

THE VILLAGE DISTRICT OF EIDELWEISS

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017

**THE VILLAGE DISTRICT OF EIDELWEISS
FINANCIAL REPORT
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TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position (Exhibit 1)	7
Statement of Activities (Exhibit 2)	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	9
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position (Exhibit 4)	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6)	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund (Non-GAAP Budgetary Basis) (Exhibit 7)	13
Water Extension Fund (GAAP Basis) (Exhibit 8)	14
NOTES TO THE FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Village District’s Proportionate Share of the Net Pension Liability (Exhibit 9)	26
Schedule of the Village District’s Pension Contributions (Exhibit 10)	27
Note to the Required Supplementary Information	28
SUPPLEMENTARY INFORMATION	
INDIVIDUAL FUND SCHEDULES	
General Fund:	
Schedule of Estimated and Actual Revenues (Exhibit 11)	29
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 12)	30
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 13)	31



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Commissioners
Village District of Eidelweiss
Madison, New Hampshire

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village District of Eidelweiss as of and for the year ended December 31, 2017, which collectively comprise the Village District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 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 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.

Unmodified 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 the Village District of Eidelweiss, as of December 31, 2017, and the respective changes in financial position thereof and budgetary comparison statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and pension related schedules on pages 26 and 27 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. 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village District of Eidelweiss. The individual General Fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They are the responsibility of management and were derived from and relate 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 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 individual General Fund Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

April 3, 2018

Roberts & Greene, PLLC

**Village District of Eidelweiss
Management Discussion and Analysis
For Fiscal Year Ended December 31, 2017
March 13, 2018**

This analysis, prepared by the Board of Commissioners, offers readers of the Village's Financial Statements a narrative overview and analysis of the financial activities of the Village District of Eidelweiss (VDOE) for the fiscal year ended December 31, 2017.

This is the seventh year that our financial statements have been prepared in accordance with generally accepted accounting principles for governments as established by the Governmental Accounting Standards Board (GASB). We encourage readers to consider the information presented in this report.

The GASB accounting principles establish the criteria for the reporting standards for governmental funds and establishes the criteria for classifying fund balances into specifically defined classifications and sets constraints upon the use of resources reported in governmental funds.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The users of financial statements also rely on the independent auditor's opinion. If the Village's financial statements have significant departures from GAAP, the independent auditors may issue a qualified or an adverse opinion.

Financial Highlights

The preparation of accounts, systems and procedures permitted the reporting of an audited financial statement. This is the seventh audited statement since 2003. Having more than six consecutive years of GASB compliant, audited data, the VDOE now has the tools to do budget analysis that did not exist for the previous years.

- The total assets of the VDOE exceeded its liabilities at the close of 2017 by \$2,309,192.00.
- At the close of 2017, the VDOE's Unassigned Fund balance in the General Fund was \$168,087. The Water Extension Fund balance was \$0.00

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the VDOE's basic financial statements.

Income Statement	2016	2017
Revenues		
Program Income	187,199	262,102
General Revenue	439,658	535,523
Total Revenues	626,857	797,625
Expenses		
General Government	156,201	234,007
Highways and Streets	221,367	287,467
Water Distribution/Treatment	175,055	157,660
Culture and Recreation	6,600	9,780
Interest on Long-term Debt	15,720	16,660
Capital Outlay	26,754	66,414
Total Expenses	601,697	771,988
Net Income	25,160	25,637
Assets and Liabilities	2016	2017
Assets		
Cash	49,819	103,427
Capital Reserve Balances	163,628	145,163
Taxes Receivable	216,277	293,127
Accounts Receivable, net	4,043	8,193
Inventory	0	0
Prepaid expense	20,221	20,907
Land	271,127	286,927
Other Capital Assets, net	2,238,609	2,231,389
Total Assets	2,963,724	3,089,133
Deferred Outflows-Pensions	68,503	111,843
Liabilities		
Accounts Payable	9,116	47,705
Accrued Payroll	7,639	9,881
Accrued Interest Payable	7,270	7,605
Retainage Payable	4,177	0
Capital Leases/Notes Payable	592,792	625,183
Net Pension Liability	125,352	193,636
Total Liabilities	746,346	884,010
Deferred Inflows – Pensions	6,001	7,774
Net Position	2,279,880	2,309,192

