

**TOWN OF ASHLAND,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019**

TOWN OF ASHLAND, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Ashland
Ashland, New Hampshire

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the Town of Ashland, New Hampshire (the Town) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 of 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 unmodified and adverse audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-type Activities	Adverse
Major General Fund	Unmodified
Major Water Fund	Adverse
Major Sewer Fund	Adverse
Major Electric Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

***Town of Ashland
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***Basis for Adverse Opinion on Governmental Activities, Business-type Activities,
and Major Water and Sewer Funds***

As discussed in Note 1-B to the financial statements, management has not recorded certain capital assets and related accumulated depreciation in the business-type activities and major water and sewer funds, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, be capitalized and depreciated, which would increase the assets, net position, and expenses of the business-type activities and major water and sewer funds. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities and major water and sewer funds is not reasonably determinable.

As discussed in Notes 1-Q and 16-B to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits for the single employer plan in the governmental activities, business-type activities, and major water and sewer funds. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities, business-type activities, and major water and sewer funds. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities, business-type activities, and major water and sewer funds is not readily determinable.

Adverse Opinion

In our opinion, because of the significance of the matters described in the “Basis for Adverse Opinion on Governmental Activities, Business-type Activities and Major Water and Sewer Funds” paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of Ashland, New Hampshire, as of December 31, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, major general fund, major electric fund, and aggregate remaining fund information of the Town of Ashland, New Hampshire as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2019 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits, and
- Notes to the Required Supplementary Information

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

Town of Ashland
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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 sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ashland, New Hampshire's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

February 5, 2021

Plodzik & Sanderson
Professional Association

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,588,987	\$ 1,533,147	\$ 3,122,134
Investments	207,373	-	207,373
Taxes receivables	554,007	-	554,007
Account receivables	-	638,927	638,927
Intergovernmental receivable	167,891	-	167,891
Internal balances	49,608	(49,608)	-
Inventory	-	32,615	32,615
Prepaid items	2,528	-	2,528
Tax deeded property, subject to resale	15,561	-	15,561
Capital assets:			
Land and construction in progress	1,479,456	629,970	2,109,426
Other capital assets, net of depreciation	7,668,159	6,485,775	14,153,934
Total assets	11,733,570	9,270,826	21,004,396
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	169,363	42,737	212,100
Amounts related to other postemployment benefits	5,973	729	6,702
Total deferred outflows of resources	175,336	43,466	218,802
LIABILITIES			
Accounts payable	113,011	1,057,079	1,170,090
Accrued salaries and benefits	22,629	3,859	26,488
Retainage payable	-	99,628	99,628
Accrued interest payable	25,550	-	25,550
Intergovernmental payable	707	-	707
Notes payable	-	1,248,876	1,248,876
Long-term liabilities:			
Due within one year	269,260	58,578	327,838
Due in more than one year	2,965,626	426,030	3,391,656
Total liabilities	3,396,783	2,894,050	6,290,833
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	5,721	-	5,721
Unavailable revenue - state aid and donations	37,922	-	37,922
Amounts related to pensions	63,247	60,005	123,252
Amounts related to other postemployment benefits	362	135	497
Other	-	12,901	12,901
Total deferred inflows of resources	107,252	73,041	180,293
NET POSITION			
Net investment in capital assets	7,519,303	7,057,167	14,576,470
Restricted	237,985	-	237,985
Unrestricted	647,583	(709,966)	(62,383)
Total net position	\$ 8,404,871	\$ 6,347,201	\$ 14,752,072

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2019

		Program Revenues		Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 1,076,965	\$ 3,061	\$ 445,297	\$ (628,607)	\$ -	\$ (628,607)
Public safety	1,072,161	7,166	-	(1,064,995)	-	(1,064,995)
Highways and streets	1,453,357	23,025	54,759	(1,375,573)	-	(1,375,573)
Sanitation	152,385	-	-	(152,385)	-	(152,385)
Health	3,499	-	-	(3,499)	-	(3,499)
Welfare	36,965	-	-	(36,965)	-	(36,965)
Culture and recreation	228,519	111,187	-	(117,332)	-	(117,332)
Conservation	275	-	-	(275)	-	(275)
Interest on long-term debt	47,411	-	-	(47,411)	-	(47,411)
Total governmental activities	<u>4,071,537</u>	<u>144,439</u>	<u>500,056</u>	<u>(3,427,042)</u>	<u>-</u>	<u>(3,427,042)</u>
Business-type activities:						
Water	270,684	256,910	20,000	-	6,226	6,226
Sewer	2,679,230	700,475	261,401	-	(1,717,354)	(1,717,354)
Electric	3,306,277	3,446,571	-	-	140,294	140,294
Total business-type activities	<u>6,256,191</u>	<u>4,403,956</u>	<u>281,401</u>	<u>-</u>	<u>(1,570,834)</u>	<u>(1,570,834)</u>
Total	<u>\$10,327,728</u>	<u>\$ 4,548,395</u>	<u>\$ 781,457</u>	<u>(3,427,042)</u>	<u>(1,570,834)</u>	<u>(4,997,876)</u>
General revenues:						
Taxes:						
Property				2,498,828	-	2,498,828
Other				98,851	-	98,851
Motor vehicle permit fees				378,074	-	378,074
Licenses and other fees				24,123	-	24,123
Grants and contributions not restricted to specific programs				136,159	-	136,159
Unrestricted investment earnings				49,990	3,114	53,104
Miscellaneous				71,240	-	71,240
Total general revenues				<u>3,257,265</u>	<u>3,114</u>	<u>3,260,379</u>
Change in net position				(169,777)	(1,567,720)	(1,737,497)
Net position, beginning, as restated (see Note 20)				8,574,648	7,914,921	16,489,569
Net position, ending				<u>\$ 8,404,871</u>	<u>\$ 6,347,201</u>	<u>\$ 14,752,072</u>

EXHIBIT C-1
TOWN OF ASHLAND, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2019

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,518,777	\$ 70,210	\$ 1,588,987
Investments	-	207,373	207,373
Taxes	644,260	-	644,260
Intergovernmental receivable	55,272	-	55,272
Interfund receivable	49,608	-	49,608
Prepaid items	2,528	-	2,528
Tax deeded property, subject to resale	15,561	-	15,561
Total assets	<u>\$ 2,286,006</u>	<u>\$ 277,583</u>	<u>\$ 2,563,589</u>
LIABILITIES			
Accounts payable	\$ 113,011	\$ -	\$ 113,011
Accrued salaries and benefits	22,629	-	22,629
Intergovernmental payable	707	-	707
Total liabilities	<u>136,347</u>	<u>-</u>	<u>136,347</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	182,787	-	182,787
Unavailable revenue - State aid and donations	37,922	-	37,922
Total deferred inflows of resources	<u>220,709</u>	<u>-</u>	<u>220,709</u>
FUND BALANCES			
Nonspendable	18,089	54,985	73,074
Restricted	30,430	222,598	253,028
Committed	906,273	-	906,273
Assigned	12,305	-	12,305
Unassigned	961,853	-	961,853
Total fund balances	<u>1,928,950</u>	<u>277,583</u>	<u>2,206,533</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,286,006</u>	<u>\$ 277,583</u>	<u>\$ 2,563,589</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF ASHLAND, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2019

