

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

Annual Financial Statements

For the Year Ended December 31, 2017

**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

Additional Offices:
Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the Ashland Electric Department (the Department) (an enterprise fund of the business-type activities and the major fund of the Town of Ashland, New Hampshire), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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.

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 business-type activities and the major fund of the Ashland Electric Department, as of December 31, 2017, 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

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 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 Department's basic financial statements. The accompanying supplementary information appearing on page 25 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.

The financial statements of Ashland Electric Department are intended to represent the net position, and the changes in net 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 net position of the Town of Ashland, New Hampshire as of December 31, 2017, and the changes in its net 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.

Melanson Heath

August 21, 2018

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, 2017.

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, 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 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.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic 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 year, the total of assets exceeded liabilities by \$1,751,655 (i.e., net position), a change of \$(460,390) in comparison to the prior year.
- At the end of the current fiscal year, unrestricted net position was \$(218,863), a change of \$(495,640) 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>2017</u>	<u>2016</u>
Current and other assets	\$ 718,850	\$ 1,003,090
Capital assets	<u>2,308,442</u>	<u>2,407,717</u>
Total assets	3,027,292	3,410,807
Deferred outflows	69,152	96,620
Current liabilities	705,320	496,584
Noncurrent liabilities	<u>612,943</u>	<u>770,819</u>
Total liabilities	1,318,263	1,267,403
Deferred inflows	26,526	27,979
Net position:		
Net investment in capital assets	1,970,518	1,935,268
Unrestricted	<u>(218,863)</u>	<u>276,777</u>
Total net position	\$ <u>1,751,655</u>	\$ <u>2,212,045</u>

As noted earlier, net position may serve over time as a useful indicator of a department's financial position. At the close of the most recent fiscal year, total net position was \$1,751,655, a change of \$(460,390) from the prior year.

The largest portion of net position, \$1,970,518, 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, \$(218,863), may be used to meet the government's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>
Operating:		
Operating revenues	\$ 3,092,159	\$ 2,952,468
Operating expenses	<u>(3,542,741)</u>	<u>(2,953,025)</u>
Operating income	(450,582)	(557)
Non-operating:		
Revenues/(Expenses)	<u>(9,808)</u>	<u>(11,777)</u>
Change in net position	(460,390)	(12,334)
Net position - beginning of year	<u>2,212,045</u>	<u>2,224,379</u>
Net position - end of year	<u>\$ 1,751,655</u>	<u>\$ 2,212,045</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(460,390) from the prior year. Key elements of this change are as follows:

Revenues less than budget	\$ (88,420)
Expenditures in excess of budget	(365,904)
Other	<u>(6,066)</u>
Total	<u>\$ (460,390)</u>

D. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for the Department at year end amounted to \$2,308,442 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and infrastructure.

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

Purchase of:
2017 Ford F250 Super Duty Truck \$ 25,096

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$337,924, 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, 2017

ASSETS

Current:

Cash and short-term investments	\$ 279,685
User fees, net of allowance for uncollectibles	433,947
Inventory	5,218

Noncurrent:

Capital assets:

Land and construction in progress	241,228
Other capital assets, net of accumulated depreciation	2,067,214

DEFERRED OUTFLOWS OF RESOURCES

Related to pensions	69,152
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**TOTAL ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

3,096,444

LIABILITIES

Current:

Accounts payable	545,240
Accrued liabilities	7,835
Due to other governments	535
Other current liabilities	13,776
Current portion of long-term liabilities:	
Bonds payable	137,934

Noncurrent:

Bonds payable, net of current portion	199,990
Net pension liability	412,953

DEFERRED INFLOWS OF RESOURCES

Related to pensions	26,526
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**TOTAL LIABILITIES AND DEFERRED
INFLOWS OF RESOURCES**

1,344,789

NET POSITION

Net investment in capital assets	1,970,518
Unrestricted	(218,863)

TOTAL NET POSITION

\$ 1,751,655

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, 2017

Operating Revenues:	
Charges for services	\$ 3,002,452
Street lighting	43,013
Other	<u>46,694</u>
Total Operating Revenues	3,092,159
Operating Expenses:	
Administration	214,170
Power purchase	2,640,730
Payroll and related	415,045
Operations	138,203
Depreciation	<u>134,593</u>
Total Operating Expenses	<u>3,542,741</u>
Operating Income (Loss)	(450,582)
Nonoperating Revenues (Expenses):	
Investment income	474
Interest expense	<u>(10,282)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(9,808)</u>
Change in Net Position	(460,390)
Net Position at Beginning of Year	<u>2,212,045</u>
Net Position at End of Year	<u><u>\$ 1,751,655</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, 2017