Budget Discussion

	Expended/Encumbered	Budget	Variance
Expenditures			
Executive	12,433	12,200	(233)
Financial Administration	52,062	51,512	(550)
Legal Expense	2,403	3,400	997
Employee Benefits	83,018	85,127	2,109
General Government			
Buildings	16,012	10,433	(5,579)
Insurance	41,128	35,850	(5,278)
Bond Payments (P&I)	103,017	95,285	(7,732)
Regional Association	760	850	90
Miscellaneous/ Contingency	1,223	2,350	1,127
Highway & Streets (incl. Equip. Maintenance)	218,397	211,454	(6,943)
Street Lighting	1,608	1,250	(358)
Parks & Recreation	9,780	7,000	(2,780)
TAN Interest	2,415	500	(1,915)
Water Services	131,021	149,127	18,106
Capital Outlay	113,635	109,500	(16,053)
Prior Year Encumbrances		13,100	
Current Year Encumbrances	25,018		
Total Expended/Encumbered	833,930	808,938	(24,992)

The District budget had an unfavorable variance of \$24,992.

Accounts that contributed in a positive way:

- Employee Benefits was favorable by \$2,109 due to use of capital funds.
- Water Services were favorable by \$18,106.

Significant Accounts that contributed to an unfavorable balance:

- Debt Services is unfavorable by \$7,732. The portion of debt paid in 2017 by the water budget is reimbursed as an offset to this unfavorable balance.
- Insurance was unfavorable by \$5,278. The change of property-liability carrier and loss of credits that had been received from the prior carrier contributed to this unfavorable balance.
- Highway and Streets was unfavorable by \$6,943 primarily due to maintenance and repairs.
- Buildings was unfavorable by \$5,579 due to failure of a heater and hot water heater in December.

- Parks and Recreation was unfavorable by \$2,780 due to higher maintenance costs.
- TAN Interest was unfavorable by \$1,915 due to higher than forecasted outstanding loan balances.

Other account discussion items:

All usual and routine operations were performed at expected levels and within budget. Several expenditures of the Village District are highlighted below as they reflect progress being made in many areas.

- Long-term forecasting of the Village District capital asset requirements initiated. Asset Management Committee work is productive in establishing priorities.
- Phase 1 upgrade for the Muddy Beach Pump station, the installation and integration of new meters to aid in water leak detections, installation of a VFD at Muddy Beach reduces the cost of pumping water and increasing the life expectancy of the pumps.
- Upgrades have been implemented in the SCADA system preparing for off-peak electrical billing and improved monitoring.
- Maintenance of the asphalt roads improved with the addition of a new crack sealing system.
- The DPW team has graded 60% of the Village District roads
- The DPW team has cleaned 30% of culverts and replaced and repaired 8 culverts.
- A new Brine system is operational. It results in reduced salt usage that eventually is part of runoff into our streams and ponds.
- Snow removal work was effective even with occasional equipment breakdown challenges.
- Improved documentation of road and culvert maintenance provides the Village District a multi-year set of maintenance records indicating what, when and materials used to maintain the road system.
- Continued focus on training of staff utilizing UNH's T2 and other structured training programs. This training effort ensures that staff operations can take advantage of best practices used in organizations across the state.

General Fund and Capital Reserve Funds

We enter 2018 with a budget that reflects the ongoing operational costs and the immediate capital requirements of the VDOE. A comprehensive review is being performed to evaluate and propose future capital improvements. The objective is to provide a plan that covers the long term needs of the VDOE. The Board plans to keep the voters and taxpayers informed on our progress.

For additional information, please contact the Commissioners office at 603-367-9022 or email the office at: office@vdoe-nh.org.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
VILLAGE DISTRICT OF EIDELWEISS
Statement of Net Position
December 31, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 103,427
Intergovernmental receivable	145,163
Other receivables, net of allowance for uncollectibles	301,320
Prepaid items	20,907
Capital assets, not being depreciated:	
Land	286,927
Capital assets, net of accumulated depreciation:	
Lodge and cabana	55,702
Water System	681,453
Eidelweiss Drive facility	196,390
Heavy equipment	590,724
Roads and dams	661,700
Conway Road facility	45,420
Total assets	3,089,133
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	111,843
 LIABILITIES	
Accounts payable	47,705
Accrued payroll and benefits	9,881
Accrued interest payable	7,605
Tax anticipation note payable	190,000
Noncurrent obligations:	
Due within one year:	
Notes payable	65,879
Capital lease payable	24,491
Due in more than one year:	
Notes payable	210,928
Capital lease payable	133,885
Net pension liability	193,636
Total liabilities	884,010
 DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	7,774
 NET POSITION	
Net investment in capital assets	2,083,133
Unrestricted	226,059
Total net position	\$ 2,309,192

