

**TOWN OF ASHLAND, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2016**

## Town of Ashland, New Hampshire

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Ashland, New Hampshire

### **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, 2016, 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, 2016, 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, the Schedule of OPEB Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Pension Contributions, 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 of Ashland, New Hampshire's basic financial statements. The accompanying supplementary information appearing on pages 54 through 55 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.

*Melanson Heath*

May 22, 2017

## **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 of Ashland, New Hampshire for the fiscal year ended December 31, 2016.

### **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, health and human service, welfare, culture and recreation, and conservation. 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 funds are maintained as follows:

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the 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 exceeded liabilities by \$16,984,297 (i.e., net position), a change of (\$127,999) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$1,583,816, a change of \$205,296 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$619,447, a change of \$78,006 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$2,047,827, a change of \$(254,542) 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 3,802,247	\$ 3,599,521	\$ 2,392,103	\$ 2,267,958	\$ 6,194,350	\$ 5,867,479
Deferred outflows	381,588	187,747	96,620	35,013	478,208	222,760
Capital assets	<u>9,907,009</u>	<u>10,417,412</u>	<u>7,409,162</u>	<u>7,474,691</u>	<u>17,316,171</u>	<u>17,892,103</u>
Total assets and deferred outflows	14,090,844	14,204,680	9,897,885	9,777,662	23,988,729	23,982,342
Current liabilities	1,783,283	1,936,419	538,203	350,061	2,321,486	2,286,480
Noncurrent liabilities	3,833,962	3,592,994	770,819	798,136	4,604,781	4,391,130
Deferred inflows	<u>50,186</u>	<u>129,998</u>	<u>27,979</u>	<u>62,438</u>	<u>78,165</u>	<u>192,436</u>
Total liabilities and deferred inflows	5,667,431	5,659,411	1,337,001	1,210,635	7,004,432	6,870,046
Net position:						
Net investment in capital assets	9,851,315	10,323,148	6,936,713	6,871,031	16,788,028	17,194,179
Restricted	272,247	242,711	-	-	272,247	242,711
Unrestricted	<u>(1,700,149)</u>	<u>(2,020,590)</u>	<u>1,624,171</u>	<u>1,695,996</u>	<u>(75,978)</u>	<u>(324,594)</u>
Total net position	\$ <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>

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 518,061	\$ 502,911	\$ 3,831,577	\$ 3,523,266	\$ 4,349,638	\$ 4,026,177
Operating grants and contributions	234,790	199,956	-	-	234,790	199,956
General revenues:						
Property taxes	2,084,849	1,940,203	-	-	2,084,849	1,940,203
Penalties and interest on taxes	116,066	115,171	-	-	116,066	115,171
Grants and contributions not restricted to specific programs	36,948	25,893	-	-	36,948	25,893
Investment income	12,126	4,805	4,832	4,488	16,958	9,293
Other	15,137	47,271	73,474	209,306	88,611	256,577
Total revenues	<u>3,017,977</u>	<u>2,836,210</u>	<u>3,909,883</u>	<u>3,737,060</u>	<u>6,927,860</u>	<u>6,573,270</u>
Expenses:						
General government	604,668	588,686	-	-	604,668	588,686
Public safety	966,834	906,726	-	-	966,834	906,726
Highways and streets	1,116,270	1,045,664	-	-	1,116,270	1,045,664
Sanitation	142,071	160,107	-	-	142,071	160,107
Health and human services	2,009	2,255	-	-	2,009	2,255
Welfare	9,016	11,208	-	-	9,016	11,208
Culture and recreation	229,078	227,034	-	-	229,078	227,034
Conservation	1,000	1,000	-	-	1,000	1,000
Interest expense	68,887	70,209	-	-	68,887	70,209
Water	-	-	452,480	344,561	452,480	344,561
Sewer	-	-	496,924	463,786	496,924	463,786
Electric	-	-	2,966,622	2,689,836	2,966,622	2,689,836
Total expenses	<u>3,139,833</u>	<u>3,012,889</u>	<u>3,916,026</u>	<u>3,498,183</u>	<u>7,055,859</u>	<u>6,511,072</u>
Change in net position	(121,856)	(176,679)	(6,143)	238,877	(127,999)	62,198
Net position - beginning of year as restated *	<u>8,545,269</u>	<u>8,721,948</u>	<u>* 8,567,027</u>	<u>8,328,150</u>	<u>17,112,296</u>	<u>17,050,098</u>
Net position - end 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>

\* Beginning net position has been restated for the inclusion of Water and Sewer funds, which were omitted from the 2015 Financial Statements.

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 \$16,984,297, a change of (\$127,999) from the prior year.

The largest portion of net position, \$16,788,028, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), 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, \$272,247, 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 \$(75,978), primarily resulting from the Town's unfunded net pension liability.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(121,856). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 175,760
Nonmajor fund activity on accrual basis	29,536
Capital assets acquired, net of disposals	62,802
Depreciation, which is not budgeted or funded, over principal maturities, a budgeted expense	(449,874)
Other	<u>59,920</u>
Total	<u>\$ (121,856)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(6,143) for water, sewer and electric operations.

