

TIMBERLANE REGIONAL SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Timberlane Regional School District
Plaistow, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Timberlane Regional School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District'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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Timberlane Regional School District, as of June 30, 2018, the respective changes in financial position, and the respective budgetary comparisons for the general fund, food service fund, and grants 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 2018 the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

**Timberlane Regional School District
Independent Auditor's Report**

Other Matters

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:

- Management's Discussion and Analysis,
- Schedule of the School District's Proportionate Share of Net Pension Liability,
- Schedule of School District Contributions – Pensions,
- Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of School District Contributions – Other Postemployment Benefits,
- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, 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 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 Timberlane Regional School District'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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the Timberlane Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Timberlane Regional School District's internal control over financial reporting and compliance.

December 31, 2018



PLODZIK & SANDERSON
Professional Association

TIMBERLANE REGIONAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018

Management’s Discussion and Analysis is presented by the School District Administration of the Timberlane Regional School District (the “District”) and is intended to serve as an introduction to District’s basic financial statements. The District’s basic financial statements are comprised of four major components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

School District Administration is responsible for establishing an accounting system and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP) and pronouncements from Governmental Accounting Standards Board (GASB). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on the District’s assets, deferred outflow of resources and liabilities, and deferred inflow of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other governmental units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains several governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Food Service Fund, Grants Fund, and Other Governmental Fund, which encompasses the Timberlane Performing Arts Center.

The District adopts an annual appropriated budget for its funds. Budgetary comparison statements for the Major General Fund, Food Service Fund and Grants Fund have been provided to demonstrate compliance with the budget and can be found on pages 18-20 of this report.

The governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for private enterprises. The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-44 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information consisting of the Schedule of the School District's Proportionate Share of Net Pension Liability and Schedule of School District Contributions – Pensions, and Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefit Liability and Schedule of School District Contributions – Other Postemployment Benefits.

Required supplementary information and related notes can be found on pages 43-49 of this report. Additional supplementary information relating to the General Fund and Fiduciary Funds can be found at pages 50-53. Schedule of Expenditures of Federal Awards and accompanying notes can be found at pages 63-64.

Financial Highlights

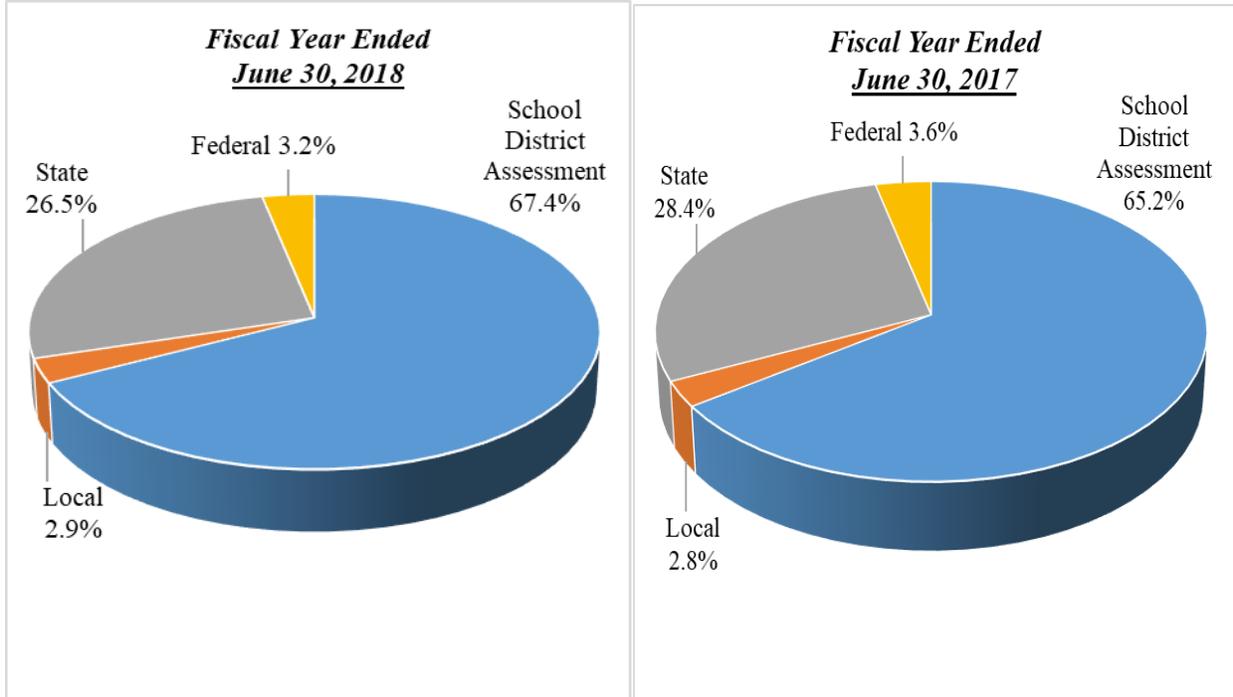
- Total Governmental Funds Expenditures increased by \$2,089,353, or 3.12% from \$66,924,593 in 2016-17 to \$69,013,946 in 2017-18 largely due to an increase in support services resulting from non-discretionary increases in Special Education outplacement costs, transportation, Special Education transportation and group insurance.
- Revenue recognized in fiscal year 2017-18 by the District's general fund amounted to \$406,834 more than was budgeted.
- Capital assets and related depreciation are included in the Government-wide Financials. More information can be found under "Capital Assets" under this Management Discussion & Analysis, and in Note 1-G and Note 5 to the Financial Statements.
- The School District's existing bond, which was issued in 2000, will be paid in full in the 2019-20 fiscal year. Further information can be found under Note 9 - Long Term Liabilities.

