$ 3,242	\$ (875,329)
Primary Government				
	Governmental	Business-type	Total	
	Activities	Activities		
Changes in net assets:				
Net (expense) revenue	\$ (872,279)	\$ (3,050)	\$ (875,329)	
General Revenues:				
Real estate taxes	1,088,792	-	1,088,792	
Interest income	1,555	3	1,558	
Betterment assessment	5,745	-	5,745	
Miscellaneous	2,744	-	2,744	
Total general revenues and transfers	1,098,836	3	1,098,839	
Change in net assets	226,557	(3,047)	223,510	
Net assets - beginning of year	2,666,367	48,668	2,715,035	
Net assets - end of year	\$ 2,892,924	\$ 45,621	\$ 2,938,545	

WATERVILLE ESTATES VILLAGE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2010

Net Change in Governmental Fund Balances	\$ 77,917
Amounts reported for the governmental activities in the statement of activities 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. In the current period capital expenditures of (\$ 273,310) exceeded depreciation of (\$ 119,828)	153,482
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term bonds and notes payable in the statement of net assets. This is amount of debt repayment \$ 64,419 plus the decrease in accrued interest of \$ 903 in the current period	65,322
The change in deferred revenue represents revenues recognized due to availability of funds	<u>(70,164)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 226,557</u></u>

WATERVILLE ESTATES VILLAGE DISTRICT
Balance Sheet
Governmental Funds
December 31, 2010

ASSETS	General Fund
Assets	
Cash and Equivalents	\$ 216,140
Investments	473,818
Receivables	
Taxes	435,040
Other	9,751
Due from Association	32,437
Prepaid Insurance	12,500
TOTAL ASSETS	\$ 1,179,686
 LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 25,977
Due to Recreation Fund	44,579
Deferred tax revenue	83,936
TOTAL LIABILITIES	154,492
 Fund balances	
Unreserved, reported in:	
General fund	1,025,194
Total Fund Balances	1,025,194
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,179,686

WATERVILLE ESTATES VILLAGE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2010

	General Fund
Revenues	
Property taxes and related interest	\$ 1,158,956
Intergovernmental	3,242
Betterment income	5,745
Miscellaneous	2,744
Interest	1,555
	1,172,242
Total Revenues	
Expenditures	
General government	208,909
Highways and streets	163,607
Water distribution and treatment	132,606
Building	199,091
Capital expenditures	273,310
Debt service	69,966
Operating leased payments	28,993
Public safety	17,843
	1,094,325
Total Expenditures	
Excess (Deficiency) of Revenues Over (Under) Expenditures	77,917
Net Change in Fund Balances	77,917
Fund Balances - Beginning of year	947,277
Fund Balances - End of year	\$ 1,025,194

**WATERVILLE ESTATES VILLAGE DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2010**

ASSETS

Assets	
Cash and equivalents	\$ 1,042
Due From General Fund	<u>44,579</u>
 Total Assets	 <u><u>\$ 45,621</u></u>

LIABILITIES AND FUND NET ASSETS

Liabilities	<u>\$ -</u>
 Fund Net Assets	
Unrestricted Net Assets	<u>45,621</u>
 Total Fund Net Assets	 <u>45,621</u>
 Total Liabilities and Fund Net Assets	 <u><u>\$ 45,621</u></u>

**WATERVILLE ESTATES VILLAGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Revenues

Rental income	\$ 185,000
Management fee	100,000
Membership passes	22,560
Food and beverage income	125,899
Recreation income	7,265
Event and function income	<u>32,311</u>

Total Operating Revenues	<u>473,035</u>
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Operating Expenses

Wages and related expenses	259,712
Administrative expenses	36,962
Cost of food, beverage and supplies	80,349
Lounge expenses	42,288
Repairs, maintenance and supplies	37,435
Member services expenses	<u>19,339</u>

Total Operating Expenses	<u>476,085</u>
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Total Operating Income (Loss)	<u>(3,050)</u>
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Nonoperating Revenue and Expense