Amounts reported for governmental activities in the Statement of Net
Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,206,533
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 29,886,180	
Less accumulated depreciation	<u>(20,738,565)</u>	
		9,147,615
Other long-term assets that are not available to pay for current period expenditures and therefore, are not reported in the funds.		
State Aid		112,619
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 169,363	
Deferred inflows of resources related to pensions	(63,247)	
Deferred outflows of resources related to OPEB	5,973	
Deferred inflows of resources related to OPEB	<u>(362)</u>	
		111,727
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as deferred inflows of resources in the governmental funds.		177,066
Allowance for uncollectible property taxes that is recognized on the full accrual basis but not on the modified accrual.		(90,253)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(25,550)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 1,195,386	
Unamortized bond premium	60,630	
Capital leases	372,296	
Compensated absences	50,026	
Accrued landfill closure and postclosure care costs	107,000	
Net pension liability	1,323,421	
Other postemployment benefits	<u>126,127</u>	
		<u>(3,234,886)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 8,404,871</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF ASHLAND, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2019

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,619,956	\$ -	\$ 2,619,956
Licenses and permits	402,655	-	402,655
Intergovernmental	661,056	-	661,056
Charges for services	144,439	-	144,439
Miscellaneous	54,795	65,964	120,759
Total revenues	<u>3,882,901</u>	<u>65,964</u>	<u>3,948,865</u>
EXPENDITURES			
Current:			
General government	978,104	9,758	987,862
Public safety	770,124	-	770,124
Highways and streets	533,532	-	533,532
Sanitation	156,671	-	156,671
Health	3,499	-	3,499
Welfare	36,965	-	36,965
Culture and recreation	181,063	23,239	204,302
Conservation	275	-	275
Debt service:			
Principal	129,331	-	129,331
Interest	57,139	-	57,139
Capital outlay	962,975	-	962,975
Total expenditures	<u>3,809,678</u>	<u>32,997</u>	<u>3,842,675</u>
Net change in fund balances	73,223	32,967	106,190
Fund balances, beginning, as restated (see Note 20)	1,855,727	244,616	2,100,343
Fund balances, ending	<u>\$ 1,928,950</u>	<u>\$ 277,583</u>	<u>\$ 2,206,533</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF ASHLAND, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 106,190
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 311,128	
Depreciation expense	<u>(739,339)</u>	
		(428,211)
Other long-term assets that are not available to pay for current period expenditures and therefore, are not reported in the funds.		
State Aid		(24,841)
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows of resources for tax revenue	\$ (10,417)	
Change in allowance for uncollectible property taxes	<u>(11,847)</u>	
		(22,264)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Repayment of bond principal	\$ 129,331	
Repayment of capital leases	123,074	
Amortization of bond premium	<u>6,063</u>	
		258,468
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 3,665	
Increase in compensated absences payable	(2,159)	
Decrease in accrued landfill postclosure care costs	11,000	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(55,289)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(16,336)</u>	
		(59,119)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (169,777)</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT D
TOWN OF ASHLAND, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,539,891	\$ 2,539,891	\$ 2,597,692	\$ 57,801
Licenses and permits	380,300	380,300	402,655	22,355
Intergovernmental	194,522	609,930	661,056	51,126
Charges for services	137,000	137,000	144,439	7,439
Miscellaneous	34,000	34,000	42,248	8,248
Total revenues	<u>3,285,713</u>	<u>3,701,121</u>	<u>3,848,090</u>	<u>146,969</u>
EXPENDITURES				
Current:				
General government	959,375	960,323	978,075	(17,752)
Public safety	855,503	855,503	770,124	85,379
Highways and streets	532,672	532,672	533,532	(860)
Sanitation	144,385	144,385	156,671	(12,286)
Health	3,554	3,554	3,499	55
Welfare	54,517	54,517	36,965	17,552
Culture and recreation	206,327	206,327	181,063	25,264
Conservation	500	500	275	225
Debt service:				
Principal	129,331	129,331	129,331	-
Interest	54,486	54,487	57,139	(2,652)
Capital outlay	<u>256,223</u>	<u>931,861</u>	<u>962,975</u>	<u>(31,114)</u>
Total expenditures	<u>3,196,873</u>	<u>3,873,460</u>	<u>3,809,649</u>	<u>63,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>88,840</u>	<u>(172,339)</u>	<u>38,441</u>	<u>210,780</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	261,179	261,179	-
Transfers out	<u>(269,040)</u>	<u>(269,040)</u>	<u>(239,300)</u>	<u>29,740</u>
Total other financing sources (uses)	<u>(269,040)</u>	<u>(7,861)</u>	<u>21,879</u>	<u>29,740</u>
Net change in fund balances	<u>\$ (180,200)</u>	<u>\$ (180,200)</u>	60,320	<u>\$ 240,520</u>
Change in nonspendable fund balance			(14,041)	
Unassigned fund balance, beginning, as restated (see Note 20)			1,002,387	
Unassigned fund balance, ending			<u>\$ 1,048,666</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF ASHLAND, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
December 31, 2019

December 31, 2017

	Business-type Activities			
	Enterprise Funds			Total
	Water	Sewer	Electric	Enterprise Funds
ASSETS				
Cash and cash equivalents	\$ 54,503	\$ 1,300,678	\$ 177,966	\$ 1,533,147
Accounts receivable	39,368	98,634	500,925	638,927
Internal balances	39,059	-	-	39,059
Inventory	-	-	32,615	32,615
Capital assets:				
Land and construction in progress	4,011	546,164	79,795	629,970
Other capital assets, net of depreciation	2,889,779	1,577,992	2,018,004	6,485,775
Total assets	3,026,720	3,523,468	2,809,305	9,359,493
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions	2,968	6,436	33,333	42,737
Amounts related to other postemployment benefits	105	227	397	729
Total deferred outflows of resources	3,073	6,663	33,730	43,466
LIABILITIES				
Current liabilities:				
Accounts payable	2,182	442,381	612,516	1,057,079
Accrued salaries and benefits	-	-	3,859	3,859
Retainage payable	-	99,628	-	99,628
Internal balances	14,184	71,304	3,179	88,667
Notes payable	-	1,248,876	-	1,248,876
Long term liabilities:				
Due within one year	-	-	58,578	58,578
Due in more than one year	25,399	55,081	345,550	426,030
Total liabilities	41,765	1,917,270	1,023,682	2,982,717
DEFERRED INFLOWS OF RESOURCES				
Amounts related to pensions	1,108	2,403	56,494	60,005
Amounts related to other postemployment benefits	6	14	115	135
Other	100	-	12,801	12,901
Total deferred inflows of resources	1,214	2,417	69,410	73,041
NET POSITION				
Net investment in capital assets	2,893,790	2,124,156	2,039,221	7,057,167
Unrestricted	93,024	(513,712)	(289,278)	(709,966)
Total net position	\$ 2,986,814	\$ 1,610,444	\$ 1,749,943	\$ 6,347,201

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF ASHLAND, NEW HAMPSHIRE
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended December 31, 2019

