

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE**

Financial Statements

December 31, 2021

and

Independent Auditor's Report

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2021**

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-vii
BASIC FINANCIAL STATEMENTS	
EXHIBITS:	
A Statement of Net Position	1
B Statement of Activities	2
C Balance Sheet – Governmental Funds	3
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
E Statement of Net Position – Proprietary Funds	5
F Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	6
G Statement of Cash Flows – Proprietary Funds	7
NOTES TO BASIC FINANCIAL STATEMENTS	8-20
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE:	
1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	21
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	22

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Mountain Lakes District
Haverhill, New Hampshire

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mountain Lakes District, Haverhill, New Hampshire, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mountain Lakes District, Haverhill, New Hampshire, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mountain Lakes District, Haverhill, New Hampshire, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mountain Lakes District, Haverhill, New Hampshire's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mountain Lakes District, Haverhill, New Hampshire's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mountain Lakes District, Haverhill, New Hampshire's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence to express an opinion or provide any assurance.

Vachon Clukay & Company PC

Manchester, New Hampshire
October 12, 2022

**MOUNTAIN LAKES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021**

Presented herewith please find the Management Discussion & Analysis Report for the Mountain Lakes Village District for the year ending December 31, 2021. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the District's financial position, including the results of operations of all the funds of the District. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the District's financial activities have been included.

The District's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Mountain Lakes Village District using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Mountain Lakes Village District's financial statements. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to most private-sector companies.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District 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 of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

**MOUNTAIN LAKES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021**

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. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains two fund types: governmental and proprietary. 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District'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, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and the statement of activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and the nonmajor governmental fund (Recreation Revolving Fund).

The Proprietary fund provides water services to customers and charges a user fee. The proprietary fund is presented on the accrual basis of accounting.

The District adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the Basic 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.

Governmental Activities

Statement of Net Position

Net position of the Mountain Lakes District's governmental activities as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Capital and other assets:		
Capital assets, net	\$ 399,508	\$ 410,208
Other assets	<u>112,750</u>	<u>137,874</u>
Total assets	<u>512,258</u>	<u>548,082</u>

**MOUNTAIN LAKES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021**

Deferred outflows of resources		
Total deferred outflows of resources	<u>-</u>	<u>-</u>
Long-term liabilities	171,698	182,882
Other liabilities	1,640	24,839
Total liabilities	<u>173,338</u>	<u>207,721</u>
Deferred inflows of resources		
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Net position:		
Net investment in capital assets	227,810	227,326
Unrestricted	111,110	113,035
Total net position	<u>\$ 338,920</u>	<u>\$ 340,361</u>

Statement of Activities

Changes in net position of the District's governmental activities for the years ending December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Program revenues:		
Operating grants and contributions	\$ -	\$ -
Total program revenues	<u>-</u>	<u>-</u>
General revenues:		
Property and other taxes	236,648	226,312
Licenses and permits	2,685	1,805
Interest and investment earnings	3	263
Miscellaneous	9,876	4,331
Total general revenues	<u>249,212</u>	<u>232,711</u>
Total revenues	<u>249,212</u>	<u>232,711</u>
Program expenses:		
General government	164,948	147,053
Culture and recreation	47,599	46,806
Interest and fiscal charges	5,026	5,345
Total expenses	<u>217,573</u>	<u>199,204</u>
Excess before transfers	31,639	33,507
Transfers	(33,080)	(34,040)
Change in net position	(1,441)	(533)
Net position - beginning of year	<u>340,361</u>	<u>340,894</u>
Net position - end of year	<u>\$ 338,920</u>	<u>\$ 340,361</u>

**MOUNTAIN LAKES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021**

The District's governmental activities experienced a decrease in financial position of (\$1,441) on the full accrual basis of accounting.

Business-type Activities

Net position of the business-type activities as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Capital and other assets:		
Capital assets, net	\$ 484,591	\$ 539,616
Other assets	<u>80,648</u>	<u>77,800</u>
Total assets	<u>565,239</u>	<u>617,416</u>
Deferred outflows of resources		
Total deferred outflows of resources	<u>-</u>	<u>-</u>
Long-term liabilities	131,245	162,495
Other liabilities	<u>2,362</u>	<u>19,331</u>
Total liabilities	<u>133,607</u>	<u>181,826</u>
Deferred inflows of resources:		
Unearned water assessment revenue	<u>50,291</u>	<u>47,514</u>
Total deferred inflows of resources	<u>50,291</u>	<u>47,514</u>
Net position:		
Net investment in capital assets	353,346	377,121
Unrestricted	<u>27,995</u>	<u>10,955</u>
Total net position	<u>\$ 381,341</u>	<u>\$ 388,076</u>

The largest portion of the District's net position for its business-type activities reflects its investment in capital assets, primarily a utility plant in service and equipment less all related outstanding debt used to acquire those assets. These assets are not available for future spending.