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

EXHIBIT 2
VILLAGE DISTRICT OF EIDELWEISS
Statement of Activities
For the Year Ended December 31, 2017

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
General government	\$ 234,007	\$ -	\$ (234,007)
Highways and streets	287,467	1,850	(285,617)
Water services and treatment	157,660	260,252	102,592
Culture and recreation	9,780	-	(9,780)
Interest on long-term debt	16,660	-	(16,660)
Capital outlay	66,414	-	(66,414)
Total primary government	<u>\$ 771,988</u>	<u>\$ 262,102</u>	<u>(509,886)</u>
General revenues:			
Property taxes			508,720
Miscellaneous			<u>26,803</u>
Total general revenues			<u>535,523</u>
Change in net position			25,637
Net position, beginning, as restated, see Note III.E.			<u>2,283,555</u>
Net position, ending			<u>\$ 2,309,192</u>

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

EXHIBIT 3
VILLAGE DISTRICT OF EIDELWEISS
Balance Sheet
Governmental Funds
December 31, 2017

	General	Water Extension	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 60,632	\$ 42,795	\$ 103,427
Receivables:			
Taxes	293,127	-	293,127
Accounts	8,193	-	8,193
Intergovernmental	145,163	-	145,163
Interfund receivable	42,795	-	42,795
Prepaid items	20,907	-	20,907
Total assets	<u>\$ 570,817</u>	<u>\$ 42,795</u>	<u>\$ 613,612</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 47,705	\$ -	\$ 47,705
Accrued salaries and benefits	9,881	-	9,881
Interfund payable	-	42,795	42,795
Accrued interest payable	1,498	-	1,498
Tax anticipation note payable	190,000	-	190,000
Total liabilities	<u>249,084</u>	<u>42,795</u>	<u>291,879</u>
Deferred inflows of resources:			
Unavailable revenue	<u>4,558</u>	<u>-</u>	<u>4,558</u>
Fund balances:			
Nonspendable-prepaid items	20,907	-	20,907
Committed to capital outlay	128,181	-	128,181
Unassigned	168,087	-	168,087
Total fund balances	<u>317,175</u>	<u>-</u>	<u>317,175</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 570,817</u>	<u>\$ 42,795</u>	<u>\$ 613,612</u>

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

EXHIBIT 4
VILLAGE DISTRICT OF EIDELWEISS
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2017

Total fund balances of governmental funds (Exhibit 3)		\$ 317,175
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.		
Cost	\$ 3,111,250	
Less accumulated depreciation	<u>(592,934)</u>	
		2,518,316
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (42,795)	
Payables	<u>42,795</u>	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable water charges		4,558
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(6,107)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes outstanding	\$ 276,807	
Capital lease outstanding	158,376	
Net pension liability	<u>193,636</u>	
		(628,819)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 111,843	
Deferred inflows of resources related to pensions	<u>(7,774)</u>	
		104,069
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 2,309,192</u></u>

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

EXHIBIT 5
VILLAGE DISTRICT OF EIDELWEISS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Water Extension	Total Governmental Funds
Revenues:			
Taxes	\$ 508,720	\$ -	\$ 508,720
Charges for services	228,447	32,000	260,447
Miscellaneous	10,998	5	11,003
Total revenues	<u>748,165</u>	<u>32,005</u>	<u>780,170</u>
Expenditures:			
Current:			
General government	209,039	-	209,039
Highways and streets	220,005	-	220,005
Water services and treatment	131,021	-	131,021
Culture and recreation	9,780	-	9,780
Debt service:			
Principal	87,609	-	87,609
Interest	17,823	-	17,823
Capital outlay	113,635	37,911	151,546
Total expenditures	<u>788,912</u>	<u>37,911</u>	<u>826,823</u>
Net change in fund balances	(40,747)	(5,906)	(46,653)
Fund balances, beginning, as restated, see Note III.E.	357,922	5,906	363,828
Fund balances, ending	<u>\$ 317,175</u>	<u>\$ -</u>	<u>\$ 317,175</u>

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

EXHIBIT 6
VILLAGE DISTRICT OF EIDELWEISS
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