**Financial Analysis of the District as a Whole
Two-Year Comparison of Net Position
Governmental Activities**

	<i>June 30, 2018</i>	<i>As Restated June 30, 2017</i>
ASSETS		
Cash and cash equivalents	\$ 2,776,172	\$ 2,787,218
Accounts receivable	66,438	61,818
Intergovernmental receivable	2,300,900	1,963,121
Inventory	36,302	33,877
Prepaid items	-	1,000
Capital assets, not being depreciated	515,901	515,901
Capital assets, net of accumulated depreciation	20,709,598	21,692,727
Total assets	26,405,311	27,055,662
DEFERRED OUTFLOWS OF RESOURCES		
Amounts related to pensions	11,026,565	15,987,983
Amounts related to other postemployment benefits	814,305	1,243,527
	11,840,870	17,231,510
LIABILITIES		
Accounts payable	486,538	410,535
Accrued salaries and benefits	33,593	-
Intergovernmental payable	118,085	34,829
Unearned revenue	8,737	5,690
Accrued interest payable	62,652	93,978
Noncurrent obligations:		
Due within one year	1,600,000	2,109,741
Due in more than one year	70,371,401	76,423,009
Total liabilities	72,681,006	79,077,782
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - State Aid	-	8,547
Unavailable revenue - grants and donations	19,825	26,609
Amounts related to pensions	2,273,945	1,577,864
Amounts related to other postemployment benefits	2,675,306	3,047,238
Total deferred inflows of resources	4,969,076	4,660,258
NET POSITION		
Net investment in capital assets	18,025,499	17,408,628
Unrestricted	(57,429,400)	(56,859,496)
Total net position (deficit)	\$ (39,403,901)	\$ (39,450,868)

