

**ASHLAND WATER AND SEWER DEPARTMENT
TOWN OF ASHLAND, NEW HAMPSHIRE**

Annual Financial Statements

For the Year Ended December 31, 2016

**ASHLAND WATER AND SEWER DEPARTMENT
TOWN OF ASHLAND, NEW HAMPSHIRE**

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Additional Offices:

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

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Ashland Water and Sewer Department
Ashland, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the Ashland Water and Sewer Department (the Department) (an enterprise fund of the Town of Ashland, New Hampshire), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The 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 Ashland Water and Sewer Department, as of December 31, 2016, 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 Water and Sewer 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 Water and Sewer 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, 2016, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 infor-

mation 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

July 26, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ashland Water and Sewer Department (the "Department") (enterprise funds of the Town of Ashland, New Hampshire), we offer readers this narrative overview and analysis of the financial activities of the Department for the fiscal year ended December 31, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements, which include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Fund Net Position, (3) the Cash Flow Statements 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 Fund Net Position presents information showing how the Department's net position changed during the most recent 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 earned but unused vacation leave).

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 fiscal year, the total of assets exceeded liabilities by \$3,290,579 and \$3,058,260 (i.e., net position), a change of \$(215,481) and \$221,672 in comparison to the prior year, for water and sewer, respectively.
- As of the close of the current fiscal year, the Water fund reported a net loss of \$(215,481), partially due to recognizing depreciation expense of \$142,679 and a budgetary loss for the year of \$(92,996).
- As of the close of the current fiscal year, the Sewer fund reported a net profit of \$221,672, primarily due to septage fee revenues of \$440,174.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Water</u>		<u>Sewer</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 121,830	\$ 197,073	\$ 1,267,183	\$ 937,844	\$ 1,389,013	\$ 1,134,917
Capital assets	<u>3,187,226</u>	<u>3,309,711</u>	<u>1,814,219</u>	<u>1,901,485</u>	<u>5,001,445</u>	<u>5,211,196</u>
Total assets and deferred outflows	3,309,056	3,506,784	3,081,402	2,839,329	6,390,458	6,346,113
Current liabilities	<u>18,477</u>	<u>724</u>	<u>23,142</u>	<u>2,741</u>	<u>41,619</u>	<u>3,465</u>
Total liabilities and deferred inflows	18,477	724	23,142	2,741	41,619	3,465
Net position:						
Net investment in capital assets	3,187,226	3,309,711	1,814,219	1,901,485	5,001,445	5,211,196
Unrestricted	<u>103,353</u>	<u>196,349</u>	<u>1,244,041</u>	<u>935,103</u>	<u>1,347,394</u>	<u>1,131,452</u>
Total net position	<u>\$ 3,290,579</u>	<u>\$ 3,506,060</u>	<u>\$ 3,058,260</u>	<u>\$ 2,836,588</u>	<u>\$ 6,348,839</u>	<u>\$ 6,342,648</u>

CHANGES IN NET POSITION

	Water Activities		Sewer Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Charges for services:						
User charges	\$ 224,391	\$ 173,761	\$ 271,786	\$ 219,172	\$ 496,177	\$ 392,933
Septage Fees	-	-	440,174	288,240	440,174	288,240
Miscellaneous:						
Interest on investments	576	496	2,436	2,380	3,012	2,876
Other	12,032	21,008	4,200	-	16,232	21,008
Total revenues	236,999	195,265	718,596	509,792	955,595	705,057
Expenses:						
Water distribution and treatment:						
Administration	8,655	26,747	-	-	8,655	26,747
Contract operations	-	77,970	-	-	-	77,970
Payroll and related	-	18,335	-	-	-	18,335
Operations	301,146	78,830	-	-	301,146	78,830
Depreciation	142,679	142,679	-	-	142,679	142,679
Sanitation:						
Administration	-	-	4,494	29,545	4,494	29,545
Contract operations	-	-	-	198,732	-	198,732
Payroll and related	-	-	-	18,335	-	18,335
Operations	-	-	384,970	109,714	384,970	109,714
Depreciation	-	-	107,460	107,460	107,460	107,460
Total expenses	452,480	344,561	496,924	463,786	949,404	808,347
Change in net position	(215,481)	(149,296)	221,672	46,006	6,191	(103,290)
Net position - beginning of year	3,506,060	3,655,356	2,836,588	2,790,582	6,342,648	6,445,938
Net position - end of year	\$ 3,290,579	\$ 3,506,060	\$ 3,058,260	\$ 2,836,588	\$ 6,348,839	\$ 6,342,648

The largest portion of water and sewer net position, \$3,187,226 and \$1,814,219, respectively, reflects our investment in capital assets (e.g., land, buildings, improvements, infrastructure, vehicles, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of water and sewer unrestricted net position of \$103,353 and \$1,244,041, respectively, may be used to meet the Department's ongoing obligations to citizens and creditors.