<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 3,005,518
Payments to vendors and employees	<u>(3,187,623)</u>
Net Cash Used For Operating Activities	(182,105)
<u>Cash Flows From Noncapital Financing Activities:</u>	
Interfund lending	<u>6</u>
Net Cash Provided By Noncapital Financing Activities	6
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets, net	(35,318)
Principal payments on bonds and notes	(134,525)
Interest expense	<u>(10,282)</u>
Net Cash (Used For) Capital and Related Financing Activities	(180,125)
<u>Cash Flows From Investing Activities:</u>	
Investment income	474
Reclass of restricted cash	<u>309,244</u>
Net Cash Provided By Investing Activities	<u>309,718</u>
Net Change in Cash and Short-Term Investments	(52,506)
Cash and Short-Term Investments, Beginning of Year	<u>332,191</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 279,685</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ (450,582)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation, net	134,593
Changes in assets and liabilities:	
User fees	(86,641)
Inventory	9,131
Deferred outflows	27,468
Accounts payable	199,895
Accrued liabilities	7,835
Other liabilities	(2,402)
Net pension liability	(19,949)
Deferred inflows	<u>(1,453)</u>
Net Cash Used For Operating Activities	<u><u>\$ (182,105)</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.

The business-type activities consist of one major proprietary fund for electric activities.

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 purposes 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 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.

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 \$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. 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. Equity

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 Department or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

I. 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 - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Department'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 Department 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 Department does not have a deposit policy for custodial credit risk.

As of December 31, 2017, none of the Department's bank balance of \$320,247 was exposed to custodial credit risk as uninsured or uncollateralized.

3. User Fee Receivables

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

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Customer charges	\$ 354,395	\$ (10,000)	\$ 344,395
New Hampton Village Precinct	84,185	-	84,185
Other	<u>5,367</u>	<u>-</u>	<u>5,367</u>
Total	<u>\$ 443,947</u>	<u>\$ (10,000)</u>	<u>\$ 433,947</u>

4. Due to Other Governments

Although self-balancing funds are maintained, most transactions flow through the Town of Ashland general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The Department's interfund receivables, due to the Town of Ashland, total \$535 at December 31, 2017.

5. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Services	\$ 306,775	\$ -	\$ -	\$ 306,775
Structures and equipment	2,977,647	25,096	-	3,002,743
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	5,659,406	25,096	-	5,684,502
Less accumulated depreciation for:				
Services	(157,180)	(6,882)	-	(164,062)
Structures and equipment	(2,599,375)	(56,001)	-	(2,655,376)
North Ashland road expansion	(709,097)	(70,249)	-	(779,346)
Intangible property	<u>(17,043)</u>	<u>(1,461)</u>	<u>-</u>	<u>(18,504)</u>
Total accumulated depreciation	<u>(3,482,695)</u>	<u>(134,593)</u>	<u>-</u>	<u>(3,617,288)</u>
Total capital assets, being depreciated, net	2,176,711	(109,497)	-	2,067,214
Capital assets, not being depreciated:				
Land	4,200	-	-	4,200
Construction in progress	<u>226,806</u>	<u>10,222</u>	<u>-</u>	<u>237,028</u>
Total capital assets, not being depreciated	<u>231,006</u>	<u>10,222</u>	<u>-</u>	<u>241,228</u>
Business-type activities capital assets, net	<u>\$ 2,407,717</u>	<u>\$ (99,275)</u>	<u>\$ -</u>	<u>\$ 2,308,442</u>

6. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Department that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 11.

