

TOWN OF ASHLAND, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2017

Town of Ashland, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Ashland, New Hampshire

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

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 Town of Ashland, New Hampshire, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashland, New Hampshire, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

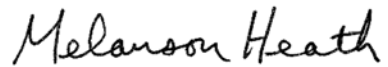
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 50 to 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information appearing on pages 53 through 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures

applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Melanson Heath". The signature is written in black ink and is enclosed within a thin yellow rectangular border.

June 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Ashland, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include water, sewer, and electric activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental

fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water, sewer, and electric operations, which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$16,123,193 (i.e., net position), a change of \$(861,104) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$1,588,690, a change of \$4,874 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$432,924, a change of \$(186,253) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 4,143,773	\$ 3,802,247	\$ 2,365,693	\$ 2,392,103	\$ 6,509,466	\$ 6,194,350
Capital assets	<u>9,858,665</u>	<u>9,907,009</u>	<u>7,059,748</u>	<u>7,409,162</u>	<u>16,918,413</u>	<u>17,316,171</u>
Total assets	14,002,438	13,709,256	9,425,441	9,801,265	23,427,879	23,510,521
Deferred outflows	241,126	381,588	69,152	96,620	310,278	478,208
Current liabilities	2,216,773	1,783,283	740,601	538,203	2,957,374	2,321,486
Noncurrent liabilities	<u>3,958,969</u>	<u>3,833,962</u>	<u>612,943</u>	<u>770,819</u>	<u>4,571,912</u>	<u>4,604,781</u>
Total liabilities	6,175,742	5,617,245	1,353,544	1,309,022	7,529,286	6,926,267
Deferred inflows	59,152	50,186	26,526	27,979	85,678	78,165
Net position:						
Net investment in capital assets	9,450,067	9,851,315	6,721,824	6,936,713	16,171,891	16,788,028
Restricted	288,553	272,247	-	-	288,553	272,247
Unrestricted	<u>(1,729,950)</u>	<u>(1,700,149)</u>	<u>1,392,699</u>	<u>1,624,171</u>	<u>(337,251)</u>	<u>(75,978)</u>
Total net position	<u>\$ 8,008,670</u>	<u>\$ 8,423,413</u>	<u>\$ 8,114,523</u>	<u>\$ 8,560,884</u>	<u>\$ 16,123,193</u>	<u>\$ 16,984,297</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$16,123,193, a change of \$(861,104) from the prior year.

The largest portion of net position \$16,171,891 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$288,553 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(337,251), primarily resulting from the Town's unfunded net pension liability.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 518,836	\$ 518,061	\$ 3,965,314	\$ 3,831,577	\$ 4,484,150	\$ 4,349,638
Operating grants and contributions	271,411	234,790	-	-	271,411	234,790
General revenues:						
Property taxes	1,861,808	2,084,849	-	-	1,861,808	2,084,849
Penalties and interest on taxes	121,005	116,066	-	-	121,005	116,066
Grants and contributions not restricted to specific programs	16,157	36,948	-	-	16,157	36,948
Investment income	17,215	12,126	4,282	4,832	21,497	16,958
Other	42,841	15,137	55,096	73,474	97,937	88,611
Total revenues	<u>2,849,273</u>	<u>3,017,977</u>	<u>4,024,692</u>	<u>3,909,883</u>	<u>6,873,965</u>	<u>6,927,860</u>
Expenses:						
General government	595,809	604,668	-	-	595,809	604,668
Public safety	971,420	966,834	-	-	971,420	966,834
Highways and streets	1,202,667	1,116,270	-	-	1,202,667	1,116,270
Sanitation	147,650	142,071	-	-	147,650	142,071
Health and human services	35,751	2,009	-	-	35,751	2,009
Welfare	7,466	9,016	-	-	7,466	9,016
Culture and recreation	220,676	229,078	-	-	220,676	229,078
Conservation	647	1,000	-	-	647	1,000
Interest on long-term debt	81,930	68,887	-	-	81,930	68,887
Water	-	-	347,691	452,480	347,691	452,480
Sewer	-	-	570,339	496,924	570,339	496,924
Electric	-	-	3,553,023	2,966,622	3,553,023	2,966,622
Total expenses	<u>3,264,016</u>	<u>3,139,833</u>	<u>4,471,053</u>	<u>3,916,026</u>	<u>7,735,069</u>	<u>7,055,859</u>
Change in net position	(414,743)	(121,856)	(446,361)	(6,143)	(861,104)	(127,999)
Net position - beginning of year	<u>8,423,413</u>	<u>8,545,269</u>	<u>8,560,884</u>	<u>8,567,027</u>	<u>16,984,297</u>	<u>17,112,296</u>
Net position - end of year	<u>\$ 8,008,670</u>	<u>\$ 8,423,413</u>	<u>\$ 8,114,523</u>	<u>\$ 8,560,884</u>	<u>\$ 16,123,193</u>	<u>\$ 16,984,297</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(414,743). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (11,157)
Other governmental funds operations	16,031
Principal debt service in excess of depreciation expense	(438,002)
Change in long-term liabilities	(316,940)
Other	<u>335,325</u>
Total	<u>\$ (414,743)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(446,361). Key elements of this change are as follows:

Water operations	\$ (150,797)
Sewer operations	164,826
Electric operations	<u>(460,390)</u>
Total	<u>\$ (446,361)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$1,588,690, a change of \$4,874 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (11,157)
Nonmajor funds operating results	<u>16,031</u>
Total	<u>\$ 4,874</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$432,924, while total fund balance was \$1,300,412. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>	% of <u>Total General Fund Expenditures</u>
Unassigned fund balance	\$ 432,924	\$ 619,447	\$ (186,523)	13.3%
Total fund balance	\$ 1,300,412	\$ 1,311,569	\$ (11,157)	39.8%

The total fund balance of the general fund changed by \$(11,157) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (250,000)
Revenues in excess of budget	37,035
Expenditures less than budget	86,247
Tax collections as compared to budget	(59,972)
Current year encumbrance spent in subsequent year over prior year encumbrance	48,079
Change in capital reserve funds	85,724
Other	41,730
Total	\$ <u>(11,157)</u>

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Capital reserves	\$ <u>762,097</u>	\$ <u>676,373</u>	\$ <u>85,724</u>
Total	\$ <u>762,097</u>	\$ <u>676,373</u>	\$ <u>85,724</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,392,699, a change of \$(446,361) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$16,918,413 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Purchase or improvements of:	
Governmental	
Fire Truck Rescue Pumper	\$ 30,264
John Deere Motor Grader	\$ 35,000
Plow with Hitch	\$ 22,590
Ford Explorer	\$ 28,008
Enterprise	
Electric	
Ford F250 Truck	\$ 25,096

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$1,788,972, all of which was backed by the full faith and credit of the Town.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Ashland, New Hampshire's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Town Administrator
Town of Ashland
20 Highland Street
P.O. Box 517
Ashland, New Hampshire 03217

TOWN OF ASHLAND, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 2,400,553	\$ 1,846,573	\$ 4,247,126
Restricted cash	762,097	-	762,097
Investments	204,971	-	204,971
Receivables, net of allowance for uncollectibles:			
Property taxes	477,754	-	477,754
User fees	-	521,960	521,960
Intergovernmental	145,789	-	145,789
Internal balances	13,002	(13,002)	-
Inventory	-	5,218	5,218
Other assets	59,599	4,944	64,543
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	80,008	-	80,008
Capital assets:			
Land and construction in progress	1,462,281	258,468	1,720,749
Other capital assets, net of accumulated depreciation	8,396,384	6,801,280	15,197,664
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>241,126</u>	<u>69,152</u>	<u>310,278</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	14,243,564	9,494,593	23,738,157
LIABILITIES			
Current:			
Accounts payable	105,647	581,056	686,703
Accrued payroll	25,627	-	25,627
Accrued liabilities	30,215	7,835	38,050
Due to school district	1,605,992	-	1,605,992
Due to other governments	408	-	408
Tax refunds payable	55,858	-	55,858
Taxes paid in advance	135,041	-	135,041
Other current liabilities	2,386	13,776	16,162
Current portion of long-term liabilities:			
Bonds payable	126,330	137,934	264,264
Other	129,269	-	129,269
Noncurrent:			
Bonds payable, net of current portion	1,324,718	199,990	1,524,708
Net pension liability	1,395,669	412,953	1,808,622
Net OPEB obligation	713,726	-	713,726
Other, net of current portion	524,856	-	524,856
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>59,152</u>	<u>26,526</u>	<u>85,678</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,234,894	1,380,070	7,614,964
NET POSITION			
Net investment in capital assets	9,450,067	6,721,824	16,171,891
Restricted for:			
Grants and other statutory restrictions	80,853	-	80,853
Permanent funds:			
Nonexpendable	55,260	-	55,260
Expendable	152,440	-	152,440
Unrestricted	<u>(1,729,950)</u>	<u>1,392,699</u>	<u>(337,251)</u>
TOTAL NET POSITION	<u>\$ 8,008,670</u>	<u>\$ 8,114,523</u>	<u>\$ 16,123,193</u>

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

TOWN OF ASHLAND, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 595,809	\$ 369,743	\$ 108,033	\$ -	\$ (118,033)	\$ -	\$ (118,033)
Public safety	971,420	6,104	-	-	(965,316)	-	(965,316)
Highways and streets	1,202,667	27,864	143,034	-	(1,031,769)	-	(1,031,769)
Sanitation	147,650	-	-	-	(147,650)	-	(147,650)
Health and human services	35,751	7,529	-	-	(28,222)	-	(28,222)
Welfare	7,466	-	-	-	(7,466)	-	(7,466)
Culture and recreation	220,676	107,596	20,344	-	(92,736)	-	(92,736)
Conservation	647	-	-	-	(647)	-	(647)
Interest expense	81,930	-	-	-	(81,930)	-	(81,930)
Total Governmental Activities	3,264,016	518,836	271,411	-	(2,473,769)	-	(2,473,769)
Business-Type Activities:							
Water	347,691	192,408	-	-	-	(155,283)	(155,283)
Sewer	570,339	727,441	-	-	-	157,102	157,102
Electric	3,553,023	3,045,465	-	-	-	(507,558)	(507,558)
Total Business-Type Activities	4,471,053	3,965,314	-	-	-	(505,739)	(505,739)
Total	\$ 7,735,069	\$ 4,484,150	\$ 271,411	\$ -	(2,473,769)	(505,739)	(2,979,508)
General Revenues:							
Property taxes					1,861,808	-	1,861,808
Penalties, interest and other taxes					121,005	-	121,005
Grants and contributions not restricted to specific programs					16,157	-	16,157
Investment income					17,215	4,282	21,497
Miscellaneous					42,841	55,096	97,937
Total general revenues					2,059,026	59,378	2,118,404
Change in Net Position					(414,743)	(446,361)	(861,104)
Net Position:							
Beginning of year					8,423,413	8,560,884	16,984,297
End of year					\$ 8,008,670	\$ 8,114,523	\$ 16,123,193