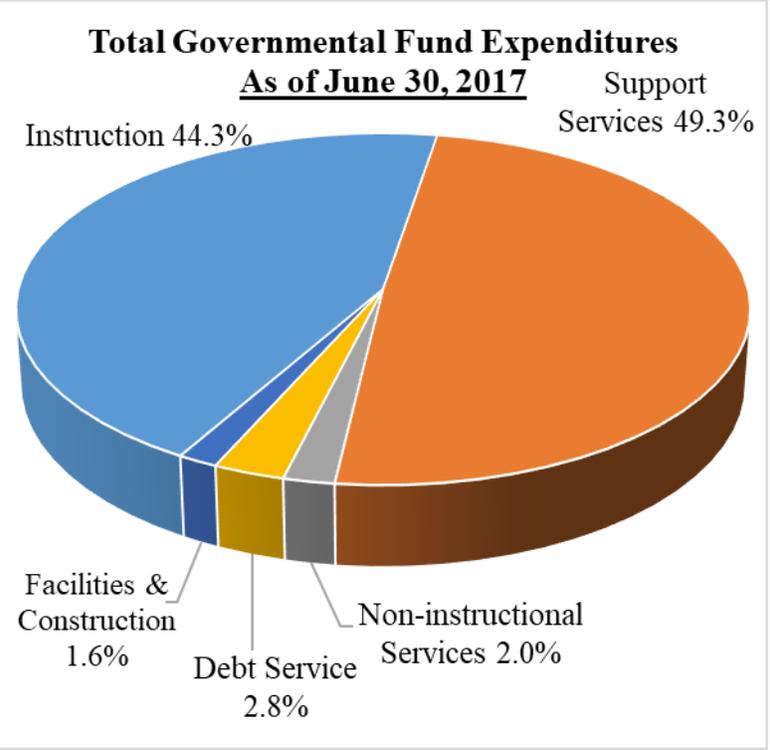
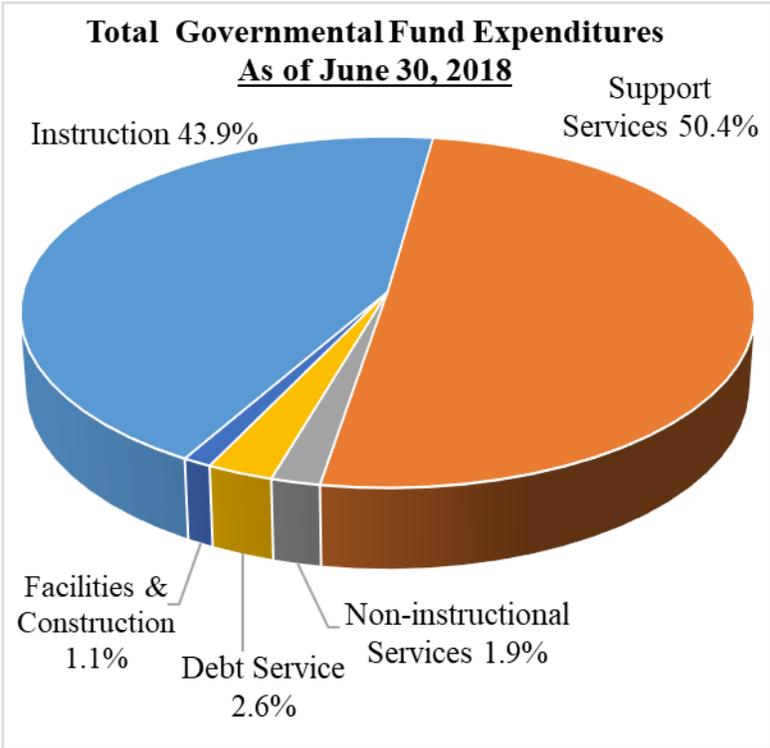
**Financial Analysis of the District as a Whole
Two-Year Comparison
Revenue Analysis
Total Governmental Funds**

	<i>Fiscal Year Ended <u>June 30, 2018</u></i>	<i>Fiscal Year Ended <u>June 30, 2017</u></i>	<i>Increase <u>(Decrease)</u></i>
School District Assessment	\$ 46,631,515	\$ 43,062,750	\$ 3,568,765
Local	1,991,170	1,833,855	157,315
State	18,305,700	18,781,717	(476,017)
Federal	2,237,771	2,394,308	(156,537)
	<u>\$ 69,166,156</u>	<u>\$ 66,072,630</u>	<u>\$ 3,093,526</u>



**Financial Analysis of the District as a Whole
Two-Year Comparison
Statement of Expenditures – Total Governmental Funds**