Changes in net position of the District's business-type activities for the years ending December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Program revenues:		
Charges for services	\$ 207,671	\$ 194,688
Total program revenues	<u>207,671</u>	<u>194,688</u>
General revenues:		
Interest and investment earnings	<u>(84)</u>	<u>14</u>
Total general revenues	<u>(84)</u>	<u>14</u>
Total revenues	<u>207,587</u>	<u>194,702</u>

**MOUNTAIN LAKES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021**

Program expenses:		
Water distribution and treatment	247,402	268,042
Total expenses	<u>247,402</u>	<u>268,042</u>
Deficiency before transfers	(39,815)	(73,340)
Transfers	33,080	34,040
Change in net position	(6,735)	(39,300)
Net position - beginning of year	<u>388,076</u>	<u>427,376</u>
Net position - end of year	<u>\$ 381,341</u>	<u>\$ 388,076</u>

The main funding source for the business-type activities is charges for services, which provided 72.6% and 83.9% of expenses in 2021 and 2020, respectively. Net position decreased by (\$6,735) in 2021.

District Activities

As shown in the above statements, there was a decrease in the net position of governmental activities of (\$1,441) and a decrease in the net position of the business-type activities of (\$6,735), for the year ended December 31, 2021.

The General Fund ended the year with a fund balance of \$110,099. This is a decrease of (\$19,464) from the prior year.

Capital Assets

The District considers a capital asset to be an asset whose costs exceed or equal \$2,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. During 2021, the net capital assets of the governmental activities decreased by (\$10,700). The decrease was a result of current period depreciation of (\$10,700).

The net capital assets of the business-type activities decreased by (\$55,025) in the current year. The decrease was a result of current period depreciation of (\$55,025).

Long-Term Obligations

During 2021, the District's long-term obligations for the governmental activities notes payable decreased by (\$11,184), due to scheduled payments made on the existing obligations, while compensated absences decreased by \$17,893. Business-type activities notes payable decreased by (\$31,250), due to scheduled payments made on the existing obligations, while compensates absences decreased by (\$11,928).

**MOUNTAIN LAKES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021**

On behalf of the Mountain Lakes District Commissioners, the following is a summary of the 2021 District projects and notable events:

Mountain Lakes Village District Water Department:

Update-Water Department Changes:

After 15 years of dedicated service to the Mountain Lakes District, Don Drew decided to move on to the next chapter in his life. Don always looked out for our district's best interest in managing our facilities and water department in a logical cost-effective manner. He will be missed, and we wish Don and his family the very best in the future.

Water Sourcing Project:

The Water Committee continued its search for viable sources with a consistent goal of reducing our dependence on obtaining water from external sources. Several wells were drilled in predetermined areas working with Nobis Engineering and Hartley Well Drilling Inc. The results were not what we were hoping to see. As a result, the Water Committee decided to put the water sourcing project on hold. We will continue to evaluate previous work done and look at future potential avenues.

Volunteer Lake Assessment Program (VLAP):

VLAP testing was completed by the state with assistance from Commissioner Mark Johanson. The initial results were positive, and the completed report will be available early in 2022.

American Rescue Plan Act Funding (ARPA):

ARPA was an infrastructure bill signed into law by Congress and the President. One of the bill's key components was to direct funding to water and sewer infrastructure projects. The ARPA bill encouraged towns to include village districts for funding. The town of Haverhill was allocated and will receive \$477,908 to be allocated 50% in 2021 and the remaining 50% in 2022. The town initially asked the districts to provide potential infrastructure projects. The districts provided the requested documents. The town administration informed the districts that there would be no funding available to the districts, that the town of Haverhill would retain all ARPA funding. District Commissioners from Woodsville, North Haverhill, Mountain Lakes, and Haverhill Corner met to discuss and consider options. They agreed to request a meeting with the select board to reconsider the town's decision on ARPA funding for village districts. The Commissioners met and presented a plan. 4 out of 5 select board members voted in favor of the proposed plan. They voted again at the following select board meeting. 3 out of 5 favored the plan. And again, at the next select board meeting, a vote was taken, and the final result was 3 to 2 against providing any ARPA funding to the districts. The district Commissioners were disappointed with the result as what was requested by each district was well within the ARPA water and sewer infrastructure guidelines. If passed, it would have resulted in approximately \$65,000 to the Mountain Lakes District and would have been used to replace water lines in areas with multiple breaks. We are optimistic there will be additional funding available through federal infrastructure programs. We are looking into these opportunities.