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

TOWN OF ASHLAND, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 2,317,246	\$ 83,307	\$ 2,400,553
Restricted cash	762,097	-	762,097
Investments	-	204,971	204,971
Receivables:			
Property taxes	622,829	-	622,829
Due from other funds	13,002	-	13,002
Other assets	44,038	-	44,038
TOTAL ASSETS	\$ 3,759,212	\$ 288,278	\$ 4,047,490
LIABILITIES			
Accounts payable	\$ 105,647	\$ -	\$ 105,647
Accrued payroll	25,627	-	25,627
Due to school district	1,605,992	-	1,605,992
Due to other governments	408	-	408
Tax refunds payable	55,858	-	55,858
Taxes paid in advance	135,041	-	135,041
Other liabilities	2,386	-	2,386
TOTAL LIABILITIES	1,930,959	-	1,930,959
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	527,841	-	527,841
FUND BALANCES			
Nonspendable	43,912	54,985	98,897
Restricted	-	233,293	233,293
Committed	762,097	-	762,097
Assigned	61,479	-	61,479
Unassigned	432,924	-	432,924
TOTAL FUND BALANCES	1,300,412	288,278	1,588,690
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,759,212	\$ 288,278	\$ 4,047,490

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

TOWN OF ASHLAND, NEW HAMPSHIRE

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

DECEMBER 31, 2017

Total governmental fund balances	\$ 1,588,690
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,858,665
• Long-term receivable not reported in governmental funds.	145,789
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	462,774
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(4,214,568)
• Other	<u>167,320</u>
Net position of governmental activities	<u><u>\$ 8,008,670</u></u>

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

TOWN OF ASHLAND, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 1,879,804	\$ -	\$ 1,879,804
Penalties, interest and other taxes	121,005	-	121,005
Charges for services	148,534	1,170	149,704
Intergovernmental	259,651	-	259,651
Licenses and permits	369,132	-	369,132
Investment income	6,017	11,198	17,215
Contributions	-	36,246	36,246
Miscellaneous	36,770	8	36,778
	<hr/>	<hr/>	<hr/>
Total Revenues	2,820,913	48,622	2,869,535
Expenditures:			
Current:			
General government	574,157	-	574,157
Public safety	1,267,969	-	1,267,969
Highways and streets	570,124	-	570,124
Sanitation	146,521	-	146,521
Health and human services	35,751	-	35,751
Welfare	7,466	-	7,466
Culture and recreation	163,445	32,591	196,036
Conservation	647	-	647
Debt service	282,924	-	282,924
Capital outlay	215,544	-	215,544
	<hr/>	<hr/>	<hr/>
Total Expenditures	3,264,548	32,591	3,297,139
Excess (deficiency) of revenues over expenditures	(443,635)	16,031	(427,604)
Other Financing Sources (Uses):			
Issuance of capital lease	432,478	-	432,478
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	432,478	-	432,478
Change in fund balance	(11,157)	16,031	4,874
Fund Balance, at Beginning of Year	1,311,569	272,247	1,583,816
	<hr/>	<hr/>	<hr/>
Fund Balance, at End of Year	\$ 1,300,412	\$ 288,278	\$ 1,588,690
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

TOWN OF ASHLAND, 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, 2017

Net changes in fund balances - total governmental funds	\$ 4,874																		
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay</td> <td style="text-align: right;">520,257</td> </tr> <tr> <td>Loss on disposal of assets</td> <td style="text-align: right;">(6,269)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(562,332)</td> </tr> </table> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Repayments of debt</td> <td style="text-align: right;">124,330</td> </tr> <tr> <td>Change in net pension liability</td> <td style="text-align: right;">100,443</td> </tr> <tr> <td>Change in net OPEB liability</td> <td style="text-align: right;">(79,247)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">(338,136)</td> </tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">(33,557)</td> </tr> </table> Other differences. <table> <tr> <td></td> <td style="text-align: right;"><u>(145,106)</u></td> </tr> </table> 		Capital outlay	520,257	Loss on disposal of assets	(6,269)	Depreciation	(562,332)	Repayments of debt	124,330	Change in net pension liability	100,443	Change in net OPEB liability	(79,247)	Other	(338,136)		(33,557)		<u>(145,106)</u>
Capital outlay	520,257																		
Loss on disposal of assets	(6,269)																		
Depreciation	(562,332)																		
Repayments of debt	124,330																		
Change in net pension liability	100,443																		
Change in net OPEB liability	(79,247)																		
Other	(338,136)																		
	(33,557)																		
	<u>(145,106)</u>																		
Change in net position of governmental activities	<u>\$ (414,743)</u>																		