As noted, 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 for water and sewer was \$3,290,579 and \$3,058,260 a change of \$(215,481) and \$221,672 from the prior year, respectively. Key elements of this change are as follows:

	<u>Water</u>	<u>Sewer</u>
Revenue compared to budget	\$ (13,001)	\$ 328,596
Expenditures compared to budget	(79,995)	(19,658)
Depreciation expense	(142,679)	(107,460)
Capital asset additions	<u>20,194</u>	<u>20,194</u>
Total Change in Net Position, Water	<u>\$ (215,481)</u>	<u>\$ 221,672</u>

D. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for water and sewer at year end amounted to \$3,187,226 and \$1,814,219 (net of accumulated depreciation), a change of \$(122,485) and \$(87,266) from the prior year, respectively. This investment in capital assets includes land, buildings and improvements, system, infrastructure, vehicles, and machinery and equipment.

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

Purchase or improvements of:

Water

2016 Ford F-350 with 9.5' plow \$ 20,194

Sewer

2016 Ford F-350 with 9.5' plow \$ 20,194

Additional information on capital assets 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 Water and Sewer 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 Water and Sewer Department

6 Collins Street

Ashland, New Hampshire 03217

ASHLAND WATER AND SEWER
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2016

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 98,321	\$ 1,205,833	\$ 1,304,154
Receivables, net of allowance for doubtful accounts	<u>23,509</u>	<u>61,350</u>	<u>84,859</u>
Total current assets	121,830	1,267,183	1,389,013
Noncurrent:			
Capital assets:			
Land and construction in progress	4,011	13,229	17,240
Other capital assets, net of accumulated depreciation	<u>3,183,215</u>	<u>1,800,990</u>	<u>4,984,205</u>
Total noncurrent assets	<u>3,187,226</u>	<u>1,814,219</u>	<u>5,001,445</u>
TOTAL ASSETS	3,309,056	3,081,402	6,390,458
LIABILITIES			
Current:			
Accounts payable	9,997	14,662	24,659
Due to other governments	<u>8,480</u>	<u>8,480</u>	<u>16,960</u>
Total current liabilities	<u>18,477</u>	<u>23,142</u>	<u>41,619</u>
TOTAL LIABILITIES	18,477	23,142	41,619
NET POSITION			
Net investment in capital assets	3,187,226	1,814,219	5,001,445
Unrestricted	<u>103,353</u>	<u>1,244,041</u>	<u>1,347,394</u>
TOTAL NET POSITION	<u>\$ 3,290,579</u>	<u>\$ 3,058,260</u>	<u>\$ 6,348,839</u>

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

ASHLAND WATER AND SEWER

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
User charges	\$ 224,391	\$ 271,786	\$ 496,177
Septage fees	-	440,174	440,174
Other	12,032	4,200	16,232
Total Operating Revenues	236,423	716,160	952,583
Operating Expenses:			
Operating expenses	309,801	389,464	699,265
Depreciation	142,679	107,460	250,139
Total Operating Expenses	452,480	496,924	949,404
Operating Income (Loss)	(216,057)	219,236	3,179
Nonoperating Revenues (Expenses):			
Investment income	576	2,436	3,012
Total Nonoperating Revenues (Expenses), Net	576	2,436	3,012
Change in Net Position	(215,481)	221,672	6,191
Net Position at Beginning of Year	3,506,060	2,836,588	6,342,648
Net Position at End of Year	\$ 3,290,579	\$ 3,058,260	\$ 6,348,839

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

ASHLAND WATER AND SEWER
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 220,544	\$ 662,585	\$ 883,129
Payments to vendors and employees	<u>(300,528)</u>	<u>(377,543)</u>	<u>(678,071)</u>
Net Cash (Used For) Provided By Operating Activities	(79,984)	285,042	205,058
<u>Cash Flows From Noncapital Financing Activities:</u>			
Interfund lending	<u>8,480</u>	<u>8,480</u>	<u>16,960</u>
Net Cash Provided By Noncapital Financing Activities	8,480	8,480	16,960
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets, net of disposals	<u>(20,194)</u>	<u>(20,194)</u>	<u>(40,388)</u>
Net Cash (Used For) Provided By Capital and Related Financing Activities	(20,194)	(20,194)	(40,388)
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>576</u>	<u>2,436</u>	<u>3,012</u>
Net Cash Provided By Investing Activities	<u>576</u>	<u>2,436</u>	<u>3,012</u>
Net Change in Cash and Short-Term Investments	(91,122)	275,764	184,642
Cash and Short-Term Investments, Beginning of Year	<u>189,443</u>	<u>930,069</u>	<u>1,119,512</u>
Cash and Short-Term Investments, End of Year	<u>\$ 98,321</u>	<u>\$ 1,205,833</u>	<u>\$ 1,304,154</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ (216,057)	\$ 219,236	\$ 3,179
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	142,679	107,460	250,139
Changes in assets and liabilities:			
User fees	(15,879)	(53,575)	(69,454)
Accounts payable	<u>9,273</u>	<u>11,921</u>	<u>21,194</u>
Net Cash Provided By Operating Activities	<u>\$ (79,984)</u>	<u>\$ 285,042</u>	<u>\$ 205,058</u>