Killer Hill:

Haverhill Town Manager, Bridget Codling and the town Road Agent, Colton Grant, presented a plan to the MLD commissioners to widen White Mountain Road from Lakeside Drive to the Lakes (commonly referred to as Killer Hill), making it a two-way and maintaining it year-round. The reason was that a new home was in the process of being constructed on the road, and this plan would make it easier for the road

**MOUNTAIN LAKES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2021**

crews to maintain and plow to allow access to the new residence. The commissioners agreed with the plan, and the work has been completed. Colton and his team did an outstanding job with this project. The reconstruction of the four-way intersection, removal of trees, and brush have allowed for a much better line of sight. They installed a completely new culvert system allowing for better drainage and protection of our lakes.

Planning Board:

The Planning Board has had a busy year. They have reviewed and approved permits for 8 new homes and multiple smaller projects. The COVID pandemic has sparked an interest in the area as individuals from the cities are looking at what the mountains have to offer. We anticipate continued growth in Mountain Lakes and we welcome all newcomers.

MLD Recreation Committee:

As the Covid-19 pandemic appeared to be winding down in the spring, a decision was made to open up all recreational activities. A trash road cleanup was well attended and helped to keep our roads and area looking great. The beaches, pool, and snack bar were open, and restrooms were available. Activities sponsored by the district and recreation committee included two pancake breakfasts, two-ice-cream socials, scavenger hunt, hot dogs on the beach, adult social pool party, adult social with a DJ at the lodge, and the season finale fireworks display by Hells Gate. All had fun at the events, and the fireworks display was awesome as usual. The annual Trunk or Treat event was held in October, and there were many decorated cars loaded with candy. It was well attended with many children in great costumes. Thanks again to Haverhill Police Officer Jared Mitchell, showing up with his police car and candy for all. There were many smiling faces at the event, and that's what it is all about. We had a first annual Christmas tree lighting event at the District Office and the tree will remain shining brightly through the Christmas season.

MLD Budget Committee:

The Budget Committee meets multiple times during the last quarter of the year. They review the current year's financials, and based on year-to-date data, establish recommendations to be presented to the Commissioners. The Budget Committee continues to do a great job and has held on to the community's thought process of "needs versus the wants." They possess a sound understanding of the community and always take a balanced approach towards their decisions and the potential impact it has on the tax base.

Contacting the Mountain Lakes Village District's Financial Management

This financial report is intended to provide our citizens and creditors with a general overview of the District's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Commissioners at, 75 White Mtn. Road, Woodsville, NH 03785, telephone number (603) 787-6180.

EXHIBIT A
MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
Statement of Net Position
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 10,550	\$ 3,844	\$ 14,394
Investments	477	841	1,318
Taxes receivable	123,492		123,492
Accounts receivable, net		5,557	5,557
Due from other governments	46,839	1,798	48,637
Internal balances	(68,608)	68,608	-
Total Current Assets	<u>112,750</u>	<u>80,648</u>	<u>193,398</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	92,308	2,500	94,808
Depreciable capital assets, net	307,200	482,091	789,291
Total Noncurrent Assets	<u>399,508</u>	<u>484,591</u>	<u>884,099</u>
Total Assets	<u>512,258</u>	<u>565,239</u>	<u>1,077,497</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	437	780	1,217
Accrued liabilities	782	1,301	2,083
Current portion of notes payable	11,498	31,250	42,748
Total Current Liabilities	<u>12,717</u>	<u>33,331</u>	<u>46,048</u>
Noncurrent Liabilities:			
Notes payable	160,200	99,995	260,195
Compensated absences payable	421	281	702
Total Noncurrent Liabilities	<u>160,621</u>	<u>100,276</u>	<u>260,897</u>
Total Liabilities	<u>173,338</u>	<u>133,607</u>	<u>306,945</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable water assessment revenue		50,291	50,291
Total Deferred Inflows of Resources	<u>-</u>	<u>50,291</u>	<u>50,291</u>
NET POSITION			
Net investment in capital assets	227,810	353,346	581,156
Unrestricted	111,110	27,995	139,105
Total Net Position	<u>\$ 338,920</u>	<u>\$ 381,341</u>	<u>\$ 720,261</u>