#### **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 \$1,583,816, a change of \$205,296 in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 175,760
Nonmajor fund activity	<u>29,536</u>
Total	<u>\$ 205,296</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 \$619,447, while total fund balance was \$1,311,569. 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>12/31/16</u>	<u>12/31/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 619,447	\$ 541,441	\$ 78,006	23.6%
Total fund balance	\$ 1,311,569	\$ 1,135,809	\$ 175,760	49.9%

The total fund balance of the general fund changed by \$175,760 during the current fiscal year. Key factors in this change are as follows:

Revenues exceeding budget	\$ 171,652
Expenditures less than budget	52,312
Tax collections as compared to budget	(60,384)
Current year encumbrance expended over prior year encumbrance to be expended in subsequent year.	(8,616)
Use of fund balance as a funding source	(80,000)
Change in capital reserve funds	107,648
Other	<u>(6,852)</u>
Total	<u>\$ 175,760</u>

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

	<u>12/31/16</u>	<u>12/31/15</u>	<u>Change</u>
Capital reserves	\$ <u>676,373</u>	\$ <u>568,725</u>	\$ <u>107,648</u>
Total	\$ <u><u>676,373</u></u>	\$ <u><u>568,725</u></u>	\$ <u><u>107,648</u></u>

#### **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 \$17,316,171 (net of accumulated depreciation), a change of (\$575,932) from the prior year. 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	
Ford F350	\$ 30,264
Ford Explorer	\$ 28,008
Enterprise	
Electric	
CIP - New Storage Building	\$ 226,806
International Digger	\$ 49,500
Water	
Ford F-350 (split 50%)	\$ 20,194
Sewer	
Ford F-350 (split 50%)	\$ 20,194

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 \$2,047,827, all of which was backed by the full faith and credit of the government.

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, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 2,116,789	\$ 1,636,345	\$ 3,753,134
Restricted cash	676,373	309,244	985,617
Investments	189,125	-	189,125
Receivables, net of allowance for uncollectibles:			
Property taxes	513,067	-	513,067
User fees	-	432,165	432,165
Intergovernmental	154,118	-	154,118
Inventory	-	14,349	14,349
Other assets	19,552	-	19,552
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	133,223	-	133,223
Capital assets:			
Land and construction in progress	1,447,656	248,246	1,695,902
Other capital assets, net of accumulated depreciation	8,459,353	7,160,916	15,620,269
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>381,588</u>	<u>96,620</u>	<u>478,208</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	14,090,844	9,897,885	23,988,729
<b>LIABILITIES</b>			
Current:			
Accounts payable	50,713	370,004	420,717
Accrued payroll	18,703	-	18,703
Accrued liabilities	27,305	-	27,305
Due to school district	1,514,669	-	1,514,669
Due to other governments	281	-	281
Internal balances	(17,489)	17,489	-
Other liabilities	1,105	16,178	17,283
Current portion of long-term liabilities:			
Bonds payable	124,330	134,532	258,862
Compensated absences	4,148	-	4,148
Capital lease	39,455	-	39,455
Bond premium	6,063	-	6,063
Landfill postclosure care costs	14,000	-	14,000
Noncurrent:			
Bonds payable, net of current portion	1,451,048	337,917	1,788,965
Compensated absences, net of current portion	37,328	-	37,328
Capital Lease, net of current portion	16,239	-	16,239
Bond premium, noncurrent	72,756	-	72,756
Landfill postclosure care costs noncurrent	126,000	-	126,000
OPEB liability	634,479	-	634,479
Net pension liability	1,496,112	432,902	1,929,014
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>50,186</u>	<u>27,979</u>	<u>78,165</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	5,667,431	1,337,001	7,004,432
<b>NET POSITION</b>			
Net investment in capital assets	9,851,315	6,936,713	16,788,028
Restricted for:			
Special purposes	79,465	-	79,465
Permanent funds:			
Nonexpendable	54,985	-	54,985
Expendable	137,797	-	137,797
Unrestricted	<u>(1,700,149)</u>	<u>1,624,171</u>	<u>(75,978)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 8,423,413</u>	<u>\$ 8,560,884</u>	<u>\$ 16,984,297</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, 2016