Interest income	<u>3</u>
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Total Nonoperating Revenues (Expenses)	<u>3</u>
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Change in Fund Net Assets	(3,047)
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Fund Net Assets - Beginning of Year	<u>48,668</u>
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Fund Net Assets - End of Year	<u><u>\$ 45,621</u></u>
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**WATERVILLE ESTATES VILLAGE DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

Cash flows from operating activities:	
Receipts from customers	\$ 476,085
Payments to vendors	(216,373)
Payments to employees	<u>(259,712)</u>
Net cash flows provided by (used in) operating activities	<u>0</u>
Cash Flows from Noncapital Financing Activities:	
Transfers from General Fund	<u>-</u>
Cash flows from noncapital and related financing	<u>-</u>
Cash flows from capital and related financing activities:	<u>-</u>
Cash flows from investing activities:	
Interest income	<u>3</u>
Net cash provided by (used in) investing activities	<u>3</u>
Net increase (decrease) in cash	3
Cash and equivalents - beginning of year	<u>1,039</u>
Cash and equivalents - end of year	<u><u>\$ 1,042</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (3,050)
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in assets:	
Due from Association	
Due from General Fund	3,050
Increase (decrease) in liabilities:	
Accounts payable	<u>-</u>
Net cash flows provided by (used in) operating activities	<u><u>\$ -</u></u>

**WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Waterville Estates Village District (the "District") is a New Hampshire Municipal Corporation governed by a Board of Commissioners and other elected officials. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 District's accounting policies and its conformity with such principles are disclosed below.

FINANCIAL REPORTING ENTITY

As required by Governmental Accounting Standards Board statement No. 14, *The Financial Reporting Entity*, these financial statements are required to present the District (primary government), and its component units (if any). A primary government is defined as any state government or general-purpose local government. In addition, a primary government may also consist of a special purpose government (such as a school district or local administrative unit) that meets all of the following criteria: (1) it has a separately elected governing body; (2) it is legally separate; and (3) it is fiscally independent of other governments.

A component unit is defined 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 or incomplete. Based on the foregoing criteria, no other related organizations are included in the District's financial reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government.

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 grants from the State of New Hampshire that are restricted to meeting the operational requirements of a particular function or segment. Other items not properly included in program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resource 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 government considers revenues to be available if they are collected within 60 days of the end of the

current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The district uses both governmental funds and business-type funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended according to the general laws of New Hampshire.

Capital Reserve Fund - The Capital Reserve Fund is used to account for funds set aside for future capital expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year end. Under the modified accrual basis, only interest is considered to be both measurable and available at year end.

Non-exchange transactions, in which the District receives value without directly giving value in return, include state grants. On the accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash 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 ninety days or less. The District is required by State statute to have custody of all monies belonging to the District and shall pay out the same only upon orders of the Commissioners. The District shall deposit all such monies in solvent banks in the state or in participation units of the public deposit investment pool established pursuant to RSA 383:22. Funds may be deposited in banks outside the state if such banks pledge to 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 District Treasurer has an excess of funds which are not immediately needed for the purpose of expenditure, State statutes require the Treasurer, with the approval of the Commissioners, 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 in 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 funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having at least equal value to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the District. 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.

Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God. During 2010, there were no significant reductions in insurance coverage from the prior year.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District possesses roads and water system as infrastructure assets. The cost of the water system is known and capitalized. However, cost for roads has not been maintained, and as a Phase III municipality, the District elects to record road infrastructure costs prospectively as allowed by GASB Statement No. 34. Improvements to assets are capitalized but the normal maintenance and repairs that do not add materially to the value of the assets or materially extend the asset's life are expensed when incurred.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by any outstanding borrowings used to acquire those assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Revenue

The District reports deferred revenue in the governmental fund balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In general, monies received within 60 days after year-end are considered to have been for the prior year services.

