

**ASHLAND ELECTRIC DEPARTMENT  
TOWN OF ASHLAND, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2015**

**ASHLAND ELECTRIC DEPARTMENT  
TOWN OF ASHLAND, NEW HAMPSHIRE**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Ashland Electric Department  
Ashland, New Hampshire

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Ashland Electric Department (the Department) (an enterprise fund of the Town of Ashland, New Hampshire), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

The Ashland Electric Department'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.

### **Auditor's Responsibility**

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

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ashland Electric Department, as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

The financial statements of Ashland Electric Department are intended to represent the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the Town of Ashland, New Hampshire that is attributable to the transactions of Ashland Electric Department. They do not purport to, and do not, present fairly the financial position of the Town of Ashland, New Hampshire as of December 31, 2015, and the changes in its financial position and its cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of 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.

*Melanson Heath*

May 12, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ashland Electric Department (the "Department") (an enterprise fund of the Town of Ashland, New Hampshire), we offer readers this narrative overview and analysis of the financial activities of the Department for the year ended December 31, 2015.

### A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements, which include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Cash Flow Statement, and (4) Notes to Financial Statements.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two 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 Revenues, Expenses, and Changes in Net Position presents information showing how the Department'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 user fees and expenditures paid after year end).

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financial activities for the same period. A review of our Statement of Cash Flows indicates that the cash receipts from operating activities adequately cover our operating expenses.

**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 year, the total of assets exceeded liabilities by \$2,224,379 (i.e., net position), a change of \$342,167 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current year was \$603,660, a change of \$(127,972) in comparison to the prior year.

### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed financial data for the current year.

#### NET POSITION

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 1,133,041	\$ 1,108,012
Deferred outflows	35,013	-
Capital assets	<u>2,263,495</u>	<u>2,258,512</u>
Total assets and deferred outflows	3,431,549	3,366,524
Current liabilities	346,596	515,841
Noncurrent liabilities	798,136	603,655
Deferred inflows	<u>62,438</u>	<u>-</u>
Total liabilities and deferred inflows	1,207,170	1,119,496
Net position:		
Net investment in capital assets	1,659,835	1,526,880
Unrestricted	<u>564,544</u>	<u>720,148</u>
Total net position	<u>\$ 2,224,379</u>	<u>\$ 2,247,028</u>

#### CHANGES IN NET POSITION

	<u>2015</u>	<u>2014</u>
Operating:		
Operating revenues	\$ 3,030,391	\$ 2,948,929
Operating expenses	<u>(2,673,000)</u>	<u>(2,803,639)</u>
Operating income	357,391	145,290
Non-operating:		
Revenues/(Expenses)	<u>(15,224)</u>	<u>(18,945)</u>
Change in net position	342,167	126,345
Net position - beginning of year, as restated	<u>1,882,212</u>	<u>2,120,683</u>
Net position - end of year	<u>\$ 2,224,379</u>	<u>\$ 2,247,028</u>

\* Beginning net position has been restated for the implementation of Governmental Accounting Standards Board statement 68, *Accounting and Financial Reporting for Pensions*. The Department's basic financial statements now recognize the net pension liability and expense for the Department's applicable portion of the New Hampshire Retirement System's actuarially accrued liability.

As noted earlier, net position may serve over time as a useful indicator of financial position. At the close of the most recent fiscal year, total net position was \$2,224,379, a change of \$342,167 from the prior year.

Key elements of this change are as follows:

Revenues less than budget	\$ (70,769)
Expenditures less than budget	401,238
Change in net pension liability	(10,849)
Other	<u>22,547</u>
Total	\$ <u>342,167</u>

The largest portion of net position, \$1,659,835, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets, \$564,544, may be used to meet the government's ongoing obligations to citizens and creditors.

#### **D. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for the Department at year end amounted to \$2,263,495 (net of accumulated depreciation), a change of \$4,983 from the prior year. This investment in capital assets includes land, services, structures and equipment, and improvements.