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 604,668	\$ 375,217	\$ 108,459	\$ -	\$ (120,992)	\$ -	\$ (120,992)
Public safety	966,834	7,544	-	-	(959,290)	-	(959,290)
Highways and streets	1,116,270	33,853	95,629	-	(986,788)	-	(986,788)
Sanitation	142,071	-	-	-	(142,071)	-	(142,071)
Health and human services	2,009	-	-	-	(2,009)	-	(2,009)
Welfare	9,016	-	-	-	(9,016)	-	(9,016)
Culture and recreation	229,078	101,447	30,702	-	(96,929)	-	(96,929)
Conservation	1,000	-	-	-	(1,000)	-	(1,000)
Interest Expense	68,887	-	-	-	(68,887)	-	(68,887)
Total Governmental Activities	3,139,833	518,061	234,790	-	(2,386,982)	-	(2,386,982)
<b>Business-Type Activities:</b>							
Water	452,480	224,391	-	-	-	(228,089)	(228,089)
Sewer	496,924	711,960	-	-	-	215,036	215,036
Electric	2,966,622	2,895,226	-	-	-	(71,396)	(71,396)
Total Business-Type Activities	3,916,026	3,831,577	-	-	-	(84,449)	(84,449)
Total	\$ 7,055,859	\$ 4,349,638	\$ 234,790	\$ -	(2,386,982)	(84,449)	(2,471,431)
<b>General Revenues:</b>							
Property taxes					2,084,849	-	2,084,849
Penalties, interest and other taxes					116,066	-	116,066
Grants and contributions not restricted to specific programs					36,948	-	36,948
Investment income					12,126	4,832	16,958
Miscellaneous					15,137	73,474	88,611
Total general revenues					2,265,126	78,306	2,343,432
Change in Net Position					(121,856)	(6,143)	(127,999)
<b>Net Position:</b>							
Beginning of year, as restated					8,545,269	8,567,027	17,112,296
End of year					\$ 8,423,413	\$ 8,560,884	\$ 16,984,297

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

TOWN OF ASHLAND, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 2,047,667	\$ 69,122	\$ 2,116,789
Restricted cash	676,373	-	676,373
Investments	-	189,125	189,125
Receivables:	-		
Property taxes	666,842	-	666,842
Due from other funds	17,489	-	17,489
Other assets	<u>5,552</u>	<u>14,000</u>	<u>19,552</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,413,923</u></b>	<b>\$ <u>272,247</u></b>	<b>\$ <u>3,686,170</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 50,713	\$ -	\$ 50,713
Accrued payroll	18,703	-	18,703
Due to school district	1,514,669	-	1,514,669
Due to other governments	281	-	281
Other liabilities	<u>1,105</u>	<u>-</u>	<u>1,105</u>
<b>TOTAL LIABILITIES</b>	<b>1,585,471</b>	<b>-</b>	<b>1,585,471</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>516,883</b>	<b>-</b>	<b>516,883</b>
<b>FUND BALANCES</b>			
Nonspendable	-	54,985	54,985
Restricted	2,349	217,262	219,611
Committed	676,373	-	676,373
Assigned	13,400	-	13,400
Unassigned	<u>619,447</u>	<u>-</u>	<u>619,447</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,311,569</u></b>	<b><u>272,247</u></b>	<b><u>1,583,816</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ <u>3,413,923</u></b>	<b>\$ <u>272,247</u></b>	<b>\$ <u>3,686,170</u></b>

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, 2016

<b>Total governmental fund balances</b>	\$ 1,583,816
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,907,009
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	496,331
• Long-term water pollution grant receivable	154,118
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(27,305)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,690,556)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 8,423,413</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, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 1,926,260	\$ -	\$ 1,926,260
Charges for services	142,171	1,322	143,493
Interest, penalties, and other taxes	116,066	-	116,066
Intergovernmental	217,383	-	217,383
Licenses and permits	374,568	-	374,568
Investment income	5,422	6,704	12,126
Contributions	13,500	49,011	62,511
Miscellaneous	<u>7,302</u>	<u>1,772</u>	<u>9,074</u>
Total Revenues	2,802,672	58,809	2,861,481
<b>Expenditures:</b>			
Current:			
General government	580,549	-	580,549
Public safety	845,364	385	845,749
Highways and streets	642,165	-	642,165
Sanitation	136,930	-	136,930
Health and human services	2,009	-	2,009
Welfare	9,016	-	9,016
Culture and recreation	177,025	28,888	205,913
Conservation	1,000	-	1,000
Debt service	<u>232,854</u>	<u>-</u>	<u>232,854</u>
Total Expenditures	<u>2,626,912</u>	<u>29,273</u>	<u>2,656,185</u>
Excess (deficiency) of revenues over expenditures	175,760	29,536	205,296
Fund Equity, at Beginning of Year	<u>1,135,809</u>	<u>242,711</u>	<u>1,378,520</u>
Fund Equity, at End of Year	<u>\$ 1,311,569</u>	<u>\$ 272,247</u>	<u>\$ 1,583,816</u>

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, 2016

<b>Net changes in fund balances - Total governmental funds</b>	<b>\$ 205,296</b>
<ul style="list-style-type: none"> <li>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: </li> </ul>	
Capital outlay purchases, net of disposals	62,802
Depreciation	(573,205)
<ul style="list-style-type: none"> <li>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. </li> </ul>	
	158,589
<ul style="list-style-type: none"> <li>The issuance of long-term debt (e.g., bonds and leases) 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: </li> </ul>	
Repayments of debt	123,331
Repayments of capital lease	38,570
Amortization of bond premium	6,063
<ul style="list-style-type: none"> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. </li> </ul>	
	2,066
<ul style="list-style-type: none"> <li>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. </li> </ul>	
	<u>(145,368)</u>
<b>Change in net position of governmental activities</b>	<b>\$ <u>(121,856)</u></b>