	<i>Fiscal Year Ended</i>		<i>Increase (Decrease)</i>
	<i>June 30, 2018</i>	<i>June 30, 2017</i>	
Instruction	30,287,429	29,652,993	634,436
Support Services:			
Student	3,420,402	3,334,871	85,531
Instructional Staff	1,212,774	1,189,172	23,602
General Administration	183,263	291,930	(108,667)
Executive Administratio	2,094,152	2,052,401	41,751
School Administration	3,477,254	3,375,226	102,028
Business	52,641	52,188	453
Operation & Plant Main	4,005,187	3,629,781	375,406
Student Transportation	3,069,994	2,886,774	183,220
Other	<u>17,270,996</u>	<u>16,139,586</u>	<u>1,131,410</u>
Total Support Services:	34,786,663	32,951,929	1,834,734
Non-instructional Services	1,344,362	1,359,936	(15,574)
Debt Service:			
Principal	1,600,000	1,600,000	-
Interest	<u>210,000</u>	<u>294,000</u>	<u>(84,000)</u>
Total Debt Service:	1,810,000	1,894,000	(84,000)
Facilities and Construction	785,492	1,065,735	(280,243)
Total Expenditures:	<u><u>69,013,946</u></u>	<u><u>66,924,593</u></u>	<u><u>2,089,353</u></u>



Fund Balance

Surplus funds from operations within the general fund are used each year to reduce local property taxes or for emergency expenditures that were not budgeted for. In the fiscal year 2018, the amount used from the beginning general fund unassigned fund balance for this purpose was \$2,511,989.

Long Term Debt

The District has long-term debt as of June 30, 2018, as follows:

Timberlane Regional School District Comparative Statement of Long-Term Debt

	<u>2018</u>	<u>2017</u> <i>(as restated)</i>	<u>Increase</u> <u>(Decrease)</u>
General Obligation Bond Payable	\$ 3,200,000	\$ 4,800,000	\$(1,600,000)
Compensated Absences	3,215,636	3,065,568	150,068
Net Pension Liability	53,801,657	58,648,858	(4,847,201)
Other Postemployment Benefits Net	11,754,108	12,018,324	(264,216)
Total Long-Term Debt	<u>\$71,971,401</u>	<u>\$78,532,750</u>	<u>\$(6,561,349)</u>

Capital Assets

The District began reporting capital assets in the 2015-2016 fiscal year. Capital assets are those assets which are acquired by the District having more than one year of useful life and which meet certain value thresholds, depending on the type of asset. Capital assets are depreciated over their useful life, pursuant to policy. Capital asset depreciation is charged to the respective function for which the use is attributable.

The value of capital assets, net of accumulated depreciation, is included in the Government-wide Statement of Net Position (see Exhibit A). Additional information on capital assets and guidelines is found in Financial Statement Note 1-G. Capital asset beginning and ending balances are shown below. Further information, including accumulated depreciation by asset category, is shown in Note 5 – Capital Assets.

**Timberlane Regional School District
Comparative Statement of Capital Assets**

	Beginning Balance <u>July 1, 2017</u>	<u>Changes</u>	Ending Balance <u>June 30, 2018</u>
Non-Depreciable Assets:			
Land	\$ 515,901	\$ -	\$ 515,901
Depreciable Assets:			
Land Improvements	2,945,804	199,608	3,145,412
Buildings and Building Improvements	59,794,191	357,143	60,151,334
Machinery, Equipment, and Vehicles	<u>3,615,285</u>	<u>254,811</u>	<u>3,870,096</u>
Total Capital Assets	66,871,181	811,562	67,166,842
Less Accumulated Depreciation	<u>(44,662,553)</u>	<u>(1,794,691)</u>	<u>(46,457,244)</u>
Net Value, All Capital Assets	<u>\$ 22,208,628</u>	<u>\$ (983,129)</u>	<u>\$ 21,225,499</u>

Contact Information

This report is designed to provide a general overview of the Timberlane Regional School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Geoffrey Dowd