See accompanying notes to the basic financial statements

EXHIBIT B
MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	<u>Expenses</u>	Program Revenues	Net (Expense) Revenue and Changes in Net Position		
			Primary Government		
		Charges for Services	Governmental Activities	Business-type Activities	Total
Governmental Activities:					
General government	\$ 167,310		\$ (167,310)		\$ (167,310)
Culture and recreation	45,237		(45,237)		(45,237)
Interest and fiscal charges	5,026		(5,026)		(5,026)
Total governmental activities	<u>217,573</u>	\$ -	<u>(217,573)</u>	\$ -	<u>(217,573)</u>
Business-type activities:					
Water Fund	<u>247,402</u>	<u>207,671</u>		<u>(39,731)</u>	<u>(39,731)</u>
Total primary government	<u>\$ 464,975</u>	<u>\$ 207,671</u>	<u>(217,573)</u>	<u>(39,731)</u>	<u>(257,304)</u>
General revenues:					
Property and other taxes			236,648		236,648
Licenses and permits			2,685		2,685
Interest and investment earnings (loss)			3	(84)	(81)
Miscellaneous			9,876		9,876
Transfers			<u>(33,080)</u>	<u>33,080</u>	<u>-</u>
Total general revenues and transfers			<u>216,132</u>	<u>32,996</u>	<u>249,128</u>
Change in net position			(1,441)	(6,735)	(8,176)
Net Position - beginning			<u>340,361</u>	<u>388,076</u>	<u>728,437</u>
Net Position - ending			<u>\$ 338,920</u>	<u>\$ 381,341</u>	<u>\$ 720,261</u>

See accompanying notes to the basic financial statements

EXHIBIT C
MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2021

	General <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 8,617	\$ 1,933	\$ 10,550
Investments	477		477
Taxes receivable	123,492		123,492
Due from other governments	46,839		46,839
Due from other funds	501		501
Total Assets	<u>179,926</u>	<u>1,933</u>	<u>181,859</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 179,926</u>	<u>\$ 1,933</u>	<u>\$ 181,859</u>
LIABILITIES			
Accounts payable	\$ 437		\$ 437
Accrued liabilities	782		782
Due to other funds	68,608	\$ 501	69,109
Total Liabilities	<u>69,827</u>	<u>501</u>	<u>70,328</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Committed	46,839	1,432	48,271
Assigned	64		64
Unassigned	63,196		63,196
Total Fund Balances	<u>110,099</u>	<u>1,432</u>	<u>111,531</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 179,926</u>	<u>\$ 1,933</u>	

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. 399,508

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:

Notes payable (171,698)
Compensated absences payable (421)

Net Position of Governmental Activities \$ 338,920

See accompanying notes to the basic financial statements

EXHIBIT D
MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 236,648		\$ 236,648
Licenses and permits	2,685		2,685
Interest income	1	\$ 2	3
Miscellaneous	5,942	3,934	9,876
Total Revenues	<u>245,276</u>	<u>3,936</u>	<u>249,212</u>
Expenditures:			
Current operations:			
General government	175,896		175,896
Culture and recreation	39,554	4,290	43,844
Debt service:			
Principal retirement	11,184		11,184
Interest and fiscal charges	5,026		5,026
Total Expenditures	<u>231,660</u>	<u>4,290</u>	<u>235,950</u>
Excess of revenues over (under) expenditures	<u>13,616</u>	<u>(354)</u>	<u>13,262</u>
Other financing sources (uses):			
Transfers in	3,159		3,159
Transfers out	(36,239)		(36,239)
Total Other financing sources (uses)	<u>(33,080)</u>	<u>-</u>	<u>(33,080)</u>
Net change in fund balances	(19,464)	(354)	(19,818)
Fund Balances - beginning	<u>129,563</u>	<u>1,786</u>	<u>131,349</u>
Fund Balances - ending	<u>\$ 110,099</u>	<u>\$ 1,432</u>	<u>\$ 111,531</u>

MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
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, 2021

Net Change in Fund Balances--Total Governmental Funds	\$ (19,818)
Amounts reported for 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 as depreciation expense. Depreciation expense and capital outlays in the current period are as follows:	
Depreciation expense	(10,700)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayments are as follows:	
Note principal paid	11,184
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	<u>17,893</u>
Change in Net Position of Governmental Activities	<u>\$ (1,441)</u>