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 DECEMBER 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues and Other Sources:</b>				
Taxes	\$ 1,986,644	\$ 1,986,644	\$ 1,986,644	\$ -
Charges for service	136,490	136,490	142,171	5,681
Interest, penalties, and other taxes	104,005	104,005	116,066	12,061
Intergovernmental	214,750	214,750	217,383	2,633
Licenses and permits	347,050	347,050	374,568	27,518
Investment income	3,500	3,500	3,796	296
Miscellaneous	57,317	57,317	20,802	(36,515)
Transfers in	-	-	159,978	159,978
Use of fund balance	80,000	80,000	80,000	-
<b>Total Revenues and Other Sources</b>	<b>2,929,756</b>	<b>2,929,756</b>	<b>3,101,408</b>	<b>171,652</b>
<b>Expenditures and Other Uses:</b>				
General government	629,776	629,776	574,610	55,166
Public safety	861,724	861,724	839,567	22,157
Highways and streets	573,549	573,549	636,566	(63,017)
Sanitation	139,647	139,647	140,000	(353)
Health and human services	2,354	2,354	2,009	345
Welfare	29,508	29,508	8,973	20,535
Culture and recreation	193,992	193,992	175,865	18,127
Conservation	1,000	1,000	1,000	-
Debt service	232,206	232,206	232,854	(648)
Transfers out	266,000	266,000	266,000	-
<b>Total Expenditures and Other Uses</b>	<b>2,929,756</b>	<b>2,929,756</b>	<b>2,877,444</b>	<b>52,312</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 223,964	\$ 223,964

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

TOWN OF ASHLAND, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Electric Fund	
<b>ASSETS</b>				
Current:				
Cash and short-term investments	\$ 98,321	\$ 1,205,833	\$ 332,191	\$ 1,636,345
Restricted cash	-	-	309,244	309,244
User fees, net of allowance for uncollectibles	23,509	61,350	347,306	432,165
Inventory	-	-	14,349	14,349
Total current assets	121,830	1,267,183	1,003,090	2,392,103
Noncurrent:				
Capital assets:				
Land and construction in progress	4,011	13,229	231,006	248,246
Other capital assets, net of accumulated depreciation	3,183,215	1,800,990	2,176,711	7,160,916
Total noncurrent assets	3,187,226	1,814,219	2,407,717	7,409,162
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	96,620	96,620
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	3,309,056	3,081,402	3,507,427	9,897,885
<b>LIABILITIES</b>				
Current:				
Accounts payable	9,997	14,662	345,345	370,004
Due to other funds	8,480	8,480	529	17,489
Other current liabilities	-	-	16,178	16,178
Current portion of long-term liabilities:				
Bonds payable	-	-	134,532	134,532
Total current liabilities	18,477	23,142	496,584	538,203
Noncurrent:				
Bonds payable, net of current portion	-	-	337,917	337,917
Net pension liability	-	-	432,902	432,902
Total noncurrent liabilities	-	-	770,819	770,819
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-	27,979	27,979
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	18,477	23,142	1,295,382	1,337,001
<b>NET POSITION</b>				
Net investment in capital assets	3,187,226	1,814,219	1,935,268	6,936,713
Unrestricted	103,353	1,244,041	276,777	1,624,171
<b>TOTAL NET POSITION</b>	<u>\$ 3,290,579</u>	<u>\$ 3,058,260</u>	<u>\$ 2,212,045</u>	<u>\$ 8,560,884</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, 2016

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	
<b>Operating Revenues:</b>				
Charges for services	\$ 224,391	\$ 271,786	\$ 2,895,226	\$ 3,391,403
Septage Fees	-	440,174	-	440,174
Other	12,032	4,200	57,242	73,474
Total Operating Revenues	236,423	716,160	2,952,468	3,905,051
<b>Operating Expenses:</b>				
Operating expenses	309,801	389,464	2,820,941	3,520,206
Depreciation	142,679	107,460	132,084	382,223
Total Operating Expenses	452,480	496,924	2,953,025	3,902,429
Operating Income (Loss)	(216,057)	219,236	(557)	2,622
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	576	2,436	1,820	4,832
Interest expense	-	-	(13,597)	(13,597)
Total Nonoperating Revenues (Expenses), Net	576	2,436	(11,777)	(8,765)
Change in Net Position	(215,481)	221,672	(12,334)	(6,143)
Net Position at Beginning of Year	3,506,060	2,836,588	2,224,379	8,567,027
Net Position at End of Year	\$ <u>3,290,579</u>	\$ <u>3,058,260</u>	\$ <u>2,212,045</u>	\$ <u>8,560,884</u>