C.F.O. / Business Administrator

Timberlane Regional School District / SAU #55

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BASIC FINANCIAL STATEMENTS

EXHIBIT A
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,776,172
Accounts receivable	66,438
Intergovernmental receivables	2,300,900
Inventory	36,302
Capital assets, not being depreciated	515,901
Capital assets, net of accumulated depreciation	20,709,598
Total assets	26,405,311
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	11,026,565
Amounts related to other postemployment benefits	814,305
Total deferred outflows of resources	11,840,870
LIABILITIES	
Accounts payable	486,538
Accrued salaries and benefits	33,593
Intergovernmental payable	118,085
Unearned revenue	8,737
Accrued interest payable	62,652
Noncurrent obligations:	
Due within one year	1,600,000
Due in more than one year	70,371,401
Total liabilities	72,681,006
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - grants and donations	19,825
Amounts related to pensions	2,273,945
Amounts related to other postemployment benefits	2,675,306
Total deferred inflows of resources	4,969,076
NET POSITION	
Net investment in capital assets	18,025,499
Unrestricted	(57,429,400)
Total net position	\$ (39,403,901)

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 29,914,110	\$ 675,441	\$ 1,139,269	\$ -	\$ (28,099,400)
Support services:					
Student	3,648,124	-	13,100	-	(3,635,024)
Instructional staff	1,212,826	-	172,868	-	(1,039,958)
General administration	183,263	-	-	-	(183,263)
Executive administration	2,081,114	-	-	-	(2,081,114)
School administration	3,532,692	-	-	-	(3,532,692)
Business	57,456	-	-	-	(57,456)
Operation and maintenance of plant	5,670,839	-	-	-	(5,670,839)
Student transportation	3,069,994	-	37,340	-	(3,032,654)
Other	18,039,431	-	-	-	(18,039,431)
Noninstructional services	1,347,707	949,145	390,802	-	(7,760)
Interest on long-term debt	178,674	-	-	1,110,592	931,918
Facilities acquisition and construction	182,959	-	-	-	(182,959)
Total governmental activities	<u>\$ 69,119,189</u>	<u>\$ 1,624,586</u>	<u>\$ 1,753,379</u>	<u>\$ 1,110,592</u>	<u>(64,630,632)</u>
General revenues:					
School district assessment					46,631,515
Grants and contributions not restricted to specific programs					17,727,513
Miscellaneous					318,571
Total general revenues					<u>64,677,599</u>
Change in net position					46,967
Net position, beginning, as restated (see Note 15)					<u>(39,450,868)</u>
Net position, ending					<u><u>\$ (39,403,901)</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2018