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

TOWN OF ASHLAND, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>		Positive (Negative)
Revenues and Other Sources:				
Property taxes	\$ 1,939,776	\$ 1,939,776	\$ 1,939,776	\$ -
Penalties, interest and other taxes	109,340	109,340	121,005	11,665
Charges for services	142,000	142,000	148,534	6,534
Intergovernmental	210,064	210,064	210,997	933
Licenses and permits	357,900	357,900	369,132	11,232
Investment income	3,500	3,500	4,001	501
Miscellaneous	30,600	30,600	36,770	6,170
Use of fund balance	250,000	250,000	250,000	-
Total Revenues and Other Sources	<u>3,043,180</u>	<u>3,043,180</u>	<u>3,080,215</u>	<u>37,035</u>
Expenditures and Other Uses:				
General government	611,253	611,253	573,877	37,376
Public safety	880,246	880,246	836,254	43,992
Highways and streets	597,901	597,901	621,748	(23,847)
Sanitation	130,598	130,598	143,068	(12,470)
Health and human services	36,047	36,047	35,751	296
Welfare	29,478	29,478	7,450	22,028
Culture and recreation	182,411	182,411	164,214	18,197
Conservation	1,000	1,000	647	353
Debt service	283,246	283,246	282,924	322
Transfers out	291,000	291,000	291,000	-
Total Expenditures and Other Uses	<u>3,043,180</u>	<u>3,043,180</u>	<u>2,956,933</u>	<u>86,247</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>123,282</u>	\$ <u>123,282</u>

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

TOWN OF ASHLAND, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Electric Fund	
ASSETS				
Current:				
Cash and short-term investments	\$ 96,968	\$ 1,469,920	\$ 279,685	\$ 1,846,573
User fees, net of allowance for uncollectibles	14,013	74,000	433,947	521,960
Inventory	-	-	5,218	5,218
Other assets	-	4,944	-	4,944
Total current assets	110,981	1,548,864	718,850	2,378,695
Noncurrent:				
Capital assets:				
Land and construction in progress	4,011	13,229	241,228	258,468
Other capital assets, net of accumulated depreciation	3,040,536	1,693,530	2,067,214	6,801,280
Total noncurrent assets	3,044,547	1,706,759	2,308,442	7,059,748
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	-	-	69,152	69,152
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,155,528	3,255,623	3,096,444	9,507,595
LIABILITIES				
Current:				
Accounts payable	6,783	29,033	545,240	581,056
Accrued liabilities	-	-	7,835	7,835
Due to other governments	8,963	3,504	535	13,002
Other current liabilities	-	-	13,776	13,776
Bonds payable	-	-	137,934	137,934
Total current liabilities	15,746	32,537	705,320	753,603
Noncurrent:				
Bonds payable, net of current portion	-	-	199,990	199,990
Net pension liability	-	-	412,953	412,953
Total noncurrent liabilities	-	-	612,943	612,943
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	-	-	26,526	26,526
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	15,746	32,537	1,344,789	1,393,072
NET POSITION				
Net investment in capital assets	3,044,547	1,706,759	1,970,518	6,721,824
Unrestricted	95,235	1,516,327	(218,863)	1,392,699
TOTAL NET POSITION	<u>\$ 3,139,782</u>	<u>\$ 3,223,086</u>	<u>\$ 1,751,655</u>	<u>\$ 8,114,523</u>

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

TOWN OF ASHLAND, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Electric Fund	
Operating Revenues:				
Charges for services	\$ 192,408	\$ 206,467	\$ 3,045,465	\$ 3,444,340
Septage fees	-	520,974	-	520,974
Other	4,051	4,351	46,694	55,096
Total Operating Revenues	196,459	731,792	3,092,159	4,020,410
Operating Expenses:				
Operating expenses	205,012	462,879	3,408,148	4,076,039
Depreciation	142,679	107,460	134,593	384,732
Total Operating Expenses	347,691	570,339	3,542,741	4,460,771
Operating Income (Loss)	(151,232)	161,453	(450,582)	(440,361)
Nonoperating Revenues (Expenses):				
Investment income	435	3,373	474	4,282
Interest expense	-	-	(10,282)	(10,282)
Total Nonoperating Revenues (Expenses), Net	435	3,373	(9,808)	(6,000)
Income (Loss) Before Transfers	(150,797)	164,826	(460,390)	(446,361)
Change in Net Position	(150,797)	164,826	(460,390)	(446,361)
Net Position at Beginning of Year	3,290,579	3,058,260	2,212,045	8,560,884
Net Position at End of Year	\$ 3,139,782	\$ 3,223,086	\$ 1,751,655	\$ 8,114,523