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

Purchase of:	
Tools and equipment	\$ 9,171
Transformers	\$ 23,543
Leavitt Hill Road	\$ 89,221

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 \$603,660, 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 Ashland Electric Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ashland Electric Department  
6 Collins Street  
Ashland, New Hampshire 03217

ASHLAND ELECTRIC DEPARTMENT  
TOWN OF ASHLAND, NEW HAMPSHIRE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

**ASSETS**

Current:

Cash and short-term investments	\$ 565,480
Restricted cash	282,896
User fees, net of allowance for uncollectibles	250,750
Inventory	33,915

Noncurrent:

Capital assets:

Land and construction in progress	4,200
Other assets, net of accumulated depreciation	2,259,295

**DEFERRED OUTFLOWS OF RESOURCES**

35,013

**TOTAL ASSETS AND DEFERRED  
OUTFLOWS OF RESOURCES**

3,431,549

**LIABILITIES**

Current:

Accounts payable	201,830
Other current liabilities	13,553
Current portion of long-term liabilities:	
Bonds payable	131,213

Noncurrent:

Bonds payable, net of current portion	472,447
Net pension liability	325,689

**DEFERRED INFLOWS OF RESOURCES**

62,438

**TOTAL LIABILITIES AND DEFERRED  
INFLOWS OF RESOURCES**

1,207,170

**NET POSITION**

Net investment in capital assets	1,659,835
Unrestricted	<u>564,544</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,224,379</u></u>

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

ASHLAND ELECTRIC DEPARTMENT  
TOWN OF ASHLAND, NEW HAMPSHIRE  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015

<b>Operating Revenues:</b>	
Charges for services	\$ 2,805,897
Street lighting	36,196
Other	<u>188,298</u>
Total Operating Revenues	3,030,391
<b>Operating Expenses:</b>	
Administration	121,355
Power purchase	1,963,028
Payroll and related	353,376
Operations	104,988
Depreciation	<u>130,253</u>
Total Operating Expenses	<u>2,673,000</u>
Operating Income (Loss)	357,391
<b>Nonoperating Revenues (Expenses):</b>	
Investment income	1,612
Interest expense	<u>(16,836)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(15,224)</u>
Change in Net Position	342,167
Net Position at Beginning of Year, as restated	<u>1,882,212</u>
Net Position at End of Year	<u><u>\$ 2,224,379</u></u>

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

ASHLAND ELECTRIC DEPARTMENT  
TOWN OF ASHLAND, NEW HAMPSHIRE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 3,214,037
Payments to vendors and employees	<u>(2,717,939)</u>
Net Cash Provided By (Used For) Operating Activities	496,098
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Acquisition and construction of capital assets, net	(135,236)
Principal payments on bonds and notes	(127,972)
Interest expense	<u>(16,836)</u>
Net Cash (Used For) Capital and Related Financing Activities	(280,044)
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment income	1,612
Reclass of restricted cash	<u>(75,766)</u>
Net Cash (Used For) Investing Activities	<u>(74,154)</u>
Net Change in Cash and Short-Term Investments	141,900
Cash and Short-Term Investments, Beginning of Year	<u>423,580</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 565,480</u></u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income (loss)	\$ 357,391
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation, net	130,253
Changes in assets and liabilities:	
User fees	183,646
Other assets	8,991
Deferred outflows	(20,227)
Accounts payable	(177,373)
Other liabilities	4,888
Net pension liability	(10,849)
Deferred inflows	<u>19,378</u>
Net Cash Provided By (Used For) Operating Activities	<u><u>\$ 496,098</u></u>

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

**ASHLAND ELECTRIC DEPARTMENT  
TOWN OF ASHLAND, NEW HAMPSHIRE**

**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies**

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

*A. Reporting Entity*

Ashland Electric is an enterprise fund of the Town of Ashland, New Hampshire, and is governed by an appointed Board of Commissioners.

*B. Basic Financial Statements*

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the activities of the Department, which rely to a significant extent on user fees.

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

The Statement of Net Position is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

*D. Cash and Short-Term Investments*

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. The interest earnings attributable to each fund type are included under investment income.

