

**TOWN OF ASHLAND, NEW HAMPSHIRE  
WATER AND SEWER UTILITY FUNDS**

Financial Statements

December 31, 2015

(With Independent Auditors' Report Thereon)

TOWN OF ASHLAND, NEW HAMPSHIRE  
WATER AND SEWER UTILITY FUNDS

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# **Graham & Graham, P.C.**

Certified Public Accountants

Business Advisors & Management Consultants

**The Solution Group**

## **Independent Auditors' Report**

To the Commissioners  
Town of Ashland, New Hampshire  
Water and Sewer Utility Funds  
Ashland, New Hampshire

We have audited the accompanying financial statements of the Water and Sewer Utility Funds 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, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Sewer Utility Funds of the Town of Ashland, New Hampshire, as of December 31, 2015, and the 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.

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## **Other Matters**

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

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Water and Sewer Utility Funds and do not purport to, and do not present fairly the financial position of the Town of Ashland, New Hampshire, as of December 31, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Graham & Graham, P.C.*

Graham & Graham, P.C.

July 5, 2016

**TOWN OF ASHLAND, NEW HAMPSHIRE**

**STATEMENT OF NET POSITION  
WATER AND SEWER UTILITY FUNDS  
December 31, 2015**

	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 189,443	\$ 930,069	\$ 1,119,512
Receivables, net of allowance	7,630	7,775	15,405
Capital assets, net of accumulated depreciation	<u>3,309,711</u>	<u>1,901,485</u>	<u>5,211,196</u>
<b>TOTAL ASSETS</b>	<u>3,506,784</u>	<u>2,839,329</u>	<u>6,346,113</u>
<b>LIABILITIES</b>			
Accounts payable	624	2,741	3,365
Customer deposits payable	<u>100</u>	<u>-</u>	<u>100</u>
<b>TOTAL LIABILITIES</b>	<u>724</u>	<u>2,741</u>	<u>3,465</u>
<b>NET POSITION</b>			
Invested in capital assets	3,309,711	1,901,485	5,211,196
Unrestricted	<u>196,349</u>	<u>935,103</u>	<u>1,131,452</u>
<b>TOTAL NET POSITION</b>	<u>3,506,060</u>	<u>2,836,588</u>	<u>6,342,648</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,506,784</u>	<u>\$ 2,839,329</u>	<u>\$ 6,346,113</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**TOWN OF ASHLAND, NEW HAMPSHIRE**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION**

**WATER AND SEWER UTILITY FUNDS**

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

	<u>WATER UTILITY</u>	<u>SEWER UTILITY</u>	<u>TOTAL</u>
<b>OPERATING REVENUE</b>			
User charges	\$ 173,761	\$ 219,172	\$ 392,933
Septage fees	-	288,240	288,240
Miscellaneous	21,008	-	21,008
Total operating revenue	<u>194,769</u>	<u>507,412</u>	<u>702,181</u>
 <b>OPERATING EXPENSES</b>			
Administration	26,747	29,545	56,292
Contract operations	77,970	198,732	276,702
Payroll and related	18,335	18,335	36,670
Operations	78,830	109,714	188,544
Depreciation and amortization	142,679	107,460	250,139
Total operating expenses	<u>344,561</u>	<u>463,786</u>	<u>808,347</u>
Operating income (loss)	<u>(149,792)</u>	<u>43,626</u>	<u>(106,166)</u>
 <b>NON-OPERATING REVENUE (EXPENSE)</b>			
Interest income	496	2,380	2,876
Total non-operating revenues (expense)	<u>496</u>	<u>2,380</u>	<u>2,876</u>
<b>Change in net position</b>	(149,296)	46,006	(103,290)
Net position, beginning of year	<u>3,655,356</u>	<u>2,790,582</u>	<u>6,445,938</u>
<b>Net position, end of year</b>	<u>\$ 3,506,060</u>	<u>\$ 2,836,588</u>	<u>\$ 6,342,648</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