The District levies property taxes, which according to State Law, is collected by the Towns of Campton and Thornton and then remitted to the district. Property taxes are levied in May and November based on

assessed valuations as of April 1 of each year. Campton and Thornton taxes are recognized based on collections during the year and for 60 days subsequent to December 31 in accordance with GASB 33. Any taxes receivable not collected within the 60 days are classified as deferred revenue and recognized as revenue when received. The Towns of Campton and Thornton remit taxes to the District for amounts collected.

Budget Policy and Practice

The District's manager submits an annual budget to the Commissioners as required by law. The budget is presented to the Commissioners for review, and public hearings are held to address priorities and the allocation of resources. In March, the District adopts the annual fiscal year budget for the District's operating funds. Once approved, the Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting

The budgets for operating funds are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is to be incurred.

NOTE 2 - CASH AND EQUIVALENTS

Deposits – The District's cash deposits are categorized to give an indication of the level of risk assumed by the District at December 31. *Category 1* - Includes deposits that are insured or collateralized with securities held by the District or by its agent in the District's name. *Category 2* – Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. *Category 3* – Includes deposits that are uninsured and uncollateralized

	Category			Bank Balance	Carrying Value
	1	2	3		
Bank Deposits	\$ 241,685	\$ -	\$ -	\$ 241,685	\$ 216,140

NOTE 3 - INVESTMENTS

During the year ended December 31, 2010, the District invested capital reserve funds in the *New Hampshire Public Deposit Investment Pool*. Based on Governmental Accounting Standards Board (GASB) Statement No. 3, investments with the New Hampshire Public Deposit Investment Pool are considered unclassified. Currently, the pool's investments are limited to short-term U.S. Treasury and U.S. Government Agency obligations, State of New Hampshire municipal obligations, certificates of deposit, money market mutual funds, overnight to 30-day repurchase agreements and reverse overnight repurchase agreements with primary dealers or dealer banks.

Under the terms of GASB Statement No. 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*, the pool is considered to be a **2a7-like pool** which means that it has a policy that it will, and does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Act of 1940. This rule allows funds to use amortized cost rather than the market value to report net assets to compute share prices if certain conditions are met. Therefore the District reports its investments in the pool at amortized cost, which equals the pool's participation price.

NOTE 4 - CAPITAL ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2010 is as follows:

	Balance January 1	Additions	Deletions	Balance December 31
Land	\$ 18,200	\$ -	\$ -	\$ 18,200
Buildings	1,857,467	46,884	-	1,904,351
Equipment	204,746	112,874	-	317,620
Ski Area	-	113,552	-	113,552
Vehicles	207,113	-	-	207,113
Water System	1,554,144	-	-	1,554,144
	3,841,670	<u>\$ 273,310</u>	<u>\$ -</u>	4,114,980
Accumulated Depreciation	<u>1,789,595</u>	<u>119,828</u>	<u>-</u>	<u>1,909,423</u>
Capital Assets - net	<u>\$ 2,052,075</u>			<u>\$ 2,205,557</u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of the District's general long-term debt transactions for the year ended December 31, 2010:

	<u>General Obligation Debt Payable</u>
Balance - January 1	\$ 481,902
Issued	-
Retired	<u>(64,419)</u>
Balance - December 31	<u>\$ 417,483</u>

General long-term debt payable at December 31, 2010 consists of the following issues:

<u>Description of Issue</u>	<u>Original Issue</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding December 31</u>
<i>General Obligation Debt</i>					
Water Project	\$ 400,000	8/15/08	2/15/20	4.57	\$ 345,454
Water System Phase I	355,000	11/18/92	11/15/13	5.0-6.1	45,000
Vehicles	54,739	8/19/08	8/19/12	6.5	<u>27,029</u>
					<u>\$ 417,483</u>

Annual requirements to amortize all general obligation debt outstanding as of December 31, 2010, including interest payments, are as follows:

Year Ending December 31	Governmental Fund Debt		
	Principal	Interest	Total
2011	\$ 64,262	\$ 17,660	\$ 81,922
2012	65,495	13,589	79,084
2013	51,364	11,592	62,956
2014	36,364	9,205	45,569
2015	36,364	7,732	44,096
2016 - 2020	163,634	16,567	180,201
	<u>\$ 417,483</u>	<u>\$ 76,345</u>	<u>\$ 493,828</u>