See accompanying notes to the basic financial statements

EXHIBIT E
MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities
	Water Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,844
Investments	841
Accounts receivable, net	5,557
Due from other governments	1,798
Due from other funds	68,608
Total Current Assets	<u>80,648</u>
Noncurrent Assets:	
Non-depreciable capital assets	2,500
Depreciable capital assets, net	482,091
Total Noncurrent Assets	<u>484,591</u>
Total Assets	<u>565,239</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	780
Accrued liabilities	1,301
Current portion of notes payable	31,250
Total Current Liabilities	<u>33,331</u>
Noncurrent Liabilities:	
Notes payable	99,995
Compensated absences payable	281
Total Noncurrent Liabilities	<u>100,276</u>
Total Liabilities	<u>133,607</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable water assessment revenue	50,291
Total Deferred Inflows of Resources	<u>50,291</u>
NET POSITION	
Net investment in capital assets	353,346
Unrestricted	27,995
Total Net Position	<u>\$ 381,341</u>

See accompanying notes to the basic financial statements

EXHIBIT F
MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities
	<u>Water</u>
	<u>Fund</u>
Operating revenues:	
Charges for services	\$ 207,671
Total Operating revenues	<u>207,671</u>
Operating expenses:	
Personnel services	38,357
Contractual services	110,769
Maintenance	13,489
Materials and supplies	2,006
Utilities	13,406
Depreciation	55,025
Miscellaneous	9,361
Total Operating expenses	<u>242,413</u>
Operating loss	<u>(34,742)</u>
Non-operating revenues (expenses):	
Interest income (loss)	(84)
Interest expense	<u>(4,989)</u>
Net Non-operating revenues (expenses)	<u>(5,073)</u>
Loss before transfers	(39,815)
Transfers in	36,239
Transfers out	<u>(3,159)</u>
Change in net position	(6,735)
Net Position - beginning	<u>388,076</u>
Net Position - ending	<u>\$ 381,341</u>

See accompanying notes to the basic financial statements

EXHIBIT G
MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities
	<u>Water Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 215,778
Cash paid to suppliers	(142,032)
Cash paid to employees	(44,414)
Net cash provided by operating activities	<u>29,332</u>
Cash flows from capital and related financing activities:	
Transfer from other funds	36,239
Transfer to other funds	(3,159)
Transfer to trust funds held by Town of Haverhill Trustees	(13,457)
Principal paid on long-term debt	(31,250)
Interest paid on long-term debt	(4,989)
Net cash used for capital and related financing activities	<u>(16,616)</u>
Cash flows from investing activities:	
Redemptions of investments	<u>19,997</u>
Net cash provided by investing activities	<u>19,997</u>
Net increase in cash and cash equivalents	32,713
Cash and cash equivalents at beginning of year	<u>39,739</u>
Cash and cash equivalents at end of year	<u>\$ 72,452</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (34,742)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Expenses paid by Town of Haverhill Trustees	17,911
Depreciation expense	55,025
Changes in assets and liabilities:	
Accounts receivable, net	5,330
Accounts payable	(5,041)
Compensated absences payable	(11,928)
Unavailable water assessment revenue	<u>2,777</u>
Net cash provided by operating activities	<u>\$ 29,332</u>

See accompanying notes to the basic financial statements

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS**
For the Year Ended December 31, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mountain Lakes District conform to accounting principles generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Mountain Lakes District is organized as a Village District (special purpose district) under the laws of the State of New Hampshire and operates under the direction of an elected Board of Commissioners. The District is located within the Town boundaries of Haverhill, New Hampshire and provides recreational services and water to residents located within the District's boundaries.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that are required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of two categories of funds: governmental and proprietary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following is the District's sole major governmental fund:

The *General Fund* is the District's main operating fund and accounts for all financial resources, except those required to be accounted for in another fund.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The District has no internal service funds. The District's major and sole proprietary fund is the Water Fund.

The District's *Water Fund* is accounted for as a self-supporting enterprise fund. Water services are provided to customers on a user charge basis. However, the fund receives an operating subsidy from the General Fund on an annual basis to support its debt payments and capital acquisitions as appropriated at the annual District meeting.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. 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 a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes, charges for services, and interest on investments.

Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

2. Expenses/Expenditures:

On the 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. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

Budgetary Data

The District's budget represents departmental appropriations as authorized by annual or special District meetings. The Commissioners may transfer funds between operating categories as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

Cash and Cash Equivalents

The District maintains separate cash accounts for its governmental and proprietary funds; however, most cash transactions flow through the General Fund. As a result, cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

	Water
	<u>Fund</u>
Cash and cash equivalents	\$ 3,844
Due from other funds	<u>68,608</u>
Total cash and cash equivalents	<u>\$ 72,452</u>

Accounts Receivable

User fees billed during the current year and prior and uncollected at December 31, 2021 are recorded as receivables net of reserves for estimated uncollectibles of \$40,447 in the Water Fund.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$2,000. The District's infrastructure consists of a water distribution system. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the District's historical records of necessary improvements and replacement.