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

*E. Inventories*

Inventories are valued at cost using the average cost method.

*F. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the Statement of Net Position. Capital assets are defined by the Department as assets with an initial individual cost of more than \$500 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. Interest incurred during the construction phase of capital assets of the Department is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and distribution substation	25 - 33
Transformers, overhead conductors and equipment	25 - 33
Tools and equipment	5 - 20
Poles and fixtures	25 - 33
Services and equipment	25 - 33
Office equipment	5 - 15

*G. Long-Term Obligations*

In the Statement of Net Position, long-term debt and other long-term obligations are reported as liabilities in the applicable department.

*H. 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. 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.

Pursuant to NH Statute, "the treasurer shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2015, none of the Department's bank balance of \$875,817 was exposed to custodial credit risk as uninsured or uncollateralized.

**3. Restricted Cash**

Restricted cash represents capital reserve funds held by the trustees of trust funds as of December 31, 2015.

**4. Accounts Receivable**

Billed accounts receivable, net of allowance for doubtful accounts, consists of the following at December 31, 2015:

Customer charges	\$ 230,078
New Hampton Village Precinct	29,718
Other	954
Less Allowance for doubtful accounts	<u>(10,000)</u>
	<u>\$ 250,750</u>

## 5. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Services	\$ 217,554	\$ 89,221	\$ -	\$ 306,775
Structures and equipment	2,882,132	46,015	-	2,928,147
North Ashland road expansion	2,326,340	-	-	2,326,340
Intangible property	<u>48,644</u>	<u>-</u>	<u>-</u>	<u>48,644</u>
Total capital assets, being depreciated	5,474,670	135,236	-	5,609,906
Less accumulated depreciation for:				
Services	(143,416)	(6,882)	-	(150,298)
Structures and equipment	(2,494,222)	(51,661)	-	(2,545,883)
North Ashland road expansion	(568,599)	(70,249)	-	(638,848)
Intangible property	<u>(14,121)</u>	<u>(1,461)</u>	<u>-</u>	<u>(15,582)</u>
Total accumulated depreciation	<u>(3,220,358)</u>	<u>(130,253)</u>	<u>-</u>	<u>(3,350,611)</u>
Total capital assets, being depreciated, net	2,254,312	4,983	-	2,259,295
Capital assets, not being depreciated:				
Land	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>4,200</u>
Total capital assets, not being depreciated	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>4,200</u>
Business-type activities capital assets, net	<u>\$ 2,258,512</u>	<u>\$ 4,983</u>	<u>\$ -</u>	<u>\$ 2,263,495</u>

## 6. Accounts Payable

Accounts payable represent 2015 expenditures paid after December 31, 2015.

## 7. Long-Term Debt

### A. Municipal Revenue Bonds

The Department issued a municipal revenue bond in the amount of \$1,700,000 which was utilized to fund the purchase and construction to the North Ashland Road Expansion in 2005. The bond is secured by all revenue received or to be received on revenue produced by the Department.

The following summarizes the balance due at year end:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/15
North Ashland Road Expansion	05/15/20	2.50%	\$ 603,660
Total:			\$ <u>603,660</u>

**B. Future Debt Service**

The annual payments to retire all long-term debt outstanding as of December 31, 2015 are as follows:

	Principal	Interest	Total
2016	\$ 131,213	\$ 13,595	\$ 144,808
2017	134,532	10,276	144,808
2018	137,934	6,874	144,808
2019	141,422	3,386	144,808
2020	<u>58,559</u>	<u>338</u>	<u>58,897</u>
Total	\$ <u>603,660</u>	\$ <u>34,469</u>	\$ <u>638,129</u>

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

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Total Balance 1/1/15	Additions	Reductions	Total Balance 12/31/15	Less Current Portion	Equals Long-Term Portion 12/31/15
Bonds payable	\$ 731,632	\$ -	\$ (127,972)	\$ 603,660	\$ (131,213)	\$ 472,447
Net pension liability	<u>336,538</u>	-	<u>(10,849)</u>	<u>325,689</u>	-	<u>325,689</u>
Totals	\$ <u>1,068,170</u>	\$ -	\$ <u>(138,821)</u>	\$ <u>929,349</u>	\$ <u>(131,213)</u>	\$ <u>798,136</u>