**TOWN OF ASHLAND, NH WATER AND SEWER FUN**

**STATEMENT OF CASH FLOWS  
WATER AND SEWER UTILITY FUNDS  
For The Year Ended December 31, 2015**

	<b>WATER UTILITY</b>	<b>SEWER UTILITY</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 212,906	\$ 534,919	\$ 747,825
Cash payments to suppliers	(191,371)	(356,928)	(548,299)
Cash payments to employees for services and benefits	(18,335)	(18,335)	(36,670)
<b>Net cash provided by (used in) operating activities</b>	<b>3,200</b>	<b>159,656</b>	<b>162,856</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(1,350)	(85,520)	(86,870)
<b>Net cash used in capital and financing activities</b>	<b>(1,350)</b>	<b>(85,520)</b>	<b>(86,870)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	496	2,380	2,876
<b>Net cash provided by investing activities</b>	<b>496</b>	<b>2,380</b>	<b>2,876</b>
<b>NET INCREASE IN CASH</b>	<b>2,346</b>	<b>76,516</b>	<b>78,862</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>187,097</b>	<b>853,553</b>	<b>1,040,650</b>
<b>CASH, END OF YEAR</b>	<b>\$ 189,443</b>	<b>\$ 930,069</b>	<b>\$ 1,119,512</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (149,792)	\$ 43,626	\$ (106,166)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense	142,679	107,460	250,139
(Increase) decrease in accounts receivable	18,137	27,508	45,645
Increase (decrease) in accounts payable	(7,824)	(18,938)	(26,762)
<b>Net cash provided by operating activities</b>	<b>\$ 3,200</b>	<b>\$ 159,656</b>	<b>\$ 162,856</b>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**TOWN OF ASHLAND, NEW HAMPSHIRE**  
**WATER AND SEWER UTILITY FUNDS**

Notes to Financial Statements  
December 31, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Water and Sewer Utility Funds of the Town of Ashland, New Hampshire are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Water and Sewer Utility Funds are discussed below. The Town of Ashland, New Hampshire (the "Town") has overall financial accountability for the Water and Sewer Utility Funds, and its Board of Selectmen appoints the Commissioners of the Water and Sewer Utility Funds.

**A. REPORTING ENTITY**

These financial statements present only the financial position, results of operations and cash flows of the Water and Sewer Utility Funds (primary government). In determining how to define the entity for financial reporting purposes, management has considered other organizations (*component units*) to ensure that the financial statements are not misleading.

Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Water and Sewer Utility Funds' financial statements do not include any component units.

**B. BASIS OF PRESENTATION**

The financial statements of the Water and Sewer Utility Funds present only the financial position, results of operations and cash flows of these proprietary funds and are not intended to present the financial position of the Town of Ashland, New Hampshire.

The Water and Sewer Utility Funds present their financial statements as enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. Because the enterprise fund uses the same basis of accounting as the government-wide statements, the Water and Sewer Utility Funds' government-wide statements are the same as the enterprise fund statement of net position and statement of revenues, expenses and changes in net position. Accordingly, there is only one set of financial statements, presented on the accrual basis of accounting. Revenues from operations, investment, and other sources are recorded when earned, and expenses are recorded when incurred or when the related liability is incurred.

**TOWN OF ASHLAND, NEW HAMPSHIRE**  
**WATER AND SEWER UTILITY FUNDS**

Notes to Financial Statements

December 31, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. FINANCIAL STATEMENT AMOUNTS**

**1. Cash and Investments:**

The Town treasurer is required by state statute to have custody of all monies belonging to the Town of Ashland and shall pay out the same only upon orders from the commissioners. The Town treasurer shall deposit all such monies in solvent banks in the state or in participation units in the public deposit investment pool established pursuant to RSA 383:22. Excess funds may be deposited in banks if such banks deliver to the state treasurer or Federal Reserve Bank as collateral for deposits in value at least equal to the amount of deposits in excess of FDIC insurance limits.

**2. Cash and Cash Equivalents:**

The Water and Sewer Utility Funds have defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

**3. Receivables:**

All receivables are reported net of estimated uncollectible amounts. Receivables include amounts due from customers for water and sewer service provided by the Water and Sewer Utility Funds to its users. These receivables are due within one year. No allowance for doubtful accounts has been reflected for the Water and Sewer Utility Funds.

**4. Capital Assets:**

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over estimated useful lives ranging from five (5) to fifty (50) years.

**5. Deferred Outflows of Resources:**

The Water and Sewer Utility Funds report decreases in net position that relate to future periods as deferred outflows of resources. No deferred outflows of resources affect these financial statements in the current year.

