

PILLSBURY LAKE VILLAGE DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
 BASIC FINANCIAL STATEMENTS 	
Government-wide Financial Statements	
A Statement of Net Position	3
B Statement of Activities	4
Fund Financial Statements	
<i>Governmental Fund</i>	
C-1 Balance Sheet	5
C-2 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	6
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	7
<i>Proprietary Funds</i>	
E-1 Statement of Net Position	8
E-2 Statement of Revenues, Expenses, and Changes in Net Position	9
E-3 Statement of Cash Flows	10
NOTES TO THE BASIC FINANCIAL STATEMENTS	11 - 20
 COMBINING AND INDIVIDUAL FUND SCHEDULES 	
Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	21
2 Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)	22
3 Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis).....	23
INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES	24 - 25



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Commissioners
Pillsbury Lake Village District
Webster, New Hampshire

We have audited the accompanying financial statements of the governmental activities, business-type activities, and major governmental and proprietary funds of the Pillsbury Lake Village District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 unmodified and adverse audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Adverse
Water Fund	Adverse
General Fund	Unmodified

Basis for Adverse Opinion on Business-type Activities and Proprietary Fund

As discussed in Note 1-B to the financial statements, management has not recorded all of the capital assets and related accumulated depreciation in the business-type activities and proprietary fund, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, be capitalized and depreciated, which would increase the assets, net position, and expenses of the business-type activities and proprietary fund. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities, and proprietary fund is not reasonably determinable.

***Pillsbury Lake Village District
Independent Auditor's Report***

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Business-type Activities and Proprietary Fund" paragraph, the financial statements referred to above do not present fairly the financial position of the business-type activities and proprietary fund statements of the Pillsbury Lake Village District, as of December 31, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities and governmental fund financial statements for the Pillsbury Lake Village District as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the major general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pillsbury Lake Village District's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

November 16, 2021

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

EXHIBIT A
PILLSBURY LAKE VILLAGE DISTRICT
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 56,483	\$ -	\$ 56,483
Investments	595	-	595
Account receivables	-	20,586	20,586
Intergovernmental receivable	-	68,866	68,866
Internal balances	40,586	(40,586)	-
Capital assets:			
Land and construction in progress	-	280,120	280,120
Other capital assets, net of depreciation	-	47,077	47,077
Total assets	<u>97,664</u>	<u>376,063</u>	<u>473,727</u>
LIABILITIES			
Accrued interest payable	-	6,825	6,825
Long-term liabilities:			
Due within one year	-	41,314	41,314
Due in more than one year	-	279,731	279,731
Total liabilities	<u>-</u>	<u>327,870</u>	<u>327,870</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>25,686</u>	<u>-</u>	<u>25,686</u>
NET POSITION			
Net investment in capital assets	-	6,152	6,152
Unrestricted	<u>71,978</u>	<u>42,041</u>	<u>114,019</u>
Total net position	<u>\$ 71,978</u>	<u>\$ 48,193</u>	<u>\$ 120,171</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
PILLSBURY LAKE VILLAGE DISTRICT
Statement of Activities
For the Fiscal Year Ended December 31, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 18,183	\$ -	\$ -	\$ (18,183)	\$ -	\$ (18,183)
Culture and recreation	224	-	-	(224)	-	(224)
Total governmental activities	<u>\$ 18,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(18,407)</u>	<u>-</u>	<u>(18,407)</u>
Business-type activities:						
Water	<u>\$ 195,606</u>	<u>\$ 115,614</u>	<u>\$ 30,000</u>	<u>-</u>	<u>(49,992)</u>	<u>(49,992)</u>
General revenues:						
Taxes:						
Property				181,707	-	181,707
Unrestricted investment earnings				354	76	430
Total general revenues				<u>182,061</u>	<u>76</u>	<u>182,137</u>
Transfers				<u>(145,214)</u>	<u>145,214</u>	<u>-</u>
Total general revenues and transfers				<u>36,847</u>	<u>145,290</u>	<u>182,137</u>
Change in net position				18,440	95,298	113,738
Net position, beginning				<u>53,538</u>	<u>(47,105)</u>	<u>6,433</u>
Net position, ending				<u>\$ 71,978</u>	<u>\$ 48,193</u>	<u>\$ 120,171</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-1
PILLSBURY LAKE VILLAGE DISTRICT
Governmental Fund
Balance Sheet
December 31, 2020

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 56,483
Investments	595
Interfund receivable	<u>40,586</u>
Total assets	<u>\$ 97,664</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Property taxes	<u>\$ 25,686</u>
FUND BALANCE	
Unassigned	<u>71,978</u>
Total deferred inflows of resources and fund balance	<u>\$ 97,664</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
PILLSBURY LAKE VILLAGE DISTRICT
Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2020