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, 2016

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Electric Fund	
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers and users	\$ 220,544	\$ 662,585	\$ 2,855,912	\$ 3,739,041
Payments to vendors and employees	<u>(300,528)</u>	<u>(377,543)</u>	<u>(2,644,088)</u>	<u>(3,322,159)</u>
Net Cash Provided By (Used For) Operating Activities	(79,984)	285,042	211,824	416,882
<b>Cash Flows From Noncapital Financing Activities:</b>				
Interfund lending	<u>8,480</u>	<u>8,480</u>	<u>529</u>	<u>9,009</u>
Net Cash Provided By Noncapital Financing Activities	8,480	8,480	529	9,009
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(20,194)	(20,194)	(276,306)	(316,694)
Principal payments on bonds and notes	-	-	(131,211)	(131,211)
Interest expense	<u>-</u>	<u>-</u>	<u>(13,597)</u>	<u>(13,597)</u>
Net Cash (Used For) Provided By Capital and Related Financing Activities	(20,194)	(20,194)	(421,114)	(461,502)
<b>Cash Flows From Investing Activities:</b>				
Investment income	576	2,436	1,820	4,832
Reclass of restricted cash	<u>-</u>	<u>-</u>	<u>(26,348)</u>	<u>(26,348)</u>
Net Cash Provided By (used For) Investing Activities	576	2,436	(24,528)	(23,952)
Net Change in Cash and Short-Term Investments	(91,122)	275,764	(233,289)	(48,647)
Cash and Short-Term Investments, Beginning of Year	<u>189,443</u>	<u>930,069</u>	<u>565,480</u>	<u>1,684,992</u>
Cash and Short-Term Investments, End of Year	<u>\$ 98,321</u>	<u>\$ 1,205,833</u>	<u>\$ 332,191</u>	<u>\$ 1,636,345</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</b>				
Operating income (loss)	\$ (216,057)	\$ 219,236	\$ (557)	\$ 2,622
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	142,679	107,460	132,084	382,223
Changes in assets and liabilities:				
User fees	(15,879)	(53,575)	(96,556)	(166,010)
Inventory	-	-	19,566	19,566
Deferred outflows	-	-	(61,607)	(61,607)
Accounts payable	9,273	11,921	143,515	164,709
Other liabilities	-	-	2,625	2,625
Net pension liability	-	-	107,213	107,213
Deferred inflows	<u>-</u>	<u>-</u>	<u>(34,459)</u>	<u>(34,459)</u>
Net Cash Provided By Operating Activities	<u>\$ (79,984)</u>	<u>\$ 285,042</u>	<u>\$ 211,824</u>	<u>\$ 416,882</u>

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, 2016

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ -	\$ 224,259
Investments	<u>17,419</u>	<u>52,472</u>
Total Assets	17,419	276,731
 <b><u>LIABILITIES AND NET POSITION</u></b>		
Intergovernmental liabilities	<u>-</u>	<u>276,731</u>
Total Liabilities	<u>-</u>	<u>276,731</u>
 <b><u>NET POSITION</u></b>		
Total net position restricted for pensions and other purposes	\$ <u><u>17,419</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, 2016

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment Income (Loss):	
Interest	\$ <u>1,994</u>
Net investment income (loss)	<u>1,994</u>
Total additions	1,994
<b>Deductions:</b>	
Other	<u>1,000</u>
Total deductions	<u>1,000</u>
Net increase (decrease)	994
<b>Net position:</b>	
Beginning of year	<u>16,425</u>
End of year	<u><u>\$ 17,419</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 except as described in Note 2. 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.

##### 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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*, as is the proprietary fund and fiduciary fund financial statements. 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.

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 non-operating revenues and expenses.

The government reports the following major proprietary funds:

- Water
- Sewer
- Electric Utility

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 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 market value.

*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 (for enterprise funds only) 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 estimated fair market 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 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.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).

- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the Town (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent 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

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)	\$ <u>2,802,672</u>	\$ <u>2,626,912</u>
Subtotal (GAAP Basis)	2,802,672	2,626,912
Adjust tax revenue to accrual basis	60,384	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(22,016)
Add end-of-year appropriation carryforwards from expenditures	-	13,400
Other timing differences	-	(6,852)
To eliminate capital reserve activity	158,352	266,000
Recognize use of fund balance as funding source	<u>80,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 3,101,408</u>	<u>\$ 2,877,444</u>



### 3. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a 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.

*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, 2016, none of the Town's bank balance of \$5,459,632 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, 2016.

### 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>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Mutual funds	\$ 206,544	N/A	\$ 206,544
Corporate equities	<u>52,472</u>	N/A	<u>52,472</u>
Total investments	<u>\$ 259,016</u>		<u>\$ 259,016</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, 2016:

<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	\$ 206,544	\$ 259,016
Corporate equities	<u>52,472</u>	52,472
Total	<u>\$ 259,016</u>	

## **6. Taxes Receivable**

The Town bills property taxes semiannually, in June 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 deferred inflow as they are intended to finance the subsequent year's budget.