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

Ashland Water and Sewer

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Ashland Water and Sewer (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

The Department is an enterprise fund of the Town of Ashland, New Hampshire, and is governed by an elected 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. For the most part, the effect of interfund activity has been removed from these statements.

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 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 funds 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, money market accounts, 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 proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. 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 \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Building improvements	10-50
Machinery and equipment	5-20
Vehicles	5-10
Improvements	10-20
Water distribution system	75-100
Sewer system	75-100

F. 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.

G. 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” Department. The Department does not have a deposit policy for custodial credit risk.

As of December 31, 2016, none of the Department’s bank balance of \$1,302,105 was exposed to custodial credit risk as uninsured or uncollateralized.

3. Accounts Receivable

The Department bills for water, sewer and other user charges. Billed accounts receivable, net of allowance for doubtful accounts, consists of the following at December 31, 2016:

	<u>Water</u>	<u>Sewer</u>
User charges	\$ 23,509	\$ 61,350
Less allowance	-	-
Net receivables	<u>\$ 23,509</u>	<u>\$ 61,350</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 \$8,480 and \$8,480 for water and sewer, respectively, at December 31, 2016.

5. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water:				
Capital assets, being depreciated:				
Distribution mains	\$ 121,060	\$ -	\$ -	\$ 121,060
Services	294,677	-	-	294,677
Structures and equipment	435,864	20,194	-	456,058
Intangible property	176,525	-	-	176,525
System improvements	<u>5,324,234</u>	<u>-</u>	<u>-</u>	<u>5,324,234</u>
Total capital assets, being depreciated	6,352,360	20,194	-	6,372,554
Less accumulated depreciation:	<u>(3,046,660)</u>	<u>(142,679)</u>	<u>-</u>	<u>(3,189,339)</u>
Total accumulated depreciation	<u>(3,046,660)</u>	<u>(142,679)</u>	<u>-</u>	<u>(3,189,339)</u>
Total capital assets, being depreciated, net	3,305,700	(122,485)	-	3,183,215
Capital assets, not being depreciated:				
Land	<u>4,011</u>	<u>-</u>	<u>-</u>	<u>4,011</u>
Total capital assets, not being depreciated	<u>4,011</u>	<u>-</u>	<u>-</u>	<u>4,011</u>
Water capital assets, net	<u>\$ 3,309,711</u>	<u>\$ (122,485)</u>	<u>\$ -</u>	<u>\$ 3,187,226</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sewer:				
Capital assets, being depreciated:				
Distribution mains	\$ 1,064,786	\$ -	\$ -	\$ 1,064,786
Services	180,534	-	-	180,534
Structures and equipment	2,307,739	20,194	-	2,327,933
Intangible property	<u>742,746</u>	<u>-</u>	<u>-</u>	<u>742,746</u>
Total capital assets, being depreciated	4,295,805	20,194	-	4,315,999
Less accumulated depreciation:	<u>(2,407,549)</u>	<u>(107,460)</u>	<u>-</u>	<u>(2,515,009)</u>
Total accumulated depreciation	<u>(2,407,549)</u>	<u>(107,460)</u>	<u>-</u>	<u>(2,515,009)</u>
Total capital assets, being depreciated, net	1,888,256	(87,266)	-	1,800,990
Capital assets, not being depreciated:				
Land	<u>13,229</u>	<u>-</u>	<u>-</u>	<u>13,229</u>
Total capital assets, not being depreciated	<u>13,229</u>	<u>-</u>	<u>-</u>	<u>13,229</u>
Sewer capital assets, net	<u>\$ 1,901,485</u>	<u>\$ (87,266)</u>	<u>\$ -</u>	<u>\$ 1,814,219</u>

Depreciation expense was charged to the Department as follows:

Business-Type Activities:

Water	\$ 142,679
Sewer	<u>107,460</u>
Total depreciation expense	<u>\$ 250,139</u>

6. Accounts Payable

Accounts payable represent 2016 expenditures paid in 2017.

7. 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 Department 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.