**6. Deferred Inflows of Resources:**

The Water and Sewer Utility Funds report increases in net position that relate to future periods as deferred inflows of resources. No deferred inflows of resources affect these financial statements in the current year.

**TOWN OF ASHLAND, NEW HAMPSHIRE**  
**WATER AND SEWER UTILITY FUNDS**

Notes to Financial Statements  
December 31, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**7. Defining Operating Revenues and Expenses:**

The Water and Sewer Utility Funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Town's Water and Sewer Utility Funds consist of charges for services (including tap fees for the water fund and systems development charges for the sewer fund) and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

**8. Proprietary Fund Net Position:**

Proprietary fund net position is divided into three components:

- Net investment in capital assets - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position - consist of assets that are restricted by the Town's Water and Sewer Utility Fund creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net position is reported in this category.

**NOTE 2. CASH AND EQUIVALENTS**

The Water and Sewer Utility Funds maintain several accounts with local banks. All bank balances as of December 31, 2015 were insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town or its agent in the Town's name.

As of December 31, 2015 deposits were held by the Town's Trustees of the Trust Funds in the amount of \$570,550, of which \$122,688 belongs to the Water Utility Fund and \$447,862 belongs to the Sewer Utility Fund.

**TOWN OF ASHLAND, NEW HAMPSHIRE**  
**WATER AND SEWER UTILITY FUNDS**

Notes to Financial Statements  
December 31, 2015

**NOTE 3. CAPITAL ASSETS**

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Water Utility Fund</b>				
Capital assets – non-depreciable				
Land	\$ 4,011	\$ -	\$ -	\$ 4,011
Capital Assets – Depreciable				
Distribution mains	121,060	-	-	121,060
Services	294,677	-	-	294,677
Structures and equipment	434,514	1,350	-	435,864
Intangible property	176,525	-	-	176,525
System improvements	5,324,234	-	-	5,324,234
Total depreciable assets	6,351,010	1,350	-	6,352,360
Less accumulated depreciation	(2,903,981)	(142,679)	-	(3,046,660)
Net depreciable capital assets	3,447,029	(141,329)	-	3,305,700
Total capital assets – Water Utility	\$ 3,451,040	\$ (141,329)	\$ -	\$ 3,309,711
<b>Sewer Utility Fund</b>				
Capital assets – non-depreciable				
Land	\$ 13,229	\$ -	\$ -	\$ 13,229
Capital Assets – Depreciable				
Distribution mains	1,016,192	48,594	-	1,064,786
Services	180,534	-	-	180,534
Structures and equipment	2,270,814	36,925	-	2,307,739
Intangible property	742,746	-	-	742,746
Total depreciable assets	4,210,286	85,519	-	4,295,805
Less accumulated depreciation	(2,300,089)	(107,460)	-	(2,407,549)
Net depreciable capital assets	1,910,197	(21,941)	-	1,888,256
Total capital assets – Sewer Utility	\$ 1,923,426	\$ (21,941)	\$ -	\$ 1,901,485

**NOTE 4 – RETIREMENT PLAN**

Plan Description

The Water and Sewer Utility funds maintain one full time employee eligible to 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.

**TOWN OF ASHLAND, NEW HAMPSHIRE**  
**WATER AND SEWER UTILITY FUNDS**

Notes to Financial Statements  
December 31, 2015

**NOTE 4 – RETIREMENT PLAN (continued)**

The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries.

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.

Contributions

The active employee of the Water and Sewer Utility Funds is required to contribute 7% of eligible gross earnings to the pension plan. The Water and Sewer Funds make annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, currently 10.77%. For the year ended December 31, 2015, the Water and Sewer Funds' contributions to NHRS amounted to \$3,365.

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.

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

Management of the Water and Sewer Utility Funds believe that substantially all of the net pension liability, deferred inflows and outflows of resources of the pension plan allocated to the Town of Ashland, New Hampshire and its component unit Electric Department as of June 30, 2015 and 2014 represent liabilities and deferred inflows and outflows of the Town and Electric Department or are not material to the Water and Sewer Utility Funds financial statements taken as a whole. Therefore no allocated net pension liability, nor any pension related deferred inflows or outflows, have been recorded in these financial statements as of December 31, 2015.