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

TOWN OF ASHLAND, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Electric Fund	
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 205,955	\$ 719,142	\$ 3,005,518	\$ 3,930,615
Payments to vendors and employees	(213,170)	(448,508)	(3,187,623)	(3,849,301)
Net Cash Provided By (Used For) Operating Activities	(7,215)	270,634	(182,105)	81,314
Cash Flows From Noncapital Financing Activities:				
Interfund lending	5,427	(9,920)	6	(4,487)
Net Cash Provided By (Used For) Noncapital Financing Activities	5,427	(9,920)	6	(4,487)
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	-	(35,318)	(35,318)
Principal payments on bonds	-	-	(134,525)	(134,525)
Interest expense	-	-	(10,282)	(10,282)
Net Cash Used For Capital and Related Financing Activities	-	-	(180,125)	(180,125)
Cash Flows From Investing Activities:				
Investment income	435	3,373	474	4,282
Reclass of restricted cash	-	-	309,244	309,244
Net Cash Provided By Investing Activities	435	3,373	309,718	313,526
Net Change in Cash and Short-Term Investments	(1,353)	264,087	(52,506)	210,228
Cash and Short-Term Investments, Beginning of Year	98,321	1,205,833	332,191	1,636,345
Cash and Short-Term Investments, End of Year	\$ 96,968	\$ 1,469,920	\$ 279,685	\$ 1,846,573
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:				
Operating income (loss)	\$ (151,232)	\$ 161,453	\$ (450,582)	\$ (440,361)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	142,679	107,460	134,593	384,732
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	9,496	(12,650)	(86,641)	(89,795)
Inventory	-	-	9,131	9,131
Deferred outflows - related to pensions	-	-	27,468	27,468
Accounts payable	(8,158)	14,371	199,895	206,108
Accrued liabilities	-	-	7,835	7,835
Other liabilities	-	-	(2,402)	(2,402)
Net pension liability	-	-	(19,949)	(19,949)
Deferred inflows - related to pensions	-	-	(1,453)	(1,453)
Net Cash Provided By (Used For) Operating Activities	\$ (7,215)	\$ 270,634	\$ (182,105)	\$ 81,314

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

TOWN OF ASHLAND, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ -	\$ 234,633
Investments	<u>17,107</u>	<u>61,184</u>
Total Assets	17,107	295,817
 LIABILITIES AND NET POSITION		
Intergovernmental liabilities	<u>-</u>	<u>295,817</u>
Total Liabilities	<u>-</u>	<u>295,817</u>
 NET POSITION		
Total net position restricted for pensions and other purposes	\$ <u><u>17,107</u></u>	\$ <u><u>-</u></u>

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

TOWN OF ASHLAND, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest	\$ <u>2,688</u>
Total additions	2,688
Deductions:	
Other	<u>3,000</u>
Total deductions	<u>3,000</u>
Net increase (decrease)	(312)
Net position restricted for pensions and other purposes:	
Beginning of year	<u>17,419</u>
End of year	\$ <u><u>17,107</u></u>

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

Town of Ashland, New Hampshire

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Ashland, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- Water
- Sewer
- Electric Utility

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the trust funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at fair value, except certificates of deposit which are reported at cost.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. Capital Assets

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

purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	10-40
Building improvements	10-40
Infrastructure	50
Vehicles	5-15
Office equipment	7-15
Business-type activities	5-33

I. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

K. Fund Equity

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

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

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

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

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

L. *Use of Estimates*

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

2. **Stewardship, Compliance, and Accountability**

A. *Budgetary Information (Town)*

The Town's budget is originally prepared by the Selectmen's Office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town Meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

B. Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 2,820,913	\$ 3,264,548
Other financing sources/uses (GAAP Basis)	<u>432,478</u>	<u>-</u>
Subtotal (GAAP Basis)	3,253,391	3,264,548
Adjust tax revenue to accrual basis	59,972	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(13,400)
Add end-of-year appropriation carryforwards from expenditures	-	61,479
Other timing differences	(688,424)	(646,694)
To eliminate capital reserve activity	205,276	291,000
Recognize use of fund balance as funding source/use.	<u>250,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 3,080,215</u>	<u>\$ 2,956,933</u>

3. Cash and Short-Term Investments

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

As of December 31, 2017, none of the Town's bank balance of \$4,812,847 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Restricted Cash

Restricted cash represents capital reserve funds held by the Trustees of Trust funds as of December 31, 2017.

5. Investments

A. 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. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	Exempt From <u>Disclosure</u>
Corporate equities	\$ 93,631	\$ 93,631
Mutual funds	<u>189,631</u>	<u>189,631</u>
Total investments	<u>\$ 283,262</u>	<u>\$ 283,262</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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. The Town does not have policies for custodial credit risk.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities.

C. Concentration of Credit Risk

The Town does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk 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 Town 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.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of December 31, 2017:

<u>Description</u>	<u>Fair Value Measurements Using:</u>	
	Quoted prices in active markets for identical assets (Level 1)	
Investments by fair value level:		
Mutual funds	\$ 93,631	\$ 93,631
Corporate equities	<u>189,631</u>	189,631
Total	<u>\$ 283,262</u>	

6. Taxes Receivable

The Town bills property taxes semiannually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied to the extent that they become available, i.e., due or receivable, within the current fiscal year and collected within the current period or within 60 days of year-end. Property taxes collected before the due date, and in advance of the year for which they are levied, are recorded as a prepaid tax liability as they are intended to finance the subsequent year's budget. At the time of the tax lien, which the Town usually places within 60 to 90 days after the due date, a lien is recorded on the property at the Registry of Deeds. If the property taxes (redemptions) are not paid within two years and one day of the tax lien date, the property could be conveyed to the Town by deed and subsequently sold at public sale held in November of each year. The Town annually raises through tax levy an amount (overlay for abatements) for property tax abatements and interest refunds. All abatements and interest refunds are charged to overlay.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. If the unredeemed tax liens are not paid within two years and one day of the tax lien date, the property could be conveyed to the Town by deed and subsequently sold at public sale.