	Business-type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
			Total Enterprise Funds
Operating revenues:			
User charges	\$ 256,860	\$ 679,663	\$ 2,935,525
Miscellaneous	50	20,812	511,046
Total operating revenues	256,910	700,475	3,446,571
Operating expenses:			
Salaries and wages	39,906	80,766	282,581
Operation and maintenance	230,778	2,598,464	2,901,607
Depreciation	-	-	122,089
Total operating expenses	270,684	2,679,230	3,306,277
Operating gain (loss)	(13,774)	(1,978,755)	140,294
Nonoperating revenue (expense):			
Intergovernmental revenues	20,000	261,401	-
Interest income	810	5,249	448
Interest expense	-	-	(3,393)
Total nonoperating revenues (expenses)	20,810	266,650	(2,945)
Change in net position	7,036	(1,712,105)	137,349
Net position, beginning, as restated (see Note 20)	2,979,778	3,322,549	1,612,594
Net position, ending	\$ 2,986,814	\$ 1,610,444	\$ 1,749,943

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-3
TOWN OF ASHLAND, NEW HAMPSHIRE
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended December 31, 2019

	Business-type Activities		
	Enterprise Funds		Total
	Water	Sewer	Electric
Cash flows from operating activities:			
Receipts from customers and users	\$ 246,976	\$ 678,938	\$ 3,478,636
Payments to employees	(44,122)	(78,045)	(290,640)
Payments to suppliers	(230,778)	(2,305,450)	(2,961,854)
Net cash provided by (used for) operating activities	(27,924)	(1,704,557)	226,142
Cash flows from capital and related financing activities:			
Proceeds from Northern Boarder Regional Commission grant	-	224,269	-
Proceeds from State of NH State Revolving Loan	-	1,248,876	-
Principal paid on bonds	-	-	(141,414)
Acquisition and construction of fixed assets	-	-	(14,927)
Interest paid	-	-	(19,540)
Net cash provided by (used for) capital and related financing activities	-	1,473,145	(175,881)
Cash flows from non-capital financing activities:			
Interfund borrowings	(30,463)	58,187	-
Proceeds from assets management grant	20,000	37,132	-
Net cash provided by (used for) non-capital and related financing activities	(10,463)	95,319	-
Cash flows from investing activities:			
Interest received	810	5,249	448
Net change in cash	(37,577)	(130,844)	50,709
Cash, beginning	92,080	1,431,522	127,257
Cash, ending	\$ 54,503	\$ 1,300,678	\$ 177,966
Reconciliation of Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating gain (loss)	\$ (13,774)	\$ (1,978,755)	\$ 140,294
Adjustments to reconcile operating gain (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	-	-	122,089
Change in other receivables	(9,934)	(21,537)	34,426
Change in accounts payable	(5,471)	193,386	(60,247)
Change in accrued salaries and benefits	-	-	(4,199)
Change in retainage payable	-	99,628	-
Change in net pension liability and deferred outflows/inflows of resources	969	2,100	(4,695)
Change in net OPEB liability and deferred outflows/inflows of resources	286	621	(1,526)
Total adjustments	(14,150)	274,198	85,848
Net cash provided by (used for) operating activities	\$ (27,924)	\$ (1,704,557)	\$ 226,142

EXHIBIT F-1
TOWN OF ASHLAND, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2019

	Private Purpose Trust Funds	All Custodial Funds	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,242,986	\$ 2,242,986
Investments	16,922	71,761	88,683
Total assets	16,922	2,314,747	2,331,669
LIABILITIES			
Intergovernmental payables:			
Amounts due to local school districts	-	1,835,049	1,835,049
NET POSITION			
Restricted	\$ 16,922	\$ 479,698	\$ 496,620

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-2
TOWN OF ASHLAND, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	Private Purpose Trust Funds	All Custodial Funds	Total
ADDITIONS			
Contributions	\$ -	\$ 170,000	\$ 170,000
Investment earnings	3,046	16,342	19,388
Tax collections for other governments	-	4,347,208	4,347,208
Total additions	3,046	4,533,550	4,536,596
DEDUCTIONS			
Payments of taxes to other governments	-	4,347,208	4,347,208
Scholarships	1,500	-	1,500
Total deductions	1,500	4,347,208	4,348,708
Change in net position	1,546	186,342	187,888
Net position, beginning, as restated (see Note 20)	15,376	293,356	308,732
Net position, ending	\$ 16,922	\$ 479,698	\$ 496,620

The Notes to the Basic Financial Statements are an integral part of this statement.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Ashland, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2019 the Town implemented GASB Statement No. 84, *Fiduciary Activities*, which changed the way fiduciary activities are recorded. See Note 2-C for further information on this pronouncement.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Ashland is a municipal corporation governed by an elected 5 member Board of Selectmen and Town Manager. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. Long-term costs of retirement healthcare and obligations for other postemployment benefits of the Town's single employer plan have been omitted because the liability and expense have not been determined. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. As in the Statement of Net Position the Town has not recorded certain capital assets and related accumulated depreciation in the business-type activities and major water and sewer funds and accordingly, has not recorded depreciation expense. In addition, the Town has not recorded the other postemployment benefit expense of the Town's single employer plan in this statement. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Governmental Fund Financial Statements – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses, and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental fund:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance, the library, and expendable trust funds are consolidated in the general fund.

Additionally, the Town reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports two nonmajor governmental funds.

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

Water Fund – accounts for the activities related to the operation of the water treatment plant, wells, and water system.

Sewer Fund – accounts for the activities related to the operation of the sewer treatment plant, pumping station, and sewer lines.

Electric Fund – accounts for electric utility services provided to Town residents.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The Town reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Custodial Fund – are custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, 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. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in U.S. government obligations, and corporate bonds would be examples of Level 2 investments.

Level 3 – Inputs are significant unobservable inputs.

TOWN OF ASHLAND, NEW HAMPSHIRE
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The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-G Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's electric fund consist of expendable materials and supplies held for consumption. The cost is recorded as expenses when consumed rather than when purchased. No significant inventory balance was on hand in the electric fund.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses/expenditures as the items are used.

1-I Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (i.e. easements) which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

	<u>Years</u>
Capital Asset Classes:	
Buildings and building improvements	10-40
Machinery and equipment	7-15
Vehicles	5-15
Infrastructure	50

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-J Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 20, 2019 and October 24, 2019, and due on July 2, 2019 and December 3, 2019. Interest accrues at a rate of 12% (from January 1, 2019 through March 31, 2019) and 8% (after April 1, 2019) on bills outstanding after the due date and 18% (from January 1, 2019 through March 31, 2019) and 14% (after April 1, 2019) on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2018 on April 12, 2019.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Ashland and Pemi-Baker School Districts, and Grafton County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$242,500,924
For all other taxes	\$246,777,364

The tax rates and amounts assessed for the year ended December 31, 2019 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$10.30	\$2,541,239
School portion:		
State of New Hampshire	\$2.10	510,209
Local	\$13.72	3,385,789
County portion	\$1.83	451,210
Total	\$27.95	\$6,888,447

1-L Accounts Payable

Accounts payable represent the gross number of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2019.

TOWN OF ASHLAND, NEW HAMPSHIRE
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1-M Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the Town after the measurement date but before the end of the Town's reporting period.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

1-N Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-O Compensated Absences

Vacation - The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the Town's personnel policy. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave - The Town's policy allows certain employees to earn varying amounts of sick time as set forth by the Town's personnel policy. A liability for those amounts is recorded in the government-wide and proprietary fund financial statements.