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 May 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 receivable at December 31, 2016 consist of the following:

Real Estate		
2016		\$ 513,067
Unredeemed taxes:		
2015	\$ 57,236	
2014	39,050	
2013	15,373	
Prior	<u>28,495</u>	
		140,154
Elderly liens		<u>13,621</u>
Total		<u>\$ 666,842</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. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 20,552	\$ -
User fees:		
Electric Utility	\$ -	\$ 10,000

**8. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2016.

## 9. Interfund Fund Accounts

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	\$ 17,489	\$ -
Enterprise Funds:		
Water	-	8,480
Sewer	-	8,480
Electric	-	529
Total	<u>\$ 17,489</u>	<u>\$ 17,489</u>

## 10. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and building improvements	\$ 1,925,398	\$ -	\$ -	\$ 1,925,398
Equipment	370,055	4,530	-	374,585
Vehicles	1,366,932	58,272	-	1,425,204
Infrastructure	23,695,664	-	-	23,695,664
Total capital assets, being depreciated	<u>27,358,049</u>	<u>62,802</u>	<u>-</u>	<u>27,420,851</u>
Less accumulated depreciation for:				
Buildings and building improvements	(1,194,480)	(58,412)	-	(1,252,892)
Equipment	(265,274)	(14,392)	-	(279,666)
Vehicles	(1,065,553)	(64,529)	-	(1,130,082)
Infrastructure	(15,862,986)	(435,872)	-	(16,298,858)
Total accumulated depreciation	<u>(18,388,293)</u>	<u>(573,205)</u>	<u>-</u>	<u>(18,961,498)</u>
Total capital assets, being depreciated, net	8,969,756	(510,403)	-	8,459,353
Capital assets, not being depreciated:				
Land	1,447,656	-	-	1,447,656
Total capital assets, not being depreciated	<u>1,447,656</u>	<u>-</u>	<u>-</u>	<u>1,447,656</u>
Governmental activities capital assets, net	<u>\$ 10,417,412</u>	<u>\$ (510,403)</u>	<u>\$ -</u>	<u>\$ 9,907,009</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Distribution mains	\$ 1,185,846	\$ -	\$ -	\$ 1,185,846
Services	781,986	-	-	781,986
Structures and equipment	5,671,750	89,888	-	5,761,638
Systems improvements	5,324,234	-	-	5,324,234
North Ashland road expansion	2,326,340	-	-	2,326,340
Intangible property	967,915	-	-	967,915
	<u>16,258,071</u>	<u>89,888</u>	<u>-</u>	<u>16,347,959</u>
Total capital assets, being depreciated				
Less accumulated depreciation:	<u>(8,804,820)</u>	<u>(382,223)</u>	<u>-</u>	<u>(9,187,043)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	7,453,251	(292,335)	-	7,160,916
Capital assets, not being depreciated:				
Land	21,440	-	-	21,440
Construction in progress	-	226,806	-	226,806
	<u>21,440</u>	<u>226,806</u>	<u>-</u>	<u>248,246</u>
Total capital assets, not being depreciated				
Business-type activities capital assets, net	<u>\$ 7,474,691</u>	<u>\$ (65,529)</u>	<u>\$ -</u>	<u>\$ 7,409,162</u>

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

<b>Governmental Activities:</b>	
General Government	\$ 6,924
Public Safety	44,304
Highways & Streets	494,052
Sanitation	4,999
Culture and Recreation	22,926
	<u>573,205</u>
Total depreciation expense - governmental activities	<u>\$ 573,205</u>
<b>Business-Type Activities:</b>	
Water	\$ 142,679
Sewer	107,460
Electric Utility	132,084
	<u>382,223</u>
Total depreciation expense - business-type activities	<u>\$ 382,223</u>

## 11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of December 31, 2016:

	<u>Entity-wide Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Pension related:		
Differences between expected and actual experience	\$ 4,158	\$ 1,203
Net difference between projected and actual investment earnings	93,604	27,085
Changes in assumptions	184,124	53,277
Changes in proportion and differences between contributions and proportionate share of contributions	47,377	128
Contributions subsequent to the measurement date	<u>52,325</u>	<u>14,927</u>
Total	<u>\$ 381,588</u>	<u>\$ 96,620</u>

## 12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2016 expenditures paid in 2017.

## 13. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2019. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2016:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2017	\$ 41,127
2018	12,938
2019	<u>4,312</u>
Total minimum lease payments	58,377
Less amounts representing interest	<u>(2,683)</u>
Present Value of Minimum Lease Payments	<u>\$ 55,694</u>

## 14. Long-Term Debt

### A. General Obligation Bonds and Municipal Revenue Bonds

The Town issues general obligation bonds and municipal revenue 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 12/31/16</u>
Water System	09/10/27	4.50%	\$ 132,913
Water	07/16/26	4.50%	642,465
River St Improvement R1/R2	08/15/29	2.0-5.0%	<u>800,000</u>
Total Governmental Activities:			\$ <u><u>1,575,378</u></u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/16</u>
Electric:			
North Ashland Road Expansion	05/15/20	2.50%	\$ <u>472,449</u>
Total Business-Type Activities:			\$ <u><u>472,449</u></u>

### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 124,330	\$ 68,452	\$ 192,782
2018	126,330	63,996	190,326
2019	129,330	59,031	188,361
2020	129,330	54,486	183,816
2021	131,330	50,380	181,710
2022 - 2026	697,655	170,824	868,479
2027 - 2031	<u>237,073</u>	<u>37,691</u>	<u>274,764</u>
Total	\$ <u><u>1,575,378</u></u>	\$ <u><u>504,860</u></u>	\$ <u><u>2,080,238</u></u>