NOTE 6 - STATE AID

In addition to local revenues, the District receives aid from the State of New Hampshire in the form of a State Aid to Water Filtration Projects. The District receives a percent of the annual amortization charges on the original costs resulting from the acquisition and construction of water filtration facilities. At December 31, 2010, the District is due to receive the following annual amounts to offset debt payments:

December 31,	Governmental Fund Debt		
	Principal	Interest	Total
2011	\$ 3,000	\$ 546	\$ 3,546
2012	3,000	3	3,003
	<u>\$ 6,000</u>	<u>\$ 549</u>	<u>\$ 6,549</u>

NOTE 7 – RECREATION REVOLVING FUND AND RELATED PARTY TRANSACTION

Effective July 1, 2006, the District established a Recreation Revolving Fund pursuant to RSA 35-B: 2, II. This fund is a proprietary fund for accounting and reporting purposes. The fund is to receive all fees for the use of the recreational facilities and concessions including building rental and management fees from Waterville Estates Association. Rent and management fees received for the current year were \$ 185,000 and \$ 100,000, respectively. In addition, funds may accumulate from year to year and shall not be considered part of the District's unreserved fund balance.

NOTE 8 – RETIREMENT PLAN

The District participates in the New Hampshire Retirement System (the System). The plan is a contributory, defined benefit plan providing service, disability, death and vested benefits to members and their beneficiaries. Provisions for benefits are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The system is financed by contributions from both the employees and the District. All employees are required to contribute 5% of eligible compensation. The Department contributed for its employees 9.16% for the year ended December 31, 2010. The employer contribution requirement for 2010 was \$ 23,383.

NOTE 9 – CONTINGENCIES

Amounts of grants received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may be disallowed by the grantor, and may constitute a liability of the applicable funds. The amount of the 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.

WATERVILLE ESTATES VILLAGE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2010

	<u>General Fund</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues			
Taxes	\$ 1,157,359	\$ 1,158,956	\$ 1,597
Intergovernmental	3,903	3,242	(661)
Interest income on investments	3,297	1,555	(1,742)
Miscellaneous and betterment assessment	9,354	8,489	(865)
Total Revenues	<u>1,173,913</u>	<u>1,172,242</u>	<u>(1,671)</u>
Expenditures			
General government	166,784	208,909	(42,125)
Highways and streets	220,993	163,607	57,386
Water Distribution and Treatment	184,312	132,606	51,706
Capital outlay	259,294	273,310	(14,016)
Building	232,705	199,091	33,614
Debt Service	96,130	98,959	(2,829)
Public safety	13,695	17,843	(4,148)
Total Expenditures	<u>1,173,913</u>	<u>1,094,325</u>	<u>79,588</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>77,917</u>	<u>77,917</u>
Other Sources (Uses)			
Proceeds of debt	-	-	-
Proceeds grants	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>77,917</u>	<u>51,724</u>
Budgetary Fund Balance - Beginning of year	947,277	947,277	-
Operating transfers	<u>-</u>	<u>-</u>	<u>74,708</u>
Budgetary Fund Balance - End of year	<u>\$ 947,277</u>	<u>\$ 1,025,194</u>	<u>\$ 126,432</u>

**WATERVILLE ESTATES VILLAGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Process

The budgetary process is prescribed by provisions of New Hampshire state statutes which entails the preparation of budgetary documents within an established timetable. The estimated resources and the appropriations resolutions are prepared on the budgetary basis of accounting.

The estimated resources and appropriations are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. Supplemental appropriations may sometimes be necessary, but none were required during the year ended December 31, 2010.

General governmental revenues and expenditures accounted for in the budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the District's operations. At its annual meeting, the District adopts a budget for the current year for the general fund. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at the end of the year unless encumbered. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end.

Basis of Budgetary Accounting

The District's budgetary process accounts for transactions in accordance with generally accepted accounting principles (GAAP). Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.