1-P Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

TOWN OF ASHLAND, NEW HAMPSHIRE
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1-Q Postemployment Benefits Other Than Pensions

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – The Town maintains a single employer plan but has not obtained an actuarial report calculating the other postemployment benefit liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board Statement No. 75.

1-R Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds and notes, that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory, or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen and Town Manager through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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When multiple net position/fund balance classifications are available for use, it is the Town's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies between 10% to 15% of the actual GAAP basis expenditures and other financing sources and uses.

1-S Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives and impairment of tangible and intangible capital assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2019, \$180,200 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for each major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$4,109,269
Adjustment:	
Basis difference:	
Library	6,218
GASB Statement No. 54:	
To record revenue of the blended expendable trust fund	6,329
To eliminate transfers between general and expendable trust funds	(261,179)
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	10,417
Change in allowance for uncollectible property taxes	11,847
Per Exhibit C-3 (GAAP basis)	<u>\$3,882,901</u>

(Continued)

TOWN OF ASHLAND, NEW HAMPSHIRE
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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$3,570,349
Adjustment:	
Basis differences:	
Encumbrances, beginning	12,334
Encumbrances, ending	(12,305)
GASB Statement No. 54:	
To eliminate transfers between general and expendable trust funds	239,300
Per Exhibit C-3 (GAAP basis)	<u><u>\$3,809,678</u></u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 20.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2019, the reported amount of the Town's deposits was \$5,365,120 and the bank balance was \$5,700,037. Of the bank balance, \$482,228 was covered by federal depository insurance and \$5,217,809 was uninsured and uncollateralized.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2019, \$5,217,809 of the Town's bank balance of \$5,700,037 was exposed to custodial credit risk.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$3,122,134
Cash per Statement of Fiduciary Net Position (Exhibit F-1)	<u>2,242,986</u>
Total cash and cash equivalents	<u><u>\$5,365,120</u></u>

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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The Town has the following recurring fair value measurements and maturities as of December 31, 2019 which are held by the Trustees of Trust Funds:

	Valuation Measurement Method	Reported Balance	Less Than 1 Year	1-5 Years	6-10 Years	After 10 Years	Exempt from Disclosure
Investments type:							
Common stock	Level 1	\$ 71,761	-	-	-	-	\$ 71,761
Equity mutual funds	Level 1	222,213	-	-	-	-	222,213
Fixed income mutual funds	Level 2	2,082	-	-	-	-	2,082
Total fair value		<u>\$ 296,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,056</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Board of Selectmen’s investment policy restricts investments in fixed income securities to United States Treasury Securities maturing in less than one year or short-term obligations of United States Government agencies, fully insured or collateralized certificates of deposits of banks incorporated under the laws of the State of New Hampshire, the New Hampshire Public Deposit Investment pool, and repurchase agreements with banks chartered by the State of New Hampshire and fully collateralized by United States Treasury Bills and such other instruments as may be specifically authorized by the Revised Statutes of the State of New Hampshire. The Trustees of Trust funds limits the average maturity of debt securities so that they do not exceed ten years and additionally, the duration of the investment holding period does not exceed five years.

Credit Risk – The Board of Selectmen have no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E. The Trustees of Trust Funds policy limits all fixed income security purchases shall have a minimum quality of “A” by Moody’s Investor Services or Standard and Poor’s Corporation. As of December 31, 2019, the Trustees of Trust Fund’s had the following credit risk structure:

Investments Type	Reported Balance	Exempt from Disclosure
Common stock	\$ 71,761	\$ 71,761
Equity mutual funds	222,213	222,213
Fixed income mutual funds	2,082	2,082
Total	<u>\$ 296,056</u>	<u>\$ 296,056</u>

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Board of Selectmen’s and Trustees of Trust Funds’ investment policies do not directly address this risk.

Concentration of Credit Risk – The Board of Selectmen’s investment policy does not directly address this risk. The Trustees of Trust Funds’ investment policy states that for fixed income securities, concentration in any one issuer shall not exceed ten percent except in obligations of the United States and/or the State of New Hampshire and its subdivisions. For equity securities, the purchase of a single security shall not exceed five percent of the equity portion of the portfolio. The maximum exposure to any one name, because of price appreciation, should not exceed twenty percent of the equities. More than 5% of the Trustees of Trust Fund’s investments are in Wells Fargo and UBS. These investments are 46% and 12%, respectively, of the Trustees of Trust Fund’s total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 207,373
Investments per Statement of Fiduciary Net Position (Exhibit F-1)	88,683
Total investments	<u>\$ 296,056</u>

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NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2019. The amount has been reduced by an allowance for an estimated uncollectible amount of \$90,253. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2019	\$ 451,341	\$ 451,341
Unredeemed (under tax lien):		
Levy of 2018	73,702	73,702
Levy of 2017	38,413	38,413
Levies of 2016 and prior	69,616	69,616
Yield	935	935
Elderly	10,253	10,253
Less: allowance for estimated uncollectible taxes	(90,253) *	-
Net taxes receivable	<u>\$ 554,007</u>	<u>\$ 644,260</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2019, consisted of accounts (billings for water, sewer, electric, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2019 for the Town's individual major funds are as follows:

	Governmental				
	Fund	Proprietary Funds			
	General	Water	Sewer	Electric	Total
Receivables:					
Accounts	\$ -	\$ 39,368	\$ 98,634	\$ 500,925	\$ 638,927
Intergovernmental	55,272	-	-	-	-
Gross receivables	<u>\$ 55,272</u>	<u>\$ 39,368</u>	<u>\$ 98,634</u>	<u>\$ 500,925</u>	<u>\$ 638,927</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance, beginning (as restated)	Additions	Deletions	Reclass	Balance, ending
Governmental activities:					
At cost:					
Not being depreciated:					
Land	\$ 1,447,656	\$ -	\$ -	\$ -	\$ 1,447,656
Construction in progress	31,800	-	-	-	31,800
Total capital assets not being depreciated	<u>1,479,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,479,456</u>

(Continued)

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Capital assets continued:

	Balance, beginning (as restated)	Additions	Deletions	Reclass	Balance, ending
Being depreciated:					
Buildings and building improvements	1,925,398	43,496	-	-	1,968,894
Vehicles	1,950,287	44,710	(149,685)	(332,587)	1,512,725
Machinery and equipment	709,986	79,090	(36,054)	332,587	1,085,609
Infrastructure	23,695,664	143,832	-	-	23,839,496
Total capital assets being depreciated	28,281,335	311,128	(185,739)	-	28,406,724
Total all capital assets	29,760,791	311,128	(185,739)	-	29,886,180
Less accumulated depreciation:					
Buildings and building improvements	(1,364,528)	(54,562)	-	-	(1,419,090)
Vehicles	(1,306,102)	(133,119)	-	205,130	(1,234,091)
Machinery and equipment	(342,244)	(94,287)	36,054	(205,130)	(605,607)
Infrastructure	(17,172,091)	(457,371)	149,685	-	(17,479,777)
Total accumulated depreciation	(20,184,965)	(739,339)	185,739	-	(20,738,565)
Net book value, capital assets being depreciated	8,096,370	(428,211)	-	-	7,668,159
Net book value, all governmental activities capital assets	\$ 9,575,826	\$ (428,211)	\$ -	\$ -	\$ 9,147,615