	General	Food Service	Grants	Other Governmental Fund (Performing Arts Center)	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,268,332	\$ 465,581	\$ -	\$ 42,259	\$ 2,776,172
Receivables:					
Accounts	66,438	-	-	-	66,438
Intergovernmental	2,004,890	22,911	273,099	-	2,300,900
Interfund receivable	629,527	-	-	-	629,527
Inventory	-	36,302	-	-	36,302
Total assets	<u>\$ 4,969,187</u>	<u>\$ 524,794</u>	<u>\$ 273,099</u>	<u>\$ 42,259</u>	<u>\$ 5,809,339</u>
LIABILITIES					
Accounts payable	\$ 307,068	\$ 179,470	\$ -	\$ -	\$ 486,538
Accrued salaries and benefits	33,593	-	-	-	33,593
Intergovernmental payable	118,085	-	-	-	118,085
Interfund payable	-	345,324	244,537	39,666	629,527
Unearned revenue	-	-	8,737	-	8,737
Total liabilities	<u>458,746</u>	<u>524,794</u>	<u>253,274</u>	<u>39,666</u>	<u>1,276,480</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants and donations	-	-	19,825	-	19,825
FUND BALANCES (DEFICIT)					
Nonspendable	-	36,302	-	-	36,302
Restricted	31,232	-	-	-	31,232
Committed	1,419,010	-	-	2,593	1,421,603
Assigned	318,536	-	-	-	318,536
Unassigned (deficit)	2,741,663	(36,302)	-	-	2,705,361
Total fund balances	<u>4,510,441</u>	<u>-</u>	<u>-</u>	<u>2,593</u>	<u>4,513,034</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,969,187</u>	<u>\$ 524,794</u>	<u>\$ 273,099</u>	<u>\$ 42,259</u>	<u>\$ 5,809,339</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances of governmental funds (Exhibit C-1)		\$ 4,513,034
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 67,682,743	
Less accumulated depreciation	<u>(46,457,244)</u>	
		21,225,499
Pension and other postemployment benefits (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	\$ 11,026,565	
Deferred inflows of resources related to pensions	(2,273,945)	
Deferred outflows of resources related to OPEB	814,305	
Deferred inflows of resources related to OPEB	<u>(2,675,306)</u>	
		6,891,619
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (629,527)	
Payables	<u>629,527</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(62,652)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 3,200,000	
Compensated absences	3,215,636	
Net pension liability	53,801,657	
Other postemployment benefits	<u>11,754,108</u>	
		<u>(71,971,401)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (39,403,901)</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TIMBERLANE REGIONAL SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	General	Food Service	Grants	Other Governmental Fund (Performing Arts Center)	Total Governmental Funds
REVENUES					
School district assessment	\$ 46,631,515	\$ -	\$ -	\$ -	\$ 46,631,515
Local	941,839	949,145	48,013	52,173	1,991,170
State	18,278,532	17,148	10,020	-	18,305,700
Federal	637,915	373,654	1,226,202	-	2,237,771
Total revenues	<u>66,489,801</u>	<u>1,339,947</u>	<u>1,284,235</u>	<u>52,173</u>	<u>69,166,156</u>
EXPENDITURES					
Current:					
Instruction	29,131,322	-	1,093,452	62,655	30,287,429
Support services:					
Student	3,407,302	-	13,100	-	3,420,402
Instructional staff	1,039,906	-	172,868	-	1,212,774
General administration	183,263	-	-	-	183,263
Executive administration	2,094,152	-	-	-	2,094,152
School administration	3,477,254	-	-	-	3,477,254
Business	52,641	-	-	-	52,641
Operation and maintenance of plant	4,005,187	-	-	-	4,005,187
Student transportation	3,065,179	-	4,815	-	3,069,994
Other	17,270,996	-	-	-	17,270,996
Noninstructional services	-	1,344,362	-	-	1,344,362
Debt service:					
Principal	1,600,000	-	-	-	1,600,000
Interest	210,000	-	-	-	210,000
Facilities acquisition and construction	785,492	-	-	-	785,492
Total expenditures	<u>66,322,694</u>	<u>1,344,362</u>	<u>1,284,235</u>	<u>62,655</u>	<u>69,013,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>167,107</u>	<u>(4,415)</u>	<u>-</u>	<u>(10,482)</u>	<u>152,210</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	4,415	-	13,075	17,490
Transfers out	(17,490)	-	-	-	(17,490)
Total other financing sources (uses)	<u>(17,490)</u>	<u>4,415</u>	<u>-</u>	<u>13,075</u>	<u>-</u>
Net change in fund balances	149,617	-	-	2,593	152,210
Fund balances, beginning	4,360,824	-	-	-	4,360,824
Fund balances, ending	<u>\$ 4,510,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,593</u>	<u>\$ 4,513,034</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TIMBERLANE REGIONAL SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 152,210
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 811,562	
Depreciation expense	<u>(1,794,691)</u>	(983,129)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (17,490)	
Transfers out	<u>17,490</u>	-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position.		
Principal repayment of bond		1,600,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 31,326	
Increase in compensated absences payable	(150,068)	
Changes in net pension liability and related deferred outflows of resources and deferred inflows of resources	(810,298)	
Changes in other postemployment benefits liability and related deferred outflows of resources and deferred inflows of resources	<u>206,926</u>	<u>(722,114)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 46,967</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D-1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 46,631,515	\$ 46,631,515	\$ -
Other local	742,500	906,100	163,600
State	18,128,663	18,278,532	149,869
Federal	545,000	637,915	92,915
Total revenues	<u>66,047,678</u>	<u>66,454,062</u>	<u>406,384</u>