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Water distribution system	5 - 40
Land improvements	5 - 50
Buildings and improvements	5 - 30
Vehicles and equipment	5 - 15

Unavailable Revenue

Water billings are made annually to recover estimated operating costs for the period of April 1 through March 31 based on a pro-rata allocation to water users. Unavailable revenues recorded in the water enterprise fund represent the 2021 water assessment billed to customers in April 2021, which includes the period January 1, 2022 through March 31, 2022.

Compensated Absences

Employees earn vacation and sick leave as they provide services. Employees earn 64 hours of sick time per year, up to a maximum of 96 hours. Upon separation, the employee will be paid 50% of the balance of accumulated time at their current rate of pay. Vacation time is earned dependent upon length of service. Up to 40 hours may be carried forward to the following year. Upon separation, the employee will be paid the full amount of accrued vacation time at their current rate of pay.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death, resignation or retirement. The entire compensated absence payout liabilities are reported on the government-wide and proprietary fund financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences payouts that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Notes payable that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings 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. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

The District segregates fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: includes amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact (such as principal of an endowment fund).
- *Restricted Fund Balance*: includes amounts that can only be spent for the specific purposes stipulated by external resource providers (such as grantors) or through enabling legislation (federal or state law). Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation.
- *Committed Fund Balance*: includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision making authority (the annual District Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: includes amounts the District intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "Assigned". The Board of Commissioners are authorized to assign fund balance.
- *Unassigned Fund Balance*: includes amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit fund balance of another governmental fund is also classified as "Unassigned".

Spending Prioritizations

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Deficit Fund Balance

At year end, if any of the special revenue funds has a deficit unassigned fund balance, the Board of Commissioners are authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

Minimum Level of Unassigned Fund Balance

As recommended by the New Hampshire Department of Revenue, the District will strive to maintain an unassigned fund balance in its General Fund equal to 8-15% of its total annual appropriations. The Board of Commissioners have the authority to apply up to \$50,000 of the District's beginning unassigned fund balance in order to balance the budget and to reduce the property tax rate.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the water fund, these revenues are charges to customers for services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Property Taxes

Under State statutes, the Town of Haverhill, New Hampshire (an independent governmental unit) collects taxes for the District from property owners located within the boundaries of the District. As a collection agent, the Town is required to pay over to the District its share of property taxes collected through periodic payments based on the cash flow requirements of the District. The Town assumes financial responsibility for all uncollected property taxes under State statutes.

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 14,394
Investments	1,318
	<u>\$ 15,712</u>

Deposits and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	\$ 14,394
Investments	1,318
	<u>\$ 15,712</u>

The District's investment policy requires that deposits be made in federally insured banks chartered under the laws of the State of New Hampshire or the federal government with a branch within the State of New Hampshire. The District limits its investments in accordance with New Hampshire State law (RSA 41:29) to United States Treasury securities maturing in less than one year, short-term obligations of U.S. Government agencies, fully insured or collateralized certificates of deposits in banks incorporated in the State of New Hampshire or national banks located in the State of New Hampshire, repurchase agreements with banks chartered by the State of New Hampshire and fully collateralized, and the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. For assurance against custodial credit risk, the District's investment policy requires that all deposits with financial institutions be collateralized with pledged securities that shall be equal or in excess of the amount of the public funds deposited, less any portion thereof covered by federal deposit insurance. As of December 31, 2021, all of the District's deposits with financial institutions are insured through the Federal Depository Insurance Corporation (FDIC).

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's policy states that the Treasurer may place any excess funds into U.S. Treasury bills, certificates of deposit, or the New Hampshire Public Deposit Investment Pool (NHPDIP). As of December 31, 2021, the District's investment in the NHPDIP of \$1,318 was rated AAA-m.