Net change in fund balances of governmental funds (Exhibit 5)		\$ (46,653)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 100,932	
Depreciation expense	<u>(92,352)</u>	8,580
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in unavailable water charges		1,655
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of note principal	\$ 63,829	
Repayment of capital lease principal	<u>23,780</u>	87,609
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.		
Decrease in accrued interest expense		1,163
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Village District pension contributions	\$ 15,950	
Cost of benefits earned, net of employee contributions	<u>(42,667)</u>	<u>(26,717)</u>
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 25,637</u></u>

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

EXHIBIT 7
VILLAGE DISTRICT OF EIDELWEISS
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 508,710	\$ 508,710	\$ 508,720	\$ 10
Licenses, permits and fees	1,000	1,000	-	(1,000)
Charges for services	197,627	197,627	228,447	30,820
Miscellaneous	7,507	7,507	10,469	2,962
Total revenues	<u>714,844</u>	<u>714,844</u>	<u>747,636</u>	<u>32,792</u>
EXPENDITURES				
Current:				
General government	201,722	201,722	209,039	(7,317)
Highways and streets	203,710	212,704	220,005	(7,301)
Water services and treatment	145,127	149,127	131,021	18,106
Culture and recreation	7,000	7,000	9,780	(2,780)
Debt service:				
Principal	95,285	95,285	103,017	(7,732)
Interest on long-term debt	-	-	-	-
Interest on tax anticipation note	500	500	2,415	(1,915)
Capital outlay	103,500	109,500	125,553	(16,053)
Total expenditures	<u>756,844</u>	<u>775,838</u>	<u>800,830</u>	<u>(24,992)</u>
Deficiency of revenues under expenditures	<u>(42,000)</u>	<u>(60,994)</u>	<u>(53,194)</u>	<u>7,800</u>
Other financing sources (uses):				
Transfers in	62,000	80,994	80,994	-
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources and uses	<u>42,000</u>	<u>60,994</u>	<u>60,994</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	7,800	<u>\$ 7,800</u>
Increase in nonspendable fund balance			(686)	
Unassigned fund balance, beginning, as restated			<u>160,973</u>	
Unassigned fund balance, ending			<u>\$ 168,087</u>	

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

EXHIBIT 8
VILLAGE DISTRICT OF EIDELWEISS
Water Extension Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 50,000	\$ 32,000	\$ (18,000)
Miscellaneous	-	5	5
Total revenues	<u>50,000</u>	<u>32,005</u>	<u>(17,995)</u>
EXPENDITURES			
Capital outlay:			
Repairs and improvements to water system	<u>50,000</u>	<u>37,911</u>	<u>12,089</u>
Net change in fund balance	<u>\$ -</u>	<u>(5,906)</u>	<u>\$ (5,906)</u>
Fund balance, beginning		<u>5,906</u>	
Fund balance, ending		<u><u>\$ -</u></u>	

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

NOTES TO THE FINANCIAL STATEMENTS

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Village District of Eidelweiss (the Village District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Village District's financial activities for the year ended December 31, 2017.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Village District is a municipal corporation governed by a three-member board of commissioners elected by the voters of the Village District. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Village District's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Village District as a whole. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues consist of charges for services which primarily report charges for water services. The property taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the governmental funds.

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

I.B.3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Village District are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Village District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenues susceptible to accrual are the property taxes, water charges and investment income. In general, other revenues are recognized when cash is received.

I.B.4. Fund Types and Major Funds

Governmental Funds

The Village District reports the following two major governmental funds:

General Fund – Reports as the primary fund of the Village District. This fund is used to account for all financial resources not reported in other funds.

Water Extension Fund – This is a special revenue fund used to report water extension revenues and related expenditures.

The Village District also has several Expendable Trust Funds (Capital Reserves). These funds are reported within the General Fund.

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

I.C. Assets, Liabilities and Net Position or Fund Equity

I.C.1. *Cash and Cash Equivalents*

The laws of the State of New Hampshire require that the Village District's treasurer have custody of all monies belonging to the Village District and pay out the same only upon orders of the Board of Commissioners.

I.C.2. *Long-Term Liabilities*

In the government-wide financial statements, outstanding debt is reported as liabilities. The Village District reports the outstanding balances of notes and capital leases payable, along with the net pension liability, in this category.

I.C.3. *Equity Balances*

The financial statements report components of net position and fund balance for various amounts as described here.