	General
REVENUES	
Taxes	\$ 181,707
Miscellaneous	354
Total revenues	182,061
EXPENDITURES	
Current:	
General government	18,183
Culture and recreation	224
Total expenditures	18,407
Excess of revenues over expenditures	163,654
OTHER FINANCING USES	
Transfers out	(145,214)
Net change in fund balances	18,440
Fund balance, beginning	53,538
Fund balance, ending	\$ 71,978

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT D
PILLSBURY LAKE VILLAGE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 181,707	\$ 181,707	\$ -
Miscellaneous	-	354	354
Total revenues	<u>181,707</u>	<u>182,061</u>	<u>354</u>
EXPENDITURES			
Current:			
General government	32,200	18,183	14,017
Culture and recreation	2,300	224	2,076
Interest	10	-	10
Total expenditures	<u>34,510</u>	<u>18,407</u>	<u>16,103</u>
Excess of revenues over expenditures	<u>147,197</u>	<u>163,654</u>	<u>16,457</u>
OTHER FINANCING USES			
Transfers out	<u>(147,197)</u>	<u>(145,214)</u>	<u>1,983</u>
Net change in fund balances	<u>\$ -</u>	<u>18,440</u>	<u>\$ 18,440</u>
Unassigned fund balance, beginning		<u>53,538</u>	
Unassigned fund balance, ending		<u>\$ 71,978</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
PILLSBURY LAKE VILLAGE DISTRICT
Proprietary Funds
Statement of Net Position
December 31, 2020

	Business-type Activities
	Water
ASSETS	
Accounts receivable	\$ 20,586
Intergovernmental receivable	68,866
Capital assets:	
Land	280,120
Other capital assets, net of depreciation	47,077
Total assets	416,649
LIABILITIES	
Current liabilities:	
Accrued interest payable	6,825
Internal balances	40,586
Long-term liabilities:	
Due within one year	41,314
Due in more than one year	279,731
Total liabilities	368,456
NET POSITION	
Net investment in capital assets	6,152
Unrestricted	42,041
Total net position	\$ 48,193

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
PILLSBURY LAKE VILLAGE DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2020

	Business-type Activities
	Water
Operating revenues:	
User charges	\$ 115,614
Operating expenses:	
Operation and maintenance	181,002
Depreciation	2,380
Total operating expenses	183,382
Operating loss	(67,768)
Nonoperating revenue (expense):	
Intergovernmental revenues	30,000
Interest income	76
Interest expense	(12,224)
Total nonoperating revenue (expense)	17,852
Other financing sources:	
Transfers in	145,214
Change in net position	95,298
Net position, beginning	(47,105)
Net position, ending	\$ 48,193

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-3
PILLSBURY LAKE VILLAGE DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2020

	Business-type Activities
	Water
Cash flows from operating activities:	
Receipts from customers and users	\$ 126,934
Payments to suppliers	(180,352)
Net cash provided by (used for) operating activities	(53,418)
Cash flows from capital and related financing activities:	
Town of Webster payment for bond support	10,000
Principal paid on bonds	(47,831)
Acquisition and construction of fixed assets	(54,446)
Interest paid	(13,105)
Transfer in	158,800
Net cash provided by (used for) capital and related financing activities	53,418
Net increase in cash	-
Cash, beginning	-
Cash, ending	\$ -
<i>Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities</i>	
Operating loss	\$ (67,768)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	2,380
Decrease in other receivables	11,320
Expenditure of trust funds	650
Total adjustments	14,350
Net cash used for operating activities	\$ (53,418)

The Notes to the Basic Financial Statements are an integral part of this statement.

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Accounting and Measurement Focus	1-B
Cash and Cash Equivalents	1-C
Statement of Cash Flows	1-D
Investments	1-E
Receivables	1-F
Capital Assets	1-G
Interfund Activities	1-H
Deferred Inflows of Resources	1-I
Long-term Obligations	1-J
Net Position/Fund Balances	1-K
Use of Estimates	1-L
 Stewardship, Compliance, and Accountability	 2
Budgetary Information	2-A
Municipal Budget Law Violation	2-B

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Receivables	5
Capital Assets	6
Interfund Balances and Transfers	7
Deferred Inflows of Resources	8
Long-term Liabilities	9
Net Position	10
Risk Management	11
COVID-19	12
Subsequent Events	13

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pillsbury Lake Village District, New Hampshire (the District), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the District's accounting policies are described below.

1-A Reporting Entity

The Pillsbury Lake Village District is a municipal corporation governed by an elected 3-member Board of Commissioners. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The District has no component units to include in its reporting entity.