Taxes receivables at December 31, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 477,754	\$ -	\$ 477,754
Tax liens	138,859	(58,851)	80,008
Elderly liens	6,216	(6,216)	-
Grand total	<u>\$ 622,829</u>	<u>\$ (65,067)</u>	<u>\$ 557,762</u>

Taxes Collected for Others

The Town collects taxes for the State of New Hampshire, the Ashland School District, the Pemi-Baker Regional School District, and the County of Grafton. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

7. User Fee Receivables

Receivables for user charges and betterments at December 31, 2017 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water	\$ 14,013	\$ -	\$ 14,013
Sewer	74,000	-	74,000
Electric	<u>443,947</u>	<u>(10,000)</u>	<u>433,947</u>
Total	<u>\$ 531,960</u>	<u>\$ (10,000)</u>	<u>\$ 521,960</u>

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2017.

9. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 13,002	\$ -
Enterprise Funds:		
Water	-	8,963
Sewer	-	3,504
Electric	<u>-</u>	<u>535</u>
Total	<u>\$ 13,002</u>	<u>\$ 13,002</u>

10. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,925,398	\$ -	\$ -	\$ 1,925,398
Equipment	374,585	73,154	(15,671)	432,068
Vehicles	1,425,204	432,478	-	1,857,682
Infrastructure	23,695,664	-	-	23,695,664
Total capital assets, being depreciated	27,420,851	505,632	(15,671)	27,910,812
Less accumulated depreciation for:				
Buildings and improvements	(1,252,892)	(56,962)	-	(1,309,854)
Equipment	(279,666)	(14,391)	9,402	(284,655)
Vehicles	(1,130,082)	(55,108)	-	(1,185,190)
Infrastructure	(16,298,858)	(435,871)	-	(16,734,729)
Total accumulated depreciation	(18,961,498)	(562,332)	9,402	(19,514,428)
Total capital assets, being depreciated, net	8,459,353	(56,700)	(6,269)	8,396,384
Capital assets, not being depreciated:				
Land	1,447,656	-	-	1,447,656
Construction in progress	-	14,625	-	14,625
Total capital assets, not being depreciated	1,447,656	14,625	-	1,462,281
Governmental activities capital assets, net	<u>\$ 9,907,009</u>	<u>\$ (42,075)</u>	<u>\$ (6,269)</u>	<u>\$ 9,858,665</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Distribution mains	\$ 1,185,846	\$ -	\$ -	\$ 1,185,846
Services	781,986	-	-	781,986
Structures and equipment	5,761,638	25,096	-	5,786,734
Systems improvements	5,324,234	-	-	5,324,234
North Ashland road expansion	2,326,340	-	-	2,326,340
Intangible property	967,915	-	-	967,915
Total capital assets, being depreciated	16,347,959	25,096	-	16,373,055
Less accumulated depreciation for:	(9,187,043)	(384,732)	-	(9,571,775)
Total accumulated depreciation	(9,187,043)	(384,732)	-	(9,571,775)
Total capital assets, being depreciated, net	7,160,916	(359,636)	-	6,801,280
Capital assets, not being depreciated:				
Land	21,440	-	-	21,440
Construction in progress	226,806	10,222	-	237,028
Total capital assets, not being depreciated	248,246	10,222	-	258,468
Business-type activities capital assets, net	<u>\$ 7,409,162</u>	<u>\$ (349,414)</u>	<u>\$ -</u>	<u>\$ 7,059,748</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 6,924
Public safety	34,883
Highways and streets	492,600
Sanitation	4,999
Culture and recreation	<u>22,926</u>
Total depreciation expense - governmental activities	\$ <u>562,332</u>
Business-Type Activities:	
Water	\$ 142,679
Sewer	107,460
Electric	<u>134,593</u>
Total depreciation expense - business-type activities	\$ <u>384,732</u>

11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 20.

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2017 expenditures paid in 2018.

13. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

14. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2020. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2017:

	<u>Fiscal Year</u>	<u>Capital Leases</u>
	2018	\$ 120,727
	2019	112,101
	2020	<u>204,230</u>
Total payments		437,058
Less amounts representing interest		<u>28,460</u>
Present Value of Minimum Lease Payments		<u>\$ 408,598</u>

15. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/17</u>
Water System	09/10/27	4.50%	\$ 120,829
Water	07/16/26	4.50%	578,219
River St Improvement R1/R2	08/15/29	2.0-5.0%	<u>752,000</u>
Total Governmental Activities:			<u>\$ 1,451,048</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/17</u>
Electric:			
North Ashland Road Expansion	05/15/20	2.50%	\$ <u>337,924</u>
Total Business-Type Activities:			<u>\$ 337,924</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 126,330	\$ 59,031	\$ 185,361
2019	129,330	54,486	183,816
2020	129,330	50,380	179,710
2021	131,330	45,213	176,543
2022	133,330	39,969	173,299
2023 - 2027	649,398	111,833	761,231
2028 - 2032	<u>152,000</u>	<u>11,500</u>	<u>163,500</u>
Total	<u>\$ 1,451,048</u>	<u>\$ 372,412</u>	<u>\$ 1,823,460</u>

The general fund has been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2017.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 137,934	\$ 6,874	\$ 144,808
2019	141,422	3,386	144,808
2020	<u>58,568</u>	<u>338</u>	<u>58,906</u>
Total	<u>\$ 337,924</u>	<u>\$ 10,598</u>	<u>\$ 348,522</u>