The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2016.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 134,532	\$ 10,276	\$ 144,808
2018	137,934	6,874	144,808
2019	141,422	3,386	144,808
2020	<u>58,561</u>	<u>338</u>	<u>58,899</u>
Total	\$ <u>472,449</u>	\$ <u>20,874</u>	\$ <u>493,323</u>

**C. Changes in General Long-Term Liabilities**

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	Total Balance 1/1/16	Additions	Reductions	Total Balance 12/31/16	Less Current Portion	Equals Long-Term Portion 12/31/16
<u>Governmental Activities</u>						
Bonds payable	\$ 1,698,709	\$ -	\$ (123,331)	\$ 1,575,378	\$ (124,330)	\$ 1,451,048
Other:						
Compensated absences	40,223	1,253	-	41,476	(4,148)	37,328
Capital lease	94,264	-	(38,570)	55,694	(39,455)	16,239
Bond premium	84,882	-	(6,063)	78,819	(6,063)	72,756
Landfill closure	154,000	-	(14,000)	140,000	(14,000)	126,000
Accrued other post-employment benefits	555,233	79,246	-	634,479	-	634,479
Net pension liability	<u>1,151,746</u>	<u>344,366</u>	<u>-</u>	<u>1,496,112</u>	<u>-</u>	<u>1,496,112</u>
Totals	\$ <u>3,779,057</u>	\$ <u>424,865</u>	\$ <u>(181,964)</u>	\$ <u>4,021,958</u>	\$ <u>(187,996)</u>	\$ <u>3,833,962</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 603,660	\$ -	\$ (131,211)	\$ 472,449	\$ (134,532)	\$ 337,917
Net pension liability	<u>325,689</u>	<u>107,213</u>	<u>-</u>	<u>432,902</u>	<u>-</u>	<u>432,902</u>
Totals	\$ <u>929,349</u>	\$ <u>107,213</u>	\$ <u>(131,211)</u>	\$ <u>905,351</u>	\$ <u>(134,532)</u>	\$ <u>770,819</u>

**15. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a liability in the financial statements in each period based on landfill the Town used as of each balance sheet date.

**16. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net assets 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 following is a summary of deferred inflow of resources balances as of December 31, 2016:

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental General Fund</u>
Unavailable revenues	\$ -	\$ -	\$ 516,883
Pension related:			
Differences between expected and actual experience	18,892	5,466	-
Changes in proportion and differences between pension contributions and proportionate share of contributions	<u>31,294</u>	<u>22,513</u>	<u>-</u>
Total	<u>\$ 50,186</u>	<u>\$ 27,979</u>	<u>\$ 516,883</u>

**17. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

**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, 2016:

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 set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), 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 deficit funds.

Following is a breakdown of the Town's fund balances at December 31, 2016:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 54,985	\$ 54,985
Total Nonexpendable	-	54,985	54,985
Restricted			
Special revenue funds	2,349	79,465	81,814
Expendable permanent funds	-	137,797	137,797
Total Restricted	2,349	217,262	219,611
Committed			
Capital reserve funds	676,373	-	676,373
Total Committed	676,373	-	676,373
Assigned			
Encumbrances:			
Financial administration	10,000	-	10,000
Police	200	-	200
Sanitation	3,200	-	3,200
Total Assigned	13,400	-	13,400
Unassigned			
Unassigned	619,447	-	619,447
Total Unassigned	619,447	-	619,447
Total Fund Balance	\$ 1,311,569	\$ 272,247	\$ 1,583,816

## 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 unassigned 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	\$ 619,447
Allowance for doubtful accounts	(60,501)
Unavailable revenue	516,883
Accrued payroll	18,703
Tax deeded property	<u>15,561</u>
Tax Rate Setting Balance	<u>\$ 1,110,093</u>

## 20. **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.

## 21. **Post-Employment Healthcare and Life Insurance Benefits**

### **Other Post-Employment Benefits**

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

The Town provides its eligible retirees, including in some cases their beneficiaries (as governed by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the Town's group rates. Although the Town does not supplement the cost of these plans, GASB Statement 45 requires the Town to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium; therefore, current employees who are young and healthy subsidize the older retirees. As of December 31, 2016, there were 5 retiree subscribers, including eligible spouses and dependents, and 20 active employees meeting 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 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount 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 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, 2016, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an alternative measurement method valuation as of December 31, 2016.

Annual Required Contribution (ARC)	\$ <u>126,712</u>
Annual OPEB cost	126,712
Contributions made	<u>(47,466)</u>
Increase in net OPEB obligation	79,246
Net OPEB obligation - beginning of year	<u>555,233</u>
Net OPEB obligation - end of year	<u><u>\$ 634,479</u></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>
2016	\$ 126,712	37.5%	\$ 634,479
2015	\$ 120,362	34.1%	\$ 555,233
2014	\$ 120,362	34.1%	\$ 475,914

**E. Funded Status and Funding Progress**

The funded status of the plan as of December 31, 2016, 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>\$ 651,963</u>
UAAL as a percentage of covered payroll	<u>197%</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 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 methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2016 actuarial valuation, the projected unit credit cost method was used. The value of assets was not determined, as the Town has not advanced funded its obligation. The 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. 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 11.17% to 29.16% of covered compensation. The Town's and Electric's contributions to NHRS for the year ended December 31, 2016 were \$102,706 and \$27,346, 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, 2016, the Town and Electric reported a liability of \$1,496,112 and \$432,902, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Town's and Electric's proportion were .02907320 and .00822129 percent, respectively.