	Balance, beginning	Additions	Deletions	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 21,440	\$ -	\$ -	\$ 21,440
Construction in progress	608,530	-	-	608,530
Total capital assets not being depreciated	629,970	-	-	629,970
Being depreciated:				
Distribution mains	1,185,846	-	-	1,185,846
Services	781,986	-	-	781,986
Structures and equipment	5,814,505	14,927	(124,216)	5,705,216
Systems improvements	5,324,234	-	-	5,324,234
North Ashland road expansion	2,326,340	-	-	2,326,340
Intangible property	967,915	-	-	967,915
Total capital assets being depreciated	16,400,826	14,927	(124,216)	16,291,537
Total all capital assets	17,030,796	14,927	(124,216)	16,921,507
Less accumulated depreciation:				
Distribution mains	(6,220,782)	-	-	(6,220,782)
Services	(169,109)	(5,931)	-	(175,040)
Structures and equipment	(2,548,438)	(44,448)	124,216	(2,468,670)
North Ashland road expansion	(849,595)	(70,249)	-	(919,844)
Intangible property	(19,965)	(1,461)	-	(21,426)
Total accumulated depreciation	(9,807,889)	(122,089)	124,216	(9,805,762)
Net book value, capital assets being depreciated	6,592,937	(107,162)	-	6,485,775
Net book value, all business-type activities capital assets	\$ 7,222,907	\$ (107,162)	\$ -	\$ 7,115,745

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The Town has not recorded certain capital assets and accumulated depreciation for the *water fund* as of December 31, 2019:

	Balance, beginning	Additions	Deletions	Balance, ending
Water:				
At cost:				
Not being depreciated:				
Land	\$ 4,011	\$ -	\$ -	\$ 4,011
Being depreciated:				
Distribution mains	121,060	-	-	121,060
Services	294,677	-	-	294,677
Structures and equipment	456,058	-	-	456,058
Systems improvements	5,324,234	-	-	5,324,234
Intangible property	176,525	-	-	176,525
Total capital assets being depreciated	6,372,554	-	-	6,372,554
Total all capital assets	6,376,565	-	-	6,376,565
Less accumulated depreciation:				
Distribution mains	(3,482,775)	-	-	(3,482,775)
Net book value, capital assets being depreciated	2,889,779	-	-	2,889,779
Net book value, all water fund				
business-type activities capital assets	\$ 2,893,790	\$ -	\$ -	\$ 2,893,790

The Town has not recorded certain capital assets and accumulated depreciation for the *sewer fund* as of December 31, 2019:

	Balance, beginning	Additions	Deletions	Balance, ending
Sewer:				
At cost:				
Not being depreciated:				
Land	\$ 13,229	\$ -	\$ -	\$ 13,229
Construction in progress	532,935	-	-	532,935
Total capital assets not being depreciated	546,164	-	-	546,164
Being depreciated:				
Distribution mains	1,064,786	-	-	1,064,786
Services	180,534	-	-	180,534
Structures and equipment	2,327,933	-	-	2,327,933
Intangible property	742,746	-	-	742,746
Total capital assets being depreciated	4,315,999	-	-	4,315,999
Total all capital assets	4,862,163	-	-	4,862,163
Less accumulated depreciation:				
Distribution mains	(2,738,007)	-	-	(2,738,007)
Net book value, capital assets being depreciated	1,577,992	-	-	1,577,992
Net book value, all sewer fund				
business-type activities capital assets	\$ 2,124,156	\$ -	\$ -	\$ 2,124,156

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The Town has not recorded certain capital assets and accumulated depreciation for the *electric fund* as of December 31, 2019:

	Balance, beginning	Additions	Deletions	Balance, ending
Electric:				
At cost:				
Not being depreciated:				
Land	\$ 4,200	\$ -	\$ -	\$ 4,200
Construction in progress	75,595	-	-	75,595
Total capital assets not being depreciated	79,795	-	-	79,795
Being depreciated:				
Services	306,775	-	-	306,775
Structures and equipment	3,030,514	14,927	(124,216)	2,921,225
North Ashland road expansion	2,326,340	-	-	2,326,340
Intangible property	48,644	-	-	48,644
Total capital assets being depreciated	5,712,273	14,927	(124,216)	5,602,984
Total all capital assets	5,792,068	14,927	(124,216)	5,682,779
Less accumulated depreciation:				
Services	(169,109)	(5,931)	-	(175,040)
Structures and equipment	(2,548,438)	(44,448)	124,216	(2,468,670)
North Ashland road expansion	(849,595)	(70,249)	-	(919,844)
Intangible property	(19,965)	(1,461)	-	(21,426)
Total accumulated depreciation	(3,587,107)	(122,089)	124,216	(3,584,980)
Net book value, capital assets being depreciated	2,125,166	(107,162)	-	2,018,004
Net book value, all electric fund business-type activities capital assets	\$ 2,204,961	\$ (107,162)	\$ -	\$ 2,097,799

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental activities:

General government	\$ 12,426
Public safety	152,662
Highways and streets	545,821
Sanitation	5,504
Culture and recreation	22,926
Total depreciation expense	<u>\$ 739,339</u>

Business-type activities:

Electric	<u>\$ 122,089</u>
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NOTE 8 – INTERFUND BALANCES

Interfund Balances - The composition of interfund balances as of December 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General	Water	\$ 14,184
	Sewer	32,245
	Electric	3,179
		<u>49,608</u>
Water	Sewer	39,059
		<u>\$ 88,667</u>

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The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2019 consist of the following:

	Governmental Fund General	Fiduciary Funds
Miscellaneous fees due to the State of New Hampshire	\$ 707	\$ -
Taxes due to the Ashland School District	-	1,222,368
Taxes due to the Pemi Baker School District	-	612,681
Total intergovernmental payables due	<u>\$ 707</u>	<u>\$1,835,049</u>

NOTE 10 – NOTES PAYABLE

The amount reported of \$1,248,876 represents the amount drawn to date on an approved State of New Hampshire Department of Environmental Services Water Pollution Control revolving loan agreement for the Town's Headworks and Septage Receiving Facility project. The loan agreement authorizes up to \$2,000,000. As of December 31, 2019, \$751,124 is available to draw down.

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at December 31, 2019 are as follows:

	Government- wide	Business-type Activities and Proprietary Funds			
		Water	Sewer	Electric	Total
Amounts related to pensions, see Note 14	\$ 169,363	\$ 2,968	\$ 6,436	\$ 33,333	\$ 42,737
Amounts related to OPEB, see Note 15	5,973	105	227	397	729
Total deferred inflows of resources	<u>\$ 175,336</u>	<u>\$ 3,073</u>	<u>\$ 6,663</u>	<u>\$ 33,730</u>	<u>\$ 43,466</u>

Deferred inflows of resources at December 31, 2019 are as follows:

	Government- wide	General Fund	Business-type Activities and Proprietary Funds			
			Water	Sewer	Electric	Total
Deferred property taxes collected in advance	\$ 5,721	\$ 182,787	\$ -	\$ -	\$ -	\$ -
Deferred state aid grant and donations	37,922	37,922	-	-	-	-
Deposits held for customers	-	-	100	-	12,801	12,901
Amounts related to pensions, see Note 14	63,247	-	1,108	2,403	56,494	60,005
Amounts related to OPEB, see Note 15	362	-	6	14	115	135
Total deferred inflows of resources	<u>\$ 107,252</u>	<u>\$220,709</u>	<u>\$ 1,214</u>	<u>\$ 2,417</u>	<u>\$69,410</u>	<u>\$ 73,041</u>

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NOTE 12 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related vehicle and equipment will become the property of the Town when all the terms of the lease agreements are met.