The government-wide statement of net position reports the following components of net position:

- Net investment in capital assets, which consists of the balance of capital assets net of accumulated depreciation, reduced by outstanding debt used to acquire those assets.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which represents the balance of prepaid items that is not in a spendable form.
- Committed, which represents the balances of the capital reserve funds, which have been set aside by the Village District Meeting for specific purposes and encumbrances of special warrant articles.
- Unassigned, which consists of the remaining balance in the General Fund and the deficit balance in the Water Extension Fund.

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

I.C.4. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for both major funds. Unless encumbered, all appropriations lapse at year-end. The Village District is allowed to use beginning fund balance to balance the budget. In the year 2017, none of the fund balance from 2016 was so used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., balances of special warrant articles, contracts) outstanding at year-end are reported as committed or assigned fund balance and do not constitute expenditures or liabilities because the amounts will be added to the appropriations voted for the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, highways and streets, water services, culture and recreation, debt service and capital outlay.

II.B. Reconciliation of Budgetary Basis to GAAP

The following reconciles the General Fund budgetary basis to GAAP.

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 828,630
Adjustments:	
Perspective difference:	
Transfers from Expendable Trust Funds	(80,994)
Investment income of Expendable Trust Funds	529
Per Exhibit 5 (GAAP basis)	<u>\$ 748,165</u>

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 820,830
Adjustments:	
Basis difference:	
Encumbrances, beginning	13,100
Encumbrances, ending	(25,018)
Perspective difference:	
Transfers to Expendable Trust Funds	(20,000)
Per Exhibit 5 (GAAP basis)	<u>\$ 788,912</u>

II.C. Overexpenditure of Budget

During the year the budget was overexpended due to emergency repairs to a water main and repairs to District equipment.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Receivables

Significant receivables consist of intergovernmental amounts arising from the balance of the property taxes due from the Town of Madison in the amount of \$293,127, and the balance of the expendable trust funds of \$145,163, which are in the custody of the Trustees of Trust Funds of the Town of Madison as required by New Hampshire statute.

Receivables are recorded on the Village District’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectability.

The notes continue on the following page.

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

III.B. Capital Assets

The following provides a summary of changes in capital assets of the Governmental Activities during the year:

	<u>Balance, beginning</u>	<u>Changes</u>	<u>Balance, ending</u>
At cost:			
Not being depreciated:			
Land	\$ 271,127	\$ 15,800	\$ 286,927
Being depreciated:			
Lodge and cabana	42,000	29,982	71,982
Water system	852,090	49,000	901,090
Eidelweiss Drive facility	230,000	-	230,000
Heavy equipment	676,632	6,150	682,782
Roads and dams	874,469	-	874,469
Conway Road facility	64,000	-	64,000
Total capital assets being depreciated	<u>2,739,191</u>	<u>85,132</u>	<u>2,824,323</u>
Total all capital assets	<u>3,010,318</u>	<u>100,932</u>	<u>3,111,250</u>
Less accumulated depreciation:			
Lodge and cabana	(15,590)	(690)	(16,280)
Water system	(196,077)	(23,560)	(219,637)
Eidelweiss Drive facility	(29,390)	(4,220)	(33,610)
Heavy equipment	(64,944)	(27,114)	(92,058)
Roads and dams	(176,641)	(36,128)	(212,769)
Conway Road facility	(17,940)	(640)	(18,580)
Total accumulated depreciation	<u>(500,582)</u>	<u>(92,352)</u>	<u>(592,934)</u>
Net book value, capital assets being depreciated	<u>2,238,609</u>	<u>(7,220)</u>	<u>2,231,389</u>
Net book value, all capital assets	<u>\$ 2,509,736</u>	<u>\$ 8,580</u>	<u>\$ 2,518,316</u>

Depreciation expense was allocated to functions of the governmental activities as follows:

General government	\$ 1,330
Highways and streets	67,462
Water services	<u>23,560</u>
Total depreciation expense	<u>\$ 92,352</u>