At the most recent measurement date of June 30, 2016, the Town's and Electric's proportion were .02813513 and .00814094 percent, which were decreases of .00093807 and .00008035, respectively, from the previous year proportion.

For the year ended December 31, 2016, the Town and Electric recognized pension expense of \$173,421 and \$41,302, 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	\$ 5,361	\$ 24,358
Changes of assumptions	237,401	-
Net difference between projected and actual earnings on pension plan investments	120,689	
Changes in proportion and differences between contributions and proportionate share of contributions	47,505	53,807
Contributions subsequent to the measurement date	<u>67,252</u>	<u>-</u>
Total	<u>\$ 478,208</u>	<u>\$ 78,165</u>

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 2017. 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:	Collective Deferred Outflows/Inflows of Resources
2017	\$ 135,741
2018	68,489
2019	108,457
2020	83,509
2021	3,847
Total	\$ 400,043

*F. Actuarial Assumptions*

The total pension liability in the June 30, 2015 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, 2015 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	4.75%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.64%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	1.71%
Absolute Return Fixed Income	7.00	1.08%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Real estate	10.00	3.25%
Opportunistic	5.00	3.68%
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 one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2016	\$ 2,478,652	\$ 1,929,014	\$ 1,473,177

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.

**23. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**24. Beginning Net Position and Fund Balance Restatement**

The beginning (January 1, 2016) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	<u>Business- Type Activities Enterprise Funds</u>
As previously reported	\$ 2,224,379
Water Fund previously not included in 2015	3,506,060
Sewer Fund previously not included in 2015	<u>2,836,588</u>
As restated	<u>\$ 8,567,027</u>

**TOWN OF ASHLAND, NEW HAMPSHIRE  
SCHEDULE OF OPEB FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016**

**(Unaudited)**

**Other Post-Employment Benefits**

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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)	UAAAL as a Percent- age of Covered Payroll [(b-a)/c]
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**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**  
**(Unaudited)**

New Hampshire Retirement System

<u>Fiscal Year</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, 2016	0.03627607%	\$1,929,014	\$913,258	211.22%	58.30%
June 30, 2015	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**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**  
**(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2016	\$ 130,052	\$ (130,052)	\$ -	\$ 908,428	14.32%
December 31, 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  
 COMBINING SCHEDULE - NONMAJOR GOVERNMENTAL FUNDS BALANCE SHEET  
 DECEMBER 31, 2016

	Special Revenue Funds								Total
	<u>Scribner Library</u>	Ashland Community <u>Day</u>	Playground	<u>DARE</u>	Conservation <u>Commission</u>	Fourth of <u>July</u>	Fire <u>Apparatus</u>	Permanent <u>Fund</u>	
<b>ASSETS</b>									
Cash and short-term investments	\$ 18,852	\$ 148	\$ 746	\$ 220	\$ 7,322	\$ 13,970	\$ 24,207	\$ 3,657	\$ 69,122
Investments	-	-	-	-	-	-	-	189,125	189,125
Other assets	-	-	-	-	-	14,000	-	-	14,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>-</u>	<u>14,000</u>
<b>TOTAL ASSETS</b>	<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>
<b>FUND BALANCES</b>									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,985	\$ 54,985
Restricted	18,852	148	746	220	7,322	27,970	24,207	137,797	217,262
	<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>
<b>TOTAL FUND BALANCES</b>	<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>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<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>

See Independent Auditors' Report.

TOWN OF ASHLAND, NEW HAMPSHIRE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE - NONMAJOR GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds							Total	
	Scribner Library	Ashland Community Day	Playground	DARE	Conservation Commission	Fourth of July	Fire Apparatus		Permanent Fund
<b>Revenues:</b>									
Charges for services	\$ 812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 510	\$ -	\$ 1,322
Investment income	-	-	-	-	-	37	-	6,667	6,704
Contributions	2,769	-	-	-	-	27,933	-	18,309	49,011
Miscellaneous	42	-	-	-	1,730	-	-	-	1,772
Total Revenues	3,623	-	-	-	1,730	27,970	510	24,976	58,809
<b>Expenditures:</b>									
Current:									
Public safety				385				-	385
Culture and recreation	3,704	-	-	-	-	-	-	25,184	28,888
Total Expenditures	3,704	-	-	385	-	-	-	25,184	29,273
Change in fund balance	(81)	-	-	(385)	1,730	27,970	510	(208)	29,536
Fund Equity, at Beginning of Year	18,933	148	746	605	5,592	-	23,697	192,990	242,711
Fund Equity, at End of Year	\$ 18,852	\$ 148	\$ 746	\$ 220	\$ 7,322	\$ 27,970	\$ 24,207	\$ 192,782	\$ 272,247

See Independent Auditors' report.