**8. Post-Employment Healthcare and Life Insurance Benefits  
Other Post-Employment Benefits**

The Department has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. 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 an actuarially required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Position when a future retiree earns their post-employment

benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time. However, the Department participates in a community-rated plan, in which insurance premium rates reflect the health claim experience of all participating employers. As a result, it is appropriate to use the unadjusted premium as the basis for projecting retiree benefits. Since the Department does not provide a benefit to retirees, and it is reasonable for the Department to project benefits using unadjusted premiums, the Department does not have an OPEB liability.

## 9. Retirement System

The Department 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 Department makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% to 27.74% of covered compensation. The Department's contributions to NHRS for the year ended December 31, 2015 was \$24,606, which was 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, 2015, the Department reported a liability of \$325,689 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Department's proportion was 0.00896578 percent.

At the most recent measurement date of June 30, 2015, the Department's proportion was 0.00822129 percent, which was a decrease of 0.00074449 from its previous year proportion.

For the year ended December 31, 2015, the Department recognized pension expense of \$24,606. 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 the year ended June 30, 2016. The Department 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>
Net difference between projected and actual	\$ 20,909	\$ 29,615
Differences between expected and actual experience		7,147
Changes in proportion and differences between contributions and proportionate share of contributions	178	25,676
Contributions subsequent to the measurement date	<u>13,926</u>	<u>-</u>
Total	<u>\$ 35,013</u>	<u>\$ 62,438</u>

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:	<u>Collective Deferred Outflows/ (Inflows) of Resources</u>
2016	\$ 1,862
2017	(12,065)
2018	(12,065)
2019	(2,214)
2020	<u>(2,943)</u>
Total	<u>\$ (27,425)</u>

*Actuarial assumptions:* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent per year
Salary increases	3.75 - 5.8 percent average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

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:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	3.00%
Small/Mid Cap Equities	<u>7.50</u>	3.00%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.00%
Emerging Int'l Equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core Bonds	4.50	-0.70%
Short Duration	2.50	-1.00%
Global Multi-Sector Fixed Income	11.00	0.28%
Unconstrained Fixed Income	<u>7.00</u>	0.16%
Total fixed income	25.00	
Private equity	5.00	5.50%
Private debt	5.00	4.50%
Real estate	10.00	3.50%
Opportunistic	<u>5.00</u>	2.75%
Total alternative investments	<u>25.00</u>	
Total	<u><u>100.00</u></u> %	

*Discount Rate:* The discount rate used to measure the total pension liability was 7.75%. 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.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2015	\$ 428,727	\$ 325,689	\$ 237,848

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

## 10. Risk Management

The Department 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 government 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.

## 11. Beginning Net Position Restatement

The beginning (January 1, 2015) net position of the Department has been restated as follows:

	<u>Ashland Electric Department</u>
Beginning net position, previously reported	\$ 2,247,028
GASB 68 Implementation	<u>(364,816)</u>
Beginning net position, restated	<u>\$ 1,882,212</u>

**ASHLAND ELECTRIC DEPARTMENT**  
**TOWN OF ASHLAND, NEW HAMPSHIRE**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**  
**(Unaudited)**

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.00822129%
Proportionate share of the net pension liability for the most recent measurement date	\$ 325,689
Covered-employee payroll for the most recent measurement date	\$ 267,663
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	122%
Plan fiduciary net position as a percentage of the total pension liability	65.47%

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

See Independent Auditors' Report.

**ASHLAND ELECTRIC DEPARTMENT  
TOWN OF ASHLAND, NEW HAMPSHIRE**

**SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2015  
(Unaudited)**

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 24,606
Contributions in relation to the contractually required contribution	<u>(24,606)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll for the current fiscal year	\$ 252,369
Contributions as a percentage of covered-employee payroll	10%

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

See Independent Auditors' Report.