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

III.C. Long-Term Liabilities

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2017	Current Portion
General obligation notes payable:						
Jung Frau	\$ 133,000	2010	2020	3.802	\$ 38,094	\$ 14,808
Truck	\$ 109,590	2015	2020	3.349	67,952	21,904
Oak Ridge	\$ 213,750	2016	2023	2.720	170,761	29,167
					<u>276,807</u>	<u>65,879</u>
Capital lease payable:						
Road grader	\$ 256,890	2014	2023	2.99	158,376	24,491
Net pension liability					193,636	-
					<u>\$ 628,819</u>	<u>\$ 90,370</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	General Obligation Notes Payable	Capital Lease Payable	Net Pension Liability	Total
Balance, beginning	\$ 340,636	\$ 182,156	\$ 125,352	\$ 648,144
Additions	-	-	68,284	68,284
Reductions	(63,829)	(23,780)	-	(87,609)
Balance, ending	<u>\$ 276,807</u>	<u>\$ 158,376</u>	<u>\$ 193,636</u>	<u>\$ 628,819</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for the notes payable as of year-end are as follow:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 65,879	\$ 7,912	\$ 73,791
2019	67,997	5,794	73,791
2020	62,116	3,618	65,734
2021	31,664	2,014	33,678
2022	32,543	1,135	33,678
2023	16,608	231	16,839
Totals	<u>\$ 276,807</u>	<u>\$ 20,704</u>	<u>\$ 297,511</u>

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

The annual payments to service the capital lease payable as of year-end are as follow:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 24,491	\$ 4,736	\$ 29,227
2019	25,223	4,003	29,226
2020	25,977	3,249	29,226
2021	26,754	2,472	29,226
2022	27,554	1,672	29,226
2023	28,377	849	29,226
Totals	<u>\$ 158,376</u>	<u>\$ 16,981</u>	<u>\$ 175,357</u>

III.D. Balances Within the Reporting Entity

The \$42,795 receivable by the General Fund and payable from the Water Extension Fund represents expenditures made by the General Fund, to be paid by the Water Extension Fund.

III.E. Restatement of Beginning Equity

Equity balances at January 1, 2017 were restated to reflect the following adjustment:

	Governmental Activities	General Fund
To adjust for expenditure invoiced twice	\$ 3,675	\$ 3,675
Net position/fund balance, as previously reported	2,279,880	354,247
Net position/fund balance, as restated	<u>\$ 2,283,555</u>	<u>\$ 357,922</u>

IV. Other Information

IV.A. Risk Management

The Village District's risk management activities are reported with governmental activities and recorded in the General Fund. During the year, the Village District was a member of the New Hampshire Public Risk Management Exchange (Primex), which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governments.

Primex's Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Coverage is provided for fiscal years, July 1 through June 30. Contributions billed for fiscal year 2018, ending June 30, 2018, to be recorded as an insurance expenditure/expense for 2017 totaled \$20,907 for property/liability and \$2,685 for workers' compensation. The member agreements permit Primex to make additional

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

General Information about the Pension Plan

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(A). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at www.nhrs.org or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Village District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution for employees was 7.0% of gross earnings. The rate of contribution from the Village District for the first six months of 2017, was 11.17%, increasing to 11.38% as of July 1. The rate is actuarially determined to generate an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Village District during the years 2015, 2016 and 2017 were \$4,598, \$13,278 and \$15,950, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

The Village District is reporting a liability of \$193,636 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village District's proportion of the net pension liability was based on a projection of the Village District's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2017, the Village District's proportion was 0.0039%, which was an increase of 0.0015% from its proportion reported as of December 31, 2016.

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

For 2017, the Village District recognized pension expense of \$42,667. At year-end, the Village District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 84,109	\$ 2,844
Net differences between projected and actual earnings on pension plan investments	-	2,466
Changes in assumptions	19,444	-
Differences between expected and actual experience	439	2,464
Town contributions subsequent to the measurement date	7,851	-
	\$ 111,843	\$ 7,774

The Village District reported \$7,851 as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the next year.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follow:

Year Ended December 31,	
2018	\$ (25,227)
2019	(30,417)
2020	(29,339)
2021	(11,235)
	\$ (96,218)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25% per year

**THE VILLAGE DISTRICT OF EIDELWEISS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015.

Sensitivity of the Village District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Village District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Village District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, are available in the separately issued NHRS report.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 9
VILLAGE DISTRICT OF EIDELWEISS
Schedule of the Village District's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Village District's proportion of net pension liability	0.0039%	0.0024%	0.0012%	0.0013%
Village District's proportionate share of the net pension liability	\$193,636	\$125,352	\$48,142	\$47,515
Village District's covered-employee payroll	\$141,139	\$117,255	\$39,079	\$37,614
Village District's proportionate share of the net pension liability as a percentage of covered-employee payroll	137.20%	106.91%	123.19%	126.32%
Plan fiduciary net position as a percentage of the total pension liability	62.7%	58.3%	65.5%	66.3%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT 10
VILLAGE DISTRICT OF EIDELWEISS
Schedule of the Village District's Pension Contributions
New Hampshire Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 15,950	\$ 13,278	\$ 4,077	\$ 4,107
Contribution in relation to the contractually required contribution	<u>(15,950)</u>	<u>(13,278)</u>	<u>(4,077)</u>	<u>(4,107)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village District's covered-employee payroll	\$141,139	\$117,255	\$39,078	\$37,614
Contributions as a percentage of covered-employee payroll	11.30%	11.32%	10.43%	10.92%

The note to the required supplementary information is an integral part of this schedule.