C. Changes in General Long-Term Liabilities

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

	<u>Total</u>			<u>Total</u>		<u>Equals</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Less</u>	<u>Long-Term</u>
	<u>1/1/17</u>			<u>12/31/17</u>	<u>Current</u>	<u>Portion</u>
					<u>Portion</u>	<u>12/31/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 1,575,378	\$ -	\$ (124,330)	\$ 1,451,048	\$ (126,330)	\$ 1,324,718
Net pension liability	1,496,112	-	(100,443)	1,395,669	-	1,395,669
Net OPEB liability	634,479	79,247	-	713,726	-	713,726
Other:						
Landfill liability	140,000	-	(11,000)	129,000	(11,000)	118,000
Compensated absences	41,476	2,295	-	43,771	(4,377)	39,394
Capital leases	55,694	432,478	(79,574)	408,598	(107,829)	300,769
Unamortized premium	<u>78,819</u>	<u>-</u>	<u>(6,063)</u>	<u>72,756</u>	<u>(6,063)</u>	<u>66,693</u>
Subtotal - other	<u>315,989</u>	<u>434,773</u>	<u>(96,637)</u>	<u>654,125</u>	<u>(129,269)</u>	<u>524,856</u>
Totals	<u>\$ 4,021,958</u>	<u>\$ 514,020</u>	<u>\$ (321,410)</u>	<u>\$ 4,214,568</u>	<u>\$ (255,599)</u>	<u>\$ 3,958,969</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 472,449	\$ -	\$ (134,525)	\$ 337,924	\$ (137,934)	\$ 199,990
Net pension liability	<u>432,902</u>	<u>-</u>	<u>(19,949)</u>	<u>412,953</u>	<u>-</u>	<u>412,953</u>
Totals	<u>\$ 905,351</u>	<u>\$ -</u>	<u>\$ (154,474)</u>	<u>\$ 750,877</u>	<u>\$ (137,934)</u>	<u>\$ 612,943</u>

16. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$129,000 reported as landfill postclosure care liability at December 31, 2017 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

17. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 20. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

18. Governmental Funds - Balances

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

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

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

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional

provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, capital reserve funds, and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods and general stabilization fund and deficit funds.

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepaid expenditures	\$ 43,912	\$ -	\$ 43,912
Nonexpendable permanent funds	-	54,985	54,985
Total Nonexpendable	43,912	54,985	98,897
Restricted			
Special revenue funds	-	80,853	80,853
Expendable permanent funds	-	152,440	152,440
Total Restricted	-	233,293	233,293
Committed			
Capital reserve funds	762,097	-	762,097
Total Committed	762,097	-	762,097
Assigned			
Encumbrances	61,479	-	61,479
Total Assigned	61,479	-	61,479
Unassigned			
Unassigned	432,924	-	432,924
Total Unassigned	432,924	-	432,924
Total Fund Balance	\$ 1,300,412	\$ 288,278	\$ 1,588,690

19. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 432,924
Unavailable revenue	527,841
Allowance for doubtful accounts	(65,067)
Other	<u>34,941</u>
Statutory Balance	<u>\$ 930,639</u>

20. Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earned compensation and/or service.

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 25.32% of covered compensation. The Town's and Electric's contributions to NHRS for the year ended December 31, 2017 were \$109,604, and \$32,877, respectively, which were equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this

purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At December 31, 2017, the Town and Electric reported a liability of \$1,395,669 and \$412,953, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's and Electric's proportion of the net pension liability was based on a projection of the Town's and Electric's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's and Electric's proportion were .02837884 and .00839677 percent, respectively.

For the year ended June 30, 2017, the Town and Electric recognized pension expense of \$159,589 and \$39,605, respectively. In addition, the Town and Electric reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,101	\$ 23,019
Changes of assumptions	181,610	-
Net difference between projected and actual earnings on pension plan investments	-	23,034
Changes in proportion and differences between contributions and proportionate share of contributions	48,895	39,625
Contributions subsequent to the measurement date	<u>75,672</u>	<u>-</u>
Total	<u>\$ 310,278</u>	<u>\$ 85,678</u>

The \$75,672 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 39,634
2019	80,202
2020	54,995
2021	<u>(25,903)</u>
Total	\$ <u>148,928</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent per year
Salary increases	5.6 percent average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.75%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	2.11%
Absolute Return Fixed Income	7.00	1.26%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	2.84%
Real estate	10.00	3.25%
Total alternative investments	25.00	
Total	100.00 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s and Electric’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town’s and Electric’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
\$ 2,382,768	\$ 1,808,622	\$ 1,338,131

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NHRS financial report.

21. Other Post-Employment Benefits – OPEB (GASB 45)

The Town implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. The Town has elected to use the alternative measurement method instead of obtaining an actuarial valuation. Statement 45 allows employers with less than one hundred total plan members to apply a simplified alternative measurement method instead of obtaining actuarial valuations. The alternative method includes the same broad measurement steps as an actuarial valuation; however, it permits simplification of certain assumptions to make the method usable by nonspecialists. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of a required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Position when future retirees earn their post-employment benefits, rather than when they use their post-employment benefits. To the extent that an entity does not fund its required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town’s plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of December 31, 2017, the actuarial valuation date, approximately 5

retirees and 20 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2017, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of December 31, 2017.