	Present Value of Remaining Payments as of December 31, 2019
Capital lease obligations:	
Fire Truck	\$ 296,710
Loader	75,586
Total capital lease obligations	<u>\$ 372,296</u>

Leased vehicle and equipment under the capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
Fire Truck	\$ 485,978
Loader	193,193
Total equipment	679,171
Less: accumulated depreciation	271,669
Total capital lease equipment	<u>\$ 407,502</u>

The annual requirements to amortize the capital leases payable as of December 31, 2019, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2020	\$ 134,931
2021	231,372
2022	27,141
Total requirements	393,444
Less: interest	21,148
Present value of remaining payments	<u>\$ 372,296</u>

Amortization of lease vehicle and equipment under capital assets is included with depreciation expense.

NOTE 13 – SHORT-TERM DEBT

Changes in the Town's short-term borrowings during the year ended December 31, 2019 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Tax anticipation note	\$ 1,000,000	3.41%	\$ 1,000,000	\$ -	\$(1,000,000)	\$ -

The purpose of the short-time borrowings was to provide for interim financing of general fund operations.

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NOTE 14 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2019:

	Balance January 1, 2019 (as restated)	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 1,324,717	\$ -	\$ (129,331)	\$ 1,195,386	\$ 129,330
Premium	66,693	-	(6,063)	60,630	6,063
Total bonds payable	1,391,410	-	(135,394)	1,256,016	135,393
Capital leases	495,370	-	(123,074)	372,296	122,867
Compensated absences	47,867	2,159	-	50,026	-
Accrued landfill postclosure care costs	118,000	-	(11,000)	107,000	11,000
Net pension liability	1,265,086	58,335	-	1,323,421	-
Net other postemployment benefits	125,845	282	-	126,127	-
Total long-term liabilities	<u>\$ 3,443,578</u>	<u>\$ 60,776</u>	<u>\$ (269,468)</u>	<u>\$ 3,234,886</u>	<u>\$ 269,260</u>
Business-type activities:					
General obligation bonds	\$ 199,992	\$ -	\$ (141,414)	\$ 58,578	\$ 58,578
Net pension liability	442,243	-	(31,151)	411,092	-
Net other postemployment benefits	16,137	-	(1,199)	14,938	-
Total long-term liabilities	<u>\$ 658,372</u>	<u>\$ -</u>	<u>\$ (173,764)</u>	<u>\$ 484,608</u>	<u>\$ 58,578</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2019	Current Portion
Governmental activities:						
General obligation bonds:						
Water system	\$ 300,000	2008	2027	4.50%	\$ 96,661	\$ 12,084
Water	\$ 1,092,191	2009	2026	4.50%	449,725	64,246
River St Improvement R1/R2	\$ 944,000	2012	2029	2.00% - 5.00%	649,000	53,000
					<u>1,195,386</u>	<u>129,330</u>
Bond premium					60,630	6,063
Total					<u>\$ 1,256,016</u>	<u>\$ 135,393</u>
Business-type activities:						
General obligation bonds:						
North Ashland Road Expansion	\$ 1,700,000	2006	2020	2.50%	\$ 58,578	\$ 58,578

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The annual requirements to amortize all *governmental activities* general obligation bonds outstanding as of December 31, 2019, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2020	\$ 129,330	\$ 50,380	\$ 179,710
2021	131,330	45,214	176,544
2022	133,330	39,968	173,298
2023	136,330	34,643	170,973
2024	139,330	28,597	167,927
2025-2029	525,736	60,112	585,848
Totals	<u>\$ 1,195,386</u>	<u>\$ 258,914</u>	<u>\$ 1,454,300</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$107,000 as of December 31, 2019, which is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of December 31, 2019. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

NOTE 15 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension 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 are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

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 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 member attains 52.5 years of age by ¼ of 1% or age 60.

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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 earnable compensation and/or service.

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2019, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2019 was \$160,139, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2019 the Town reported a liability of \$1,734,513 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town's proportion was 0.03604817% which was an increase of 0.00059111% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$186,385. At December 31, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 58,763	\$ 71,787
Changes in assumptions	62,233	-
Net difference between projected and actual investment earnings on pension plan investments	-	14,169
Differences between expected and actual experience	9,592	37,296
Contributions subsequent to the measurement date	81,512	-
Total	<u>\$ 212,100</u>	<u>\$ 123,252</u>

The \$81,512 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2020	\$ 43,225
2021	(35,929)
2022	(8,386)
2023	8,424
Totals	<u>\$ 7,334</u>

Actuarial Assumptions – The collective total pension liability was based on the following assumptions:

Inflation:	2.50%
Salary increases:	5.60% average, including inflation
Wage inflation:	3.25%
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

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

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The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that 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 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 investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Measurement Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 2,322,585	\$ 1,734,513	\$ 1,248,477

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

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NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

16-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age, and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2019 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2019, the Town contributed 4.10% for police and fire, and 0.30% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2019 was \$12,694, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2019, the Town reported a liability of \$141,065 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on a projection of the Town’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town’s proportion was 0.03217639% which was an increase of 0.00116559% from its proportion measured as of June 30, 2018.

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For the year ended December 31, 2019, the Town recognized OPEB expense of \$23,314. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 659	\$ 92
Net difference between projected and actual investment earnings on OPEB plan investments	-	159
Differences between expected and actual experience	-	246
Contributions subsequent to the measurement date	6,043	-
Total	<u>\$ 6,702</u>	<u>\$ 497</u>

The \$6,043 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2020	\$ 216
2021	(105)
2022	13
2023	38
Totals	<u>\$ 162</u>

Actuarial Assumptions – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.50%
Wage inflation:	3.25%
Salary increases:	5.60% average, including inflation
Investment rate of return:	7.25% net of OPEB plan investment expense, including inflation for determining solvency contributions

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Measurement Date	1% Decrease 6.25%	Current Single Rate Assumption	1% Increase
		7.25%	8.25%
June 30, 2019	\$ 153,006	\$ 141,065	\$ 130,688

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

16-B Town of Ashland Retiree Health Benefit Program

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in the general fund of the funds financial statements as payments are made.

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The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The Town has not fully implemented GASB Statement No. 75 at December 31, 2019 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town's single employer plan. The amounts that should be recorded as the net OPEB liability and the OPEB expense for the Town's single employer plan are unknown.