7. Accounts Payable and Accrued Expenses

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

8. 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 <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>12/31/17</u>
North Ashland Road Expansion	05/15/20	2.50%	\$ <u>337,924</u>
Total:			\$ <u><u>337,924</u></u>

B. Future Debt Service

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

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

C. Changes in General Long-Term Liabilities

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

	Total Balance 1/1/17	Additions	Reductions	Total Balance 12/31/17	Less Current Portion	Equals Long-Term Portion 12/31/17
Bonds payable	\$ 472,456	\$ -	\$ (134,532)	\$ 337,924	\$ (137,934)	\$ 199,990
Net pension liability	432,902	-	(19,949)	412,953	-	412,953
Totals	\$ <u>905,358</u>	\$ <u>-</u>	\$ <u>(154,481)</u>	\$ <u>750,877</u>	\$ <u>(137,934)</u>	\$ <u>612,943</u>

9. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Department that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Department reports two items as deferred inflows out resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and are more fully described in Note 11.

10. Unassigned Fund Balances on the Budgetary Basis Reported to State of New Hampshire

The unrestricted net position reported on the Statement of Net Position 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. The major difference is the State of New Hampshire Form MS-535 reports assets and liabilities with a focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. The remaining unassigned fund balance may be used as a funding source to offset subsequent year appropriations in excess of anticipated revenues. Supplementary information appearing on page 25 is presented to reflect the current year operations on a budgetary basis.

There were no differences at year-end between the GAAP basis and the budgetary basis of reporting the general fund unassigned fund balance.

11. 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 10.86% to 25.32% of covered compensation. The Department's contributions to NHRS for the year ended December 31, 2017 was \$32,877, 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, 2017, the Department reported a liability of \$412,953 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the Department's proportion was 0.008397 percent.

For the year ended December 31, 2017, the Department recognized pension expense of \$39,605. 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 Resource</u>
Differences between expected and actual experience	\$ 936	\$ 5,256
Changes of assumptions	41,466	-
Net difference between projected and actual earnings on pension plan investments	-	5,259
Changes in proportion and differences between contributions and proportionate share of contributions	9,043	16,011
Contributions subsequent to the measurement date	<u>17,707</u>	<u>-</u>
Total	<u>\$ 69,152</u>	<u>\$ 26,526</u>

The \$17,707 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Collective Deferred Outflows/(Inflows) of Resources</u>
2018	\$ 3,402
2019	13,462
2020	12,644
2021	<u>(4,589)</u>
Total	<u>\$ 24,919</u>

F. Actuarial Assumptions

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

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

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

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

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

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.75%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	2.11%
Absolute Return Fixed Income	7.00	1.26%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Real estate	10.00	3.25%
Opportunistic	5.00	2.84%
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 Department's proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25%) 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, 2017	\$ 544,044	\$ 412,953	\$ 305,528

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.

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

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 Activities when a future retiree earns their post-employment benefits, rather than when they use 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, 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 the retirees, and it is reasonable for the Department to project benefits using unadjusted premiums, the Department does not have an OPEB liability.

13. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Department is involved. The Department'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 Department expects such amounts, if any, to be immaterial.

14. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Department beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

ASHLAND ELECTRIC DEPARTMENT
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
DECEMBER 31, 2017
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.008397%	\$412,953	\$ 277,132	149%	62.66%
June 30, 2016	June 30, 2015	0.008100%	\$432,902	\$ 268,428	161%	58.30%
June 30, 2015	June 30, 2014	0.008221%	\$325,689	\$ 267,663	122%	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

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

DECEMBER 31, 2017

(Unaudited)

New Hampshire Retirement System

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	\$32,877	\$ (32,877)	\$ -	\$269,881	12%
December 31, 2016	\$27,346	\$ (27,346)	\$ -	\$256,465	11%
December 31, 2015	\$24,606	\$ (24,606)	\$ -	\$267,663	9%

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

ELECTRIC FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Charges for services:				
User charges	\$ 3,139,053	\$ 3,139,053	\$ 3,002,452	\$ (136,601)
Street lighting	42,000	42,000	43,013	1,013
Miscellaneous:				
Interest on investments	-	-	474	474
Other	-	-	46,694	46,694
Total Revenues and Other Sources	<u>3,181,053</u>	<u>3,181,053</u>	<u>3,092,633</u>	<u>(88,420)</u>
Expenditures and Other Uses:				
Water distribution and treatment:				
Water services	<u>3,181,053</u>	<u>3,181,053</u>	<u>3,546,957</u>	<u>(365,904)</u>
Total Expenditures and Other Uses	<u>3,181,053</u>	<u>3,181,053</u>	<u>3,546,957</u>	<u>(365,904)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (454,324)</u>	<u>\$ (454,324)</u>

See Independent Auditors' Report.