**VILLAGE DISTRICT OF EIDELWEISS
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

The Schedule of the Village District's Proportionate Share of the Net Pension Liability and the Schedule of the Village District's Pension Contributions are meant to present related information for ten years. Because this is the third year that the Village District has presented the pension schedules, only four years are presented. An additional year's information will be added each year until there are ten years shown.

SUPPLEMENTARY INFORMATION

EXHIBIT 11
VILLAGE DISTRICT OF EIDELWEISS
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
Taxes:			
Property	<u>\$ 508,710</u>	<u>\$ 508,720</u>	<u>\$ 10</u>
Licenses, permits and fees	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Charges for services	<u>197,627</u>	<u>228,447</u>	<u>30,820</u>
Miscellaneous:			
Sale of property	7,500	-	(7,500)
Interest on investments	7	9	2
Radio tower rent	-	6,500	6,500
Other	-	3,960	3,960
Total miscellaneous	<u>7,507</u>	<u>10,469</u>	<u>2,962</u>
Other financing sources:			
Transfers in:			
Expendable trust fund	<u>80,994</u>	<u>80,994</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 795,838</u>	<u>\$ 828,630</u>	<u>\$ 32,792</u>

EXHIBIT 12
VILLAGE DISTRICT OF EIDELWEISS
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 12,200	\$ 12,433	\$ -	\$ (233)
Financial administration	-	51,512	52,062	-	(550)
Legal	-	3,400	2,403	-	997
Personnel administration	-	85,127	83,018	-	2,109
General government buildings	-	10,433	16,012	-	(5,579)
Insurance, not otherwise allocated	-	35,850	41,128	-	(5,278)
Advertising and regional associations	-	850	760	-	90
Other	-	2,350	1,223	-	1,127
Total general government	-	<u>201,722</u>	<u>209,039</u>	-	<u>(7,317)</u>
Highways and streets:					
Highways and streets	-	211,454	218,397	-	(6,943)
Street lighting	-	1,250	1,608	-	(358)
Total highways and streets	-	<u>212,704</u>	<u>220,005</u>	-	<u>(7,301)</u>
Water distribution and treatment:					
Water services	-	144,127	125,888	-	18,239
Water treatment	-	5,000	5,133	-	(133)
Total water distribution and treatment	-	<u>149,127</u>	<u>131,021</u>	-	<u>18,106</u>
Culture and recreation:					
Parks and recreation	-	7,000	9,780	-	(2,780)
Debt service:					
Principal and interest on long-term debt	-	95,285	103,017	-	(7,732)
Interest on tax anticipation note	-	500	2,415	-	(1,915)
Total debt service	-	<u>95,785</u>	<u>105,432</u>	-	<u>(9,647)</u>
Capital outlay:					
Buildings	-	40,000	29,982	10,018	-
Improvements other than buildings	13,100	69,500	83,653	15,000	(16,053)
Total capital outlay	<u>13,100</u>	<u>109,500</u>	<u>113,635</u>	<u>25,018</u>	<u>(16,053)</u>
Other financing uses:					
Transfers out:					
Expendable trust funds	-	20,000	20,000	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 13,100</u>	<u>\$ 795,838</u>	<u>\$ 808,912</u>	<u>\$ 25,018</u>	<u>\$ (24,992)</u>

EXHIBIT 13
VILLAGE DISTRICT OF EIDELWEISS
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2017

Unassigned fund balance, beginning, as restated		\$ 160,973
Budget summary:		
Revenue surplus (Exhibit 11)	\$ 32,792	
Overdraft of appropriations (Exhibit 12)	<u>(24,992)</u>	
Budget surplus		7,800
Increase in nonspendable fund balance		<u>(686)</u>
Unassigned fund balance, ending		<u><u>\$ 168,087</u></u>