1-B Basis of Accounting and Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the District accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position, with the exception of certain capital assets and related accumulated depreciation, which have been omitted because they have not been inventoried at historical cost. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. As in the Statement of Net Position the District has not recorded depreciation expense in this statement on those unrecorded capital assets. The types of transactions reported as program revenues for the District are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Governmental Fund Financial Statements – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the major governmental fund. The District has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The District reports the following major governmental fund:

General Fund – is the District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes and State grants. The primary expenditures are for general government and culture and recreation.

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for the major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The District reports the following major proprietary fund:

Water Fund – accounts for the activities related to the operation of the water treatment plant, wells, and water system. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the water expendable trust funds are consolidated in the water fund.

1-C Cash and Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the District to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the District categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the District’s holdings in New Hampshire Public Deposit Investment Pool (NHPDIP) would be an example of Level 2 investments.

Level 3 – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the District and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the District utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the District held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the District in accordance with the NHPDIP’s Information Statement.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the District at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of billing for water charges.

1-G Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g. a well and similar items), which are reported in the applicable business-type activities column in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

	<u>Years</u>
Capital Asset Classes:	
Buildings and building improvements	30
Machinery and equipment	30
Infrastructure	30

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-I Deferred Inflows of Resources

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-J Long-term Obligations

Long-term debt is reported as a liability in the business-type activities and proprietary fund Statement of Net Position.

1-K Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in two components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government’s fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items or inventory); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Commissioners through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

1-L Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivables, and the useful lives and impairment of tangible capital assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the District’s operations. At its annual meeting, the District adopts a budget for the current year for the general fund and proprietary (water) funds. The budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2020, none of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Municipal Budget Law Violation

The general fund had an excess of expenditures over appropriations for the year ended December 31, 2020, in the amount of \$1,914. The State Municipal Budget Law (RSA Chapter 32) provides for emergency spending procedures whereby monies may be expended in excess of an appropriation, thereby resulting in an over expenditure of total appropriations. There is no indication that these procedures were followed by the governing body in order not to incur a violation. Therefore, a budgetary violation did occur for the year ended December 31, 2020.

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The District’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the District’s agent in the District’s name. The FDIC currently insures the first \$250,000 of the District’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the District’s deposits was \$56,483 and the bank balances totaled \$55,978.

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the District funds. The District holds investments that are measured at fair value on a recurring basis. Since investing is not a core part of the District’s mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring amortized measurement as of December 31, 2020:

Investments Type	Valuation Measurement Method	Amortized Cost
New Hampshire Public Deposit Investment Pool	Level 2	\$ 595

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have custodial credit risk policies for investments.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2020, consisted of accounts (billings for water) and intergovernmental amounts held by the Town of Webster Trustees of Trust Funds for the District. Receivables are recorded on the 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.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is as follows:

	Balance, beginning	Additions	Balance, ending
Business-type activities:			
At cost:			
Not being depreciated:			
Land	\$248,245	\$ -	\$ 248,245
Construction in progress	-	31,875	31,875
Total capital assets not being depreciated	248,245	31,875	280,120

(Continued)

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Capital assets continued:

	Balance, beginning	Additions	Balance, ending
Being depreciated:			
Buildings and building improvements	24,429	-	24,429
Equipment	25,734	-	25,734
Infrastructure	-	22,571	22,571
Total capital assets being depreciated	50,163	22,571	72,734
Total all capital assets	298,408	54,446	352,854
Less accumulated depreciation:			
Buildings and building improvements	(19,846)	(770)	(20,616)
Equipment	(3,431)	(858)	(4,289)
Infrastructure	-	(752)	(752)
Total accumulated depreciation	(23,277)	(2,380)	(25,657)
Net book value, capital assets being depreciated	26,886	20,191	47,077
Net book value, all business-type activities capital assets	\$275,131	\$ 52,066	\$ 327,197

Depreciation expense of \$2,380 was entirely charged to the water function.

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Water	\$ 40,586

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2020 is as follows:

	Transfers In:
	Proprietary
	Fund
Transfers out:	
General fund	\$ 145,214

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred inflows of resources of \$25,686 at December 31, 2020 consist of amounts related to an overpayment of tax revenue from the Town of Webster.

NOTE 9 – LONG-TERM LIABILITIES

Changes in the District's long-term liabilities consisted of the following for the year ended December 31, 2020:

	Balance January 1, 2020	Reductions	Balance December 31, 2020	Due Within One Year
Business-type activities:				
General obligation bonds	\$ 368,876	\$ (47,831)	\$ 321,045	\$ 41,314

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Long-term bonds/notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2020	Current Portion
Business-type activities:						
General obligation bonds payable:						
Dam repairs	\$ 388,100	2007	2027	4.250%	\$ 130,000	\$ 20,000
State revolving funds:						
Water filtration project	\$ 398,065	2009	2028	1.490%	191,045	21,314
					<u>\$ 321,045</u>	<u>\$ 41,314</u>