NOTE 17 – COMMITMENTS/ENCUMBRANCES

The Town has an active construction project for the Sewer Fund as of December 31, 2019. At year-end, the Town's commitments for the specific project are as follows:

Capital Project Program	Spent to Date	Remaining Commitment
Headworks and Septage Receiving Facility	\$ 1,470,777	\$ 521,778

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2019 and are as follows:

General fund:	
General government	\$ 12,305

NOTE 18 – STATE AID TO WATER POLLUTION PROJECTS

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At December 31, 2019 the Town is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	Principal	Interest	Total
2020	\$ 9,197	\$ 4,907	\$ 14,104
2021	9,544	4,532	14,076
2022	9,891	4,144	14,035
2023	10,412	3,686	14,098
2024	10,932	3,152	14,084
2025-2029	62,643	7,439	70,082
Total	\$ 112,619	\$ 27,860	\$ 140,479

NOTE 19 – NET POSITION

Net position reported on the Statement of Net Position at December 31, 2019 include the following:

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Net investment in capital assets:				
Net book value, all governmental activities capital assets	\$ 9,147,615	\$ 7,115,745	\$ 16,263,360	\$ -
Less:				
General obligation bonds/notes payable	(1,195,386)	(58,578)	(1,253,964)	-
Unamortized bond premiums	(60,630)	-	(60,630)	-
Capital leases payable	(372,296)	-	(372,296)	-
Total net investment in capital assets	7,519,303	7,057,167	14,576,470	-

(continued)

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Net position continued:

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Restricted net position:				
Permanent fund principal	54,985	-	54,985	-
Permanent fund income	152,570	-	152,570	-
Library	30,430	-	30,430	-
Individuals, organizations and other governments	-	-	-	496,620
Total restricted net position	237,985	-	237,985	496,620
Unrestricted	647,583	(709,966)	(62,383)	-
Total net position	\$ 8,404,871	\$ 6,347,201	\$ 14,752,072	\$ 496,620

NOTE 20 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2019 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 2,528	\$ -	\$ 2,528
Tax deeded property	15,561	-	15,561
Permanent fund - principal balance	-	54,985	54,985
Total nonspendable fund balance	18,089	54,985	73,074
Restricted:			
Library	30,430	-	30,430
Permanent - income balance	-	152,570	152,570
Other special revenue funds:			
Community Day	-	148	148
Playground	-	746	746
DARE	-	220	220
Conservation Commission	-	7,322	7,322
4th of July	-	34,209	34,209
Fire Apparatus	-	27,383	27,383
Total restricted fund balance	30,430	222,598	253,028
Committed:			
Expendable trusts	906,273	-	906,273
Assigned:			
Encumbrances	12,305	-	12,305
Unassigned	961,853	-	961,853
Total governmental fund balances	\$ 1,928,950	\$ 277,583	\$ 2,206,533

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NOTE 21 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2019 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities	General Fund (Exhibit C-3)	General Fund (Exhibit D-1)	Nonmajor Funds	Water Fund	Sewer Fund	Electric Fund	Fiduciary Funds
To restate for:									
Cumulative changes related to implementation of GASB Statement No. 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,356
Allocation of net Pension liability	64,515	(64,515)	-	-	-	(20,360)	(44,155)	-	-
Allocation of net OPEB liability	179,651	(14,406)	-	-	-	(1,825)	(3,959)	(8,622)	-
Previously unrecognized capital assets	13,087	-	-	-	-	-	-	-	-
43 Library previously reported as special revenue fund	-	-	24,212	-	(24,212)	-	-	-	-
Reporting differences relating to:									
Property taxes	-	-	336,335	-	-	-	-	-	-
Tax deeded property	-	-	15,561	-	-	-	-	-	-
Overstatement of liability	41,359	-	41,359	41,359	-	-	-	-	-
Understatement of liability	-	(17,714)	-	-	-	-	-	(17,714)	-
Net position/fund balance, as previously reported	8,276,036	8,011,556	1,438,260	961,028	268,828	3,001,963	3,370,663	1,638,930	-
Net position/fund balance, as restated	<u>\$ 8,574,648</u>	<u>\$ 7,914,921</u>	<u>\$ 1,855,727</u>	<u>\$ 1,002,387</u>	<u>\$ 244,616</u>	<u>\$ 2,979,778</u>	<u>\$ 3,322,549</u>	<u>\$ 1,612,594</u>	<u>\$ 293,356</u>

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

NOTE 22 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2019, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2019 to December 31, 2019 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2019 the Town paid \$51,382 and \$14,160 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 23 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the government's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The number of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 24 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through February 5, 2021, the date the December 31, 2019 financial statements were available to be issued, and noted the following event occurred that requires recognition or disclosure:

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a global pandemic. In response to the pandemic, the State of New Hampshire's Governor, issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the School District, though such impact is unknown at this time.

At the 2020 Annual Town Meeting, held on March 10, 2020, the residents of the Town approved two warrant articles authorizing the issuance of bonds/notes to implement energy efficiencies at the Wastewater Treatment Plant (\$100,000) and to perform a Wastewater Treatment Plant viability study (\$75,000). In addition, four warrant articles appropriating the use of December 31, 2019 surplus (fund balance) to set aside funds to purchase a one-ton dump truck (\$30,000), deposit into the Property Tax Map Reserve (\$39,300), to resurface tennis and basketball courts (\$27,000) and for contingency purposes (\$25,000).

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
TOWN OF ASHLAND, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,				
	2015	2016	2017	2018	2019
Town's proportion of the net pension liability	0.04%	0.04%	0.04%	0.04%	0.04%
Town's proportionate share of the net pension liability	\$ 1,477,435	\$ 1,929,014	\$ 1,808,622	\$ 1,707,329	\$ 1,734,513
Town's covered payroll	\$ 899,469	\$ 913,258	\$ 936,569	\$ 1,017,642	\$ 1,123,782
Town's proportionate share of the net pension liability as a percentage of its covered payroll	164.26%	211.22%	193.11%	167.77%	154.35%
Plan fiduciary net position as a percentage of the total pension liability	65.50%	58.30%	62.66%	64.73%	65.59%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT H
TOWN OF ASHLAND, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$120,376	\$130,052	\$142,481	\$ 158,090	\$ 160,139
Contributions in relation to the contractually required contributions	120,376	130,052	142,481	158,090	160,139
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$881,078	\$908,428	\$938,671	\$1,038,045	\$1,123,782
Contributions as a percentage of covered payroll	13.66%	14.32%	15.18%	15.23%	14.25%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5 % per year
Wage Inflation	3.25% per year
Salary Increases	5.6 % Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT I
TOWN OF ASHLAND, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,		
	2017	2018	2019
Town's proportion of the net OPEB liability	0.02%	0.03%	0.03%
Town's proportionate share of the net OPEB liability (asset)	\$ 91,192	\$ 132,832	\$ 141,065
Town's covered payroll	\$ 936,569	\$ 1,017,642	\$ 1,123,782
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	9.74%	13.05%	12.55%
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.53%	7.75%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF ASHLAND, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,		
	2017	2018	2019
Contractually required contribution	\$ 12,699	\$ 16,670	\$ 14,684
Contributions in relation to the contractually required contribution	12,699	16,670	14,684
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	\$ 938,671	\$ 1,038,045	\$ 1,123,782
Contributions as a percentage of covered payroll	1.35%	1.61%	1.31%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF ASHLAND, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.50% per year
Wage Inflation	3.25% per year
Salary Increases	5.60% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF ASHLAND, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,440,131	\$ 2,498,841	\$ 58,710
Land use change	260	520	260
Yield	2,000	935	(1,065)
Payment in lieu of taxes	57,500	58,114	614
Interest and penalties on taxes	40,000	39,282	(718)
Total from taxes	<u>2,539,891</u>	<u>2,597,692</u>	<u>57,801</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	300	785	485
Motor vehicle permit fees	370,000	383,174	13,174
Building permits	8,000	13,968	5,968
Other	2,000	4,728	2,728
Total from licenses, permits, and fees	<u>380,300</u>	<u>402,655</u>	<u>22,355</u>
Intergovernmental:			
State:			
Meals and rooms distribution	106,419	106,419	-
Highway block grant	57,585	57,499	(86)
Water pollution grants	29,740	29,740	-
State and federal forest land reimbursement	40	40	-
Other	738	51,950	51,212
Federal:			
Community development block grant	415,408	415,408	-
Total from intergovernmental	<u>609,930</u>	<u>661,056</u>	<u>51,126</u>
Charges for services:			
Income from departments	<u>137,000</u>	<u>144,439</u>	<u>7,439</u>
Miscellaneous:			
Interest on investments	4,000	8,252	4,252
Other	30,000	33,996	3,996
Total from miscellaneous	<u>34,000</u>	<u>42,248</u>	<u>8,248</u>
Other financing sources:			
Transfers in	<u>261,179</u>	<u>261,179</u>	<u>-</u>
Total revenues and other financing sources	<u>3,962,300</u>	<u>\$ 4,109,269</u>	<u>\$ 146,969</u>
Amounts voted from fund balance	<u>180,200</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 4,142,500</u>		