Annual Required Contribution (ARC)	\$ <u>126,712</u>
Annual OPEB cost	126,712
Contributions made	<u>(47,465)</u>
Increase in net OPEB obligation	79,247
Net OPEB obligation - beginning of year	<u>634,479</u>
Net OPEB obligation - end of year	<u>\$ 713,726</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 126,712	37.5%	\$ 713,726
2016	\$ 120,362	24.1%	\$ 555,233
2015	\$ 120,362	34.1%	\$ 475,914

E. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2017, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 1,281,580
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>1,281,580</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	\$ <u>668,790</u>
UAAL as a percentage of covered payroll	<u>192%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2017 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 5.5% investment rate of return and an initial annual healthcare cost trend rate of 10%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 2%.

22. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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

23. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

TOWN OF ASHLAND, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
DECEMBER 31, 2017
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.03677561%	\$1,808,622	\$936,569	193.11%	62.66%
June 30, 2016	June 30, 2015	0.03627607%	\$1,929,014	\$913,258	211.22%	58.30%
June 30, 2015	June 30, 2014	0.03729449%	\$1,477,435	\$899,469	164.26%	65.50%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**TOWN OF ASHLAND, NEW HAMPSHIRE
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**DECEMBER 31, 2017
(Unaudited)**

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December, 21, 2017	\$ 142,481	\$ 142,481	\$ -	\$938,671	15.18%
December, 21, 2016	\$ 130,052	\$ 130,052	\$ -	\$908,428	14.32%
December, 21, 2015	\$ 120,376	\$ 120,376	\$ -	\$881,078	13.66%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF ASHLAND, NEW HAMPSHIRE
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)
DECEMBER 31, 2017
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
12/31/17	\$ -	\$ 1,281,580	\$ 1,281,580	0.0%	\$ 668,790	191.6%
12/31/16	\$ -	\$ 1,281,580	\$ 1,281,580	0.0%	\$ 651,963	196.6%
12/31/15	\$ -	\$ 1,120,309	\$ 1,120,309	0.0%	\$ 628,709	178.2%

See Independent Auditors' Report.

TOWN OF ASHLAND, NEW HAMPSHIRE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	<u>Scribner Library</u>	<u>Ashland Community Day</u>	<u>Playground</u>	<u>DARE</u>	<u>Conservation Commission</u>	<u>Fourth of July</u>	<u>Fire Apparatus</u>	<u>Permanent Fund</u>	<u>Total</u>
<u>ASSETS</u>									
Cash and short-term investments	\$ 20,435	\$ 148	\$ 746	\$ 220	\$ 7,322	\$ 27,775	\$ 24,207	\$ 2,454	\$ 83,307
Investments	-	-	-	-	-	-	-	204,971	204,971
Total Assets	<u>\$ 20,435</u>	<u>\$ 148</u>	<u>\$ 746</u>	<u>\$ 220</u>	<u>\$ 7,322</u>	<u>\$ 27,775</u>	<u>\$ 24,207</u>	<u>\$ 207,425</u>	<u>\$ 288,278</u>
Fund Balances:									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,985	\$ 54,985
Restricted	<u>20,435</u>	<u>148</u>	<u>746</u>	<u>220</u>	<u>7,322</u>	<u>27,775</u>	<u>24,207</u>	<u>152,440</u>	<u>233,293</u>
Total Fund Balances	<u>20,435</u>	<u>148</u>	<u>746</u>	<u>220</u>	<u>7,322</u>	<u>27,775</u>	<u>24,207</u>	<u>207,425</u>	<u>288,278</u>
Total Liabilities and Fund Balances	<u>\$ 20,435</u>	<u>\$ 148</u>	<u>\$ 746</u>	<u>\$ 220</u>	<u>\$ 7,322</u>	<u>\$ 27,775</u>	<u>\$ 24,207</u>	<u>\$ 207,425</u>	<u>\$ 288,278</u>

See Independent Auditors' Report

TOWN OF ASHLAND, NEW HAMPSHIRE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Scribner Library</u>	<u>Ashland Community Day</u>	<u>Playground</u>	<u>DARE</u>	<u>Conservation Commission</u>	<u>Fourth of July</u>	<u>Fire Apparatus</u>	<u>Permanent Fund</u>	<u>Total Adjusted General Funds</u>
Revenues:									
Charges for services	\$ 1,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,170
Investment income	-	-	-	-	-	22	-	11,176	11,198
Contributions	2,982	-	-	-	-	17,362	-	15,902	36,246
Miscellaneous	8	-	-	-	-	-	-	-	8
Total Revenues	<u>4,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,384</u>	<u>-</u>	<u>27,078</u>	<u>48,622</u>
Expenditures:									
Current:									
Culture and recreation	<u>2,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,579</u>	<u>-</u>	<u>12,435</u>	<u>32,591</u>
Total Expenditures	<u>2,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,579</u>	<u>-</u>	<u>12,435</u>	<u>32,591</u>
Net change in fund balances	1,583	-	-	-	-	(195)	-	14,643	16,031
Fund Balances, beginning of year	<u>18,852</u>	<u>148</u>	<u>746</u>	<u>220</u>	<u>7,322</u>	<u>27,970</u>	<u>24,207</u>	<u>192,782</u>	<u>272,247</u>
Fund Balances, end of year	<u>\$ 20,435</u>	<u>\$ 148</u>	<u>\$ 746</u>	<u>\$ 220</u>	<u>\$ 7,322</u>	<u>\$ 27,775</u>	<u>\$ 24,207</u>	<u>\$ 207,425</u>	<u>\$ 288,278</u>

See Independent Auditors' Report