The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2020, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 41,314	\$ 8,387	\$ 49,701
2022	42,058	7,220	49,278
2023	42,827	6,041	48,868
2024	43,623	4,852	48,475
2025	44,447	3,650	48,097
2026-2028	106,776	4,234	111,010
Totals	<u>\$ 321,045</u>	<u>\$ 34,384</u>	<u>\$ 355,429</u>

All debt is general obligation debt of the District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Bonds Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2020 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 11, 2020	New Well, Pump House, and Infrastructure	<u>\$ 500,000</u>

NOTE 10 – NET POSITION

Net position reported on the government-wide and fiduciary funds Statements of Net Position at December 31, 2020 include the following:

	Government-wide Financial Statements		
	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net book value, all capital assets	\$ -	\$ 327,197	\$ 327,197
Less:			
General obligation bonds/notes payable	-	(321,045)	(321,045)
Total net investment in capital assets	-	6,152	6,152
Unrestricted	71,978	42,041	114,019
Total net position	<u>\$ 71,978</u>	<u>\$ 48,193</u>	<u>\$ 120,171</u>

None of the net position is restricted by enabling legislation.

PILLSBURY LAKE VILLAGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2020, the District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2020, to December 31, 2020, by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2020 the District paid \$500 and \$3,904 respectively, to Primex for worker's compensation and property/liability insurance. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through November 16, 2021, the date the December 31, 2020 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
PILLSBURY LAKE VILLAGE DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
Taxes:			
Property	\$ 181,707	\$ 181,707	\$ -
Miscellaneous:			
Interest on investments	-	354	354
Total revenues	<u>\$ 181,707</u>	<u>\$ 182,061</u>	<u>\$ 354</u>

SCHEDULE 2
PILLSBURY LAKE VILLAGE DISTRICT
Major General Fund
Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	<u>Appropriations</u>	<u>Expenditures</u>	Variance Positive (Negative)
Current:			
General government:			
Executive	\$ 9,050	\$ 9,402	\$ (352)
Financial administration	10,000	2,935	7,065
Legal	50	886	(836)
General government buildings	3,500	52	3,448
Insurance, not otherwise allocated	5,100	4,404	696
Other	4,500	504	3,996
Total general government	<u>32,200</u>	<u>18,183</u>	<u>14,017</u>
Parks and recreation	<u>2,300</u>	<u>224</u>	<u>2,076</u>
Debt service:			
Interest on tax anticipation notes	<u>10</u>	<u>-</u>	<u>10</u>
Other financing uses:			
Transfers out	<u>147,197</u>	<u>145,214</u>	<u>1,983</u>
Total appropriations, expenditures, and other financing uses	<u>\$ 181,707</u>	<u>\$ 163,621</u>	<u>\$ 18,086</u>

SCHEDULE 3
PILLSBURY LAKE VILLAGE DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

Unassigned fund balance, beginning		\$ 53,538
Changes:		
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 354	
Unexpended balance of appropriations (Schedule 2)	<u>18,086</u>	
Unexpended balance of appropriations (Schedule 2)		<u>18,440</u>
Unassigned fund balance, ending		<u><u>\$ 71,978</u></u>



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES

To the Members of the Board of Commissioners
Pillsbury Lake Village District
Webster, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, business-type activities and major governmental and proprietary funds of Pillsbury Lake Village District as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Pillsbury Lake Village District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pillsbury Lake Village District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pillsbury Lake Village District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Water Billing Approval

While documenting internal controls over water billings, it was noted that two members of the Board of Commissioners are involved in the monthly meter reading process and send the water usage reading spreadsheets to the Treasurer for bill processing; however, there is no formal evidence of the Board's approval of the billings. We recommend that all water billings be approved by a majority of the Board either by physical signature or per discussion documented in the Commissioner's meeting minutes.

Budget Entry

While reviewing the District budget entered into the QuickBooks accounting software, we noted that both revenue and expense budgets did not agree to the approved tax rate papers. We recommend that the revenue and expense budgets be accurately entered into QuickBooks on an annual basis.

Accounts Receivable

While testing the accounts receivable balance it was noted that a number of inactive accounts are included on the listing showing balances that are uncollectible. In QuickBooks the inactive accounts continue to accrue finance charges, which are moved into an "Auditor Customer Account" and are showing as owed in the accounts receivable balance even though they are truly not owed amounts. It is noted that the District does keep track of the appropriate amounts owed to them and monthly review of those balances is performed at the Board of Commissioner's meetings. We recommend that the District work to clean up the QuickBooks file and remove all the inactive customers and the "Auditor Customer Account" with inappropriate balances then determine a way to stop QuickBooks from accruing improper finance charges on closed accounts.

*Pillsbury Lake Village District
Independent Auditor's Communication of Significant Deficiencies*

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

November 16 , 2021

*Plodzik & Sanderson
Professional Association*