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

Investment in NHPDIP

The District is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

The District's exposure to derivatives is indirect through its participation in the NHPDIP. The District's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

Fair Value

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets in the governmental activities:

	Balance 1/1/2021	Additions	Reductions	Balance 12/31/2021
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,308			\$ 92,308
Total capital assets not being depreciated	<u>92,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>92,308</u>
Other capital assets:				
Land improvements	321,545			321,545
Buildings and improvements	285,665			285,665
Vehicles and equipment	133,441			133,441
Total other capital assets	<u>740,651</u>	<u>-</u>	<u>-</u>	<u>740,651</u>
Less accumulated depreciation for:				
Land improvements	(43,229)	(6,051)		(49,280)
Buildings and improvements	(254,248)	(3,379)		(257,627)
Vehicles and equipment	(125,274)	(1,270)		(126,544)
Total accumulated depreciation	<u>(422,751)</u>	<u>(10,700)</u>	<u>-</u>	<u>(433,451)</u>
Total other capital assets, net	<u>317,900</u>	<u>(10,700)</u>	<u>-</u>	<u>307,200</u>
Total capital assets, net	<u>\$ 410,208</u>	<u>\$ (10,700)</u>	<u>\$ -</u>	<u>\$ 399,508</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 9,307
Culture and recreation	1,393
	<u>\$ 10,700</u>

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

The following is a summary of changes in capital assets in the business-type activities:

	Balance <u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2021</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,500			\$ 2,500
Total capital assets not being depreciated	<u>2,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,500</u>
Other capital assets:				
Water distribution system	1,623,339			1,623,339
Vehicles and equipment	60,119			60,119
Total other capital assets	<u>1,683,458</u>	<u>-</u>	<u>-</u>	<u>1,683,458</u>
Less accumulated depreciation for:				
Water distribution system	(1,105,135)	(50,245)		(1,155,380)
Vehicles and equipment	(41,207)	(4,780)		(45,987)
Total accumulated depreciation	<u>(1,146,342)</u>	<u>(55,025)</u>	<u>-</u>	<u>(1,201,367)</u>
Total other capital assets, net	<u>537,116</u>	<u>(55,025)</u>	<u>-</u>	<u>482,091</u>
Total capital assets, net	<u>\$ 539,616</u>	<u>\$ (55,025)</u>	<u>\$ -</u>	<u>\$ 484,591</u>

Depreciation expense was charged to the proprietary fund as follows:

Water Fund	<u>\$ 55,025</u>
------------	------------------

NOTE 4—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the District's long-term obligations for the year ended December 31, 2021 are as follows:

	Balance <u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2021</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Notes payable	\$ 182,882		\$ (11,184)	\$ 171,698	\$ 11,498
Compensated absences payable	18,314		(17,893)	421	
	<u>\$ 201,196</u>	<u>\$ -</u>	<u>\$ (29,077)</u>	<u>\$ 172,119</u>	<u>\$ 11,498</u>
Business-type Activities:					
Notes payable	\$ 162,495		\$ (31,250)	\$ 131,245	\$ 31,250
Compensated absences payable	12,209		(11,928)	281	
	<u>\$ 174,704</u>	<u>\$ -</u>	<u>\$ (43,178)</u>	<u>\$ 131,526</u>	<u>\$ 31,250</u>

Payments on the notes payable of the Governmental Activities are paid out of the General Fund. Payments on the notes payable of the Business-type Activities are paid out of the Water Fund with subsidized transfers received from the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

Notes Payable Direct Borrowings

Notes payable from direct borrowings at December 31, 2021 are comprised of the following individual issues:

	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance <u>12/31/2021</u>	Pledged <u>Collateral</u>
Governmental Activities:				
Lower Dam Spillway Note	2.79%	July 2034	\$ <u>171,698</u>	N/A
Business-type Activities:				
Direct Water Line Note	3.10%	September 2025	\$ 100,000	N/A
Dam Improvement Note	3.10%	December 2026	<u>31,245</u>	N/A
Total business-type activities			<u>\$ 131,245</u>	

Debt service requirements to retire notes payable outstanding for the governmental activities at December 31, 2021 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 11,498	\$ 4,712	\$ 16,210
2023	11,821	4,389	16,210
2024	12,143	4,067	16,210
2025	12,495	3,715	16,210
2026	12,846	3,364	16,210
2027-2031	69,842	11,209	81,051
2032-2034	<u>41,053</u>	<u>1,836</u>	<u>42,889</u>
	<u>\$ 171,698</u>	<u>\$ 33,292</u>	<u>\$ 204,990</u>

Debt service requirements to retire notes payable outstanding for the business-type activities at December 31, 2021 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 31,250	\$ 4,020	\$ 35,270
2023	31,250	3,051	34,301
2024	31,250	2,088	33,338
2025	31,250	1,114	32,364
2026	<u>6,245</u>	<u>145</u>	<u>6,390</u>
	<u>\$ 131,245</u>	<u>\$ 10,418</u>	<u>\$ 141,663</u>