SCHEDULE 2
TOWN OF ASHLAND, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 166,727	\$ 127,942	\$ -	\$ 38,785
Election and registration	-	38,627	37,370	-	1,257
Financial administration	-	101,346	126,293	-	(24,947)
Revaluation of property	-	22,611	11,519	-	11,092
Legal	-	20,000	126,094	-	(106,094)
Personnel administration	-	451,742	406,651	-	45,091
Planning and zoning	-	13,185	6,526	-	6,659
General government buildings	12,334	39,000	36,066	12,305	2,963
Cemeteries	-	50	-	-	50
Insurance, not otherwise allocated	-	82,031	68,794	-	13,237
Other	-	25,004	30,849	-	(5,845)
Total general government	12,334	960,323	978,104	12,305	(17,752)
Public safety:					
Police	-	475,269	429,019	-	46,250
Ambulance	-	50,424	50,224	-	200
Fire	-	303,579	270,304	-	33,275
Building inspection	-	22,531	17,097	-	5,434
Emergency management	-	3,700	3,480	-	220
Total public safety	-	855,503	770,124	-	85,379
Highways and streets:					
Administration	-	208,193	221,599	-	(13,406)
Highways and streets	-	220,761	207,822	-	12,939
Street lighting	-	42,000	42,000	-	-
Other	-	61,718	62,111	-	(393)
Total highways and streets	-	532,672	533,532	-	(860)
Sanitation:					
Solid waste disposal	-	144,385	156,671	-	(12,286)
Health:					
Administration	-	2,354	2,499	-	(145)
Pest control	-	1,200	1,000	-	200
Total health	-	3,554	3,499	-	55
Welfare:					
Administration and direct assistance	-	26,710	9,158	-	17,552
Vendor payments and other	-	27,807	27,807	-	-
Total welfare	-	54,517	36,965	-	17,552
Culture and recreation:					
Parks and recreation	-	126,610	101,874	-	24,736
Library	-	68,528	69,932	-	(1,404)
Patriotic purposes	-	11,189	9,257	-	1,932
Total culture and recreation	-	206,327	181,063	-	25,264
Conservation	-	500	275	-	225

(Continued)

SCHEDULE 2 (Continued)
TOWN OF ASHLAND, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	129,331	129,331	-	-
Interest on long-term debt	-	54,486	54,430	-	56
Interest on tax anticipation notes	-	1	2,709	-	(2,708)
Total debt service	-	183,818	186,470	-	(2,652)
Capital outlay	-	931,861	962,975	-	(31,114)
Other financing uses:					
Transfers out	-	269,040	239,300	-	29,740
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 12,334	\$ 4,142,500	\$ 4,048,978	\$ 12,305	\$ 93,551

SCHEDULE 3
TOWN OF ASHLAND, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2019

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 20)		\$ 1,002,387
Changes:		
Amounts voted from fund balance		(180,200)
2019 Budget summary:		
Revenue surplus (Schedule 1)	\$ 146,969	
Unexpended balance of appropriations (Schedule 2)	93,551	
2019 Budget surplus		240,520
Change in nonspendable fund balance		(14,041)
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,048,666
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(177,066)
Elimination of the allowance for uncollectible taxes		90,253
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		\$ 961,853

SCHEDULE 4
TOWN OF ASHLAND, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Funds	Permanent Fund	Total
ASSETS			
Cash and cash equivalents	\$ 70,028	\$ 182	\$ 70,210
Investments	-	207,373	207,373
Total assets	<u>\$ 70,028</u>	<u>\$ 207,555</u>	<u>\$ 277,583</u>
FUND BALANCES			
Nonspendable	\$ -	\$ 54,985	\$ 54,985
Restricted	<u>70,028</u>	<u>152,570</u>	<u>222,598</u>
Total fund balances	<u>\$ 70,028</u>	<u>\$ 207,555</u>	<u>\$ 277,583</u>

SCHEDULE 5
TOWN OF ASHLAND, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2019

	Special Revenue Funds	Permanent Fund	Total
Revenues:			
Miscellaneous	\$ 30,786	\$ 35,178	\$ 65,964
Expenditures:			
Current:			
General government	-	9,758	9,758
Culture and recreation	23,239	-	23,239
Total expenditures	23,239	9,758	32,997
Net change in fund balances	7,547	25,420	32,967
Fund balances, beginning, as restated (see Note 20)	62,481	182,135	244,616
Fund balances, ending	\$ 70,028	\$ 207,555	\$ 277,583

SCHEDULE 6
TOWN OF ASHLAND, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2019

	Custodial Funds		
	Taxes	Trust Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,835,049	\$407,937	\$ 2,242,986
Investments	-	71,761	71,761
Total assets	<u>\$ 1,835,049</u>	<u>\$479,698</u>	<u>\$ 2,314,747</u>
LIABILITIES			
Intergovernmental payables:			
School	<u>\$ 1,835,049</u>	<u>\$ -</u>	<u>\$ 1,835,049</u>
NET POSITION			
Restricted	<u>-</u>	<u>479,698</u>	<u>479,698</u>
Total liabilities and net position	<u>\$ 1,835,049</u>	<u>\$479,698</u>	<u>\$ 2,314,747</u>

SCHEDULE 7
TOWN OF ASHLAND, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	Custodial Funds		Total
	Taxes	Trust Funds	
ADDITIONS			
Contributions	\$ -	\$ 170,000	\$ 170,000
Investment earnings	-	16,342	16,342
Tax collections for other governments	4,347,208	-	4,347,208
Total additions	4,347,208	186,342	4,533,550
DEDUCTIONS			
Payments of taxes to other governments	4,347,208	-	4,347,208
Change in net position	-	186,342	186,342
Net position, beginning, as restated (see Note 20)	-	293,356	293,356
Net position, ending	\$ -	\$ 479,698	\$ 479,698