NOTE 5—INTERFUND BALANCES AND TRANSFERS

The District maintains separate cash accounts for its governmental and proprietary funds; however, most cash transactions flow through the General Fund. For accounting and reporting purposes, the portion of

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

cash applicable to a particular fund is reported in the specific fund as an interfund balance. To meet the General Fund's cash flow needs until the second half property tax assessment was received, the Water Fund paid certain expenditures of the General Fund during the final month of the year. Interfund balances at December 31, 2021 are as follows:

		General	Due From Nonmajor Governmental	Totals
		<u>Fund</u>	<u>Fund</u>	
Due To	General Fund		\$ 501	\$ 501
	Water Fund	\$ 68,608		68,608
		<u>\$ 68,608</u>	<u>\$ 501</u>	<u>\$ 69,109</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorization. Interfund transfers for the year ended December 31, 2021 are as follows:

		General	Transfer from Water	Totals
		<u>Fund</u>	<u>Fund</u>	
Transfer to	General Fund		\$ 3,159	\$ 3,159
	Water Fund	\$ 36,239		36,239
		<u>\$ 36,239</u>	<u>\$ 3,159</u>	<u>\$ 39,398</u>

NOTE 6—COMPONENTS OF FUND BALANCE

The components of the District's fund balance for its governmental funds at December 31, 2021 are as follows:

	<u>Fund Balances</u>	General <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
Committed for:				
Expendable trusts		\$ 46,839		\$ 46,839
Recreation revolving			\$ 1,432	1,432
Assigned for:				
Designated for subsequent year expenditures		64		64
Unassigned:				
Unassigned - General operations		63,196		63,196
		<u>\$ 110,099</u>	<u>\$ 1,432</u>	<u>\$ 111,531</u>

NOTE 7—RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2021, the District was a member of and participated in a public entity risk pool (Trust) for

**MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**
For the Year Ended December 31, 2021

property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trusts foresee no likelihood of additional assessments for any of the past years. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2021.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trusts, the District shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 8—COMMITMENTS AND CONTINGENCIES

Litigation

There may be various claims and suits pending against the District, which arise in the normal course of the District's activities. In the opinion of District management, any potential claims against the District which are not covered by insurance are immaterial and would not affect the financial position of the District.

NOTE 9—SUBSEQUENT EVENTS

During March of 2022, the District became a contributing member of the New Hampshire Retirement System. As a result of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District will have to report its estimated proportionate share of the New Hampshire Retirement System's unfunded pension and OPEB liability in the subsequent year. Management believes that these pronouncements will have a significant impact on the District's financial statements for the years beginning December 31, 2022.

SCHEDULE 1
MOUNTAIN LAKES DISTRICT
HAVERHILL, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 236,218	\$ 236,218	\$ 236,648	\$ 430
Licenses and permits	500	500	2,685	2,185
Interest income	100	100	44	(56)
Miscellaneous	6,600	6,600	5,942	(658)
Total Revenues	<u>243,418</u>	<u>243,418</u>	<u>245,319</u>	<u>1,901</u>
Expenditures:				
Current operations:				
General government	127,277	127,277	121,753	5,524
Culture and recreation	49,000	49,000	36,174	12,826
Debt service:				
Principal retirement	11,184	11,184	11,184	-
Interest and fiscal charges	5,026	5,026	5,026	-
Total Expenditures	<u>192,487</u>	<u>192,487</u>	<u>174,137</u>	<u>18,350</u>
Excess of revenues over (under) expenditures	<u>50,931</u>	<u>50,931</u>	<u>71,182</u>	<u>20,251</u>
Other financing sources (uses):				
Transfers in	3,159	3,159	3,159	-
Transfers out	(98,900)	(98,900)	(98,739)	161
Total Other financing sources (uses)	<u>(95,741)</u>	<u>(95,741)</u>	<u>(95,580)</u>	<u>161</u>
Net change in fund balance	(44,810)	(44,810)	(24,398)	20,412
Fund Balance at beginning of year				
- Budgetary Basis	<u>87,658</u>	<u>87,658</u>	<u>87,658</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 42,848</u>	<u>\$ 42,848</u>	<u>\$ 63,260</u>	<u>\$ 20,412</u>

See accompanying notes to the required supplementary information

MOUNTAIN LAKES DISTRICT
HVERHILL, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2021

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the District. Those amounts may differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary revenues and expenditures, and budgetary transfers out as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 248,435	\$ 267,899
Non-budgetary revenues and expenditures	43	(57,523)
Budgetary transfers out		<u>62,500</u>
Per Schedule 1	<u>\$ 248,478</u>	<u>\$ 272,876</u>