EXPENDITURES			
Current:			
Instruction	29,949,318	29,106,100	843,218
Support services:			
Student	3,602,816	3,408,548	194,268
Instructional staff	1,302,957	1,038,244	264,713
General administration	228,221	183,259	44,962
Executive administration	2,162,314	2,114,152	48,162
School administration	3,363,160	3,485,349	(122,189)
Business	62,000	52,641	9,359
Operation and maintenance of plant	4,156,329	3,894,075	262,254
Student transportation	3,116,757	3,053,921	62,836
Other	17,836,803	17,276,120	560,683
Debt service:			
Principal	1,600,000	1,600,000	-
Interest	210,000	210,000	-
Facilities acquisition and construction	866,239	891,746	(25,507)
Total expenditures	<u>68,456,914</u>	<u>66,314,155</u>	<u>2,142,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,409,236)</u>	<u>139,907</u>	<u>2,549,143</u>
OTHER FINANCING USES			
Transfers out	<u>(250,001)</u>	<u>(267,490)</u>	<u>(17,489)</u>
Net change in fund balance	<u>\$ (2,659,237)</u>	<u>(127,583)</u>	<u>\$ 2,531,654</u>
Decrease in nonspendable fund balance		1,000	
Decrease in committed fund balance		221,835	
Unassigned fund balance, beginning		<u>2,646,411</u>	
Unassigned fund balance, ending		<u>\$ 2,741,663</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D-2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Food Service Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Local:				
Sales	\$ 1,257,000	\$ 1,257,000	\$ 949,145	\$ (307,855)
State:				
Lunch reimbursement	18,000	18,000	17,148	(852)
Federal:				
Breakfast reimbursement	-	-	33,562	33,562
Lunch reimbursement	350,000	350,000	245,949	(104,051)
USDA commodities	-	94,143	94,143	-
Total revenues	<u>1,625,000</u>	<u>1,719,143</u>	<u>1,339,947</u>	<u>(379,196)</u>
EXPENDITURES				
Current:				
Noninstructional services	<u>1,625,000</u>	<u>1,719,143</u>	<u>1,344,362</u>	<u>374,781</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	4,415	4,415
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ -</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D-3
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Local	\$ -	\$ 48,013	\$ 48,013	\$ -
State	-	10,020	10,020	-
Federal	1,350,000	1,226,202	1,226,202	-
Total revenues	<u>1,350,000</u>	<u>1,284,235</u>	<u>1,284,235</u>	<u>-</u>
EXPENDITURES				
Current:				
Instruction	1,350,000	1,093,452	1,093,452	-
Support services:				
Student	-	13,100	13,100	-
Instructional staff	-	172,868	172,868	-
Student transportation	-	4,815	4,815	-
Total expenditures	<u>1,350,000</u>	<u>1,284,235</u>	<u>1,284,235</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ -</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 288,211
Intergovernmental receivable	<u>287,377</u>	<u>-</u>
Total assets	287,377	288,211
LIABILITIES		
Due to student groups	<u>-</u>	<u>288,211</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 287,377</u>	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions:	
New funds	\$ 1,751
Interest	1,892
Total revenue	3,643
Deductions:	
Scholarships	(12,827)
Change in net position	(9,184)
Net position, beginning	296,561
Net position, ending	\$ 287,377

The notes to the basic financial statements are an integral part of this statement.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Timberlane Regional School District, in Plaistow, New Hampshire (the School District), 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 2018, the School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 2-C for further information on this pronouncement.

1-A Reporting Entity

The Timberlane Regional School District is a municipal corporation governed by an elected nine-member School Board. In evaluating how to define the School District 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 School District has no component units to include in its reporting entity.

The following is a summary of the more significant accounting policies:

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School District at year-end. This Statement includes all of the School District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and are presented in the other governmental column of the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, debt service, or facilities acquisition and construction. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) – These additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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 current period. For this purpose, the School District 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. District assessments, intergovernmental revenue, and other local sources 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.

Financial Statement Presentation – A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The School District reports the following major governmental funds:

General Fund – is the School District’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 district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, debt service, and facilities acquisition and construction. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the gate receipts fund and expendable trust funds are consolidated in the general fund.

Food Service Fund – accounts for the operation of the School District’s food service program.

Grants Fund – accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Net Position. These funds account for resources held by the School District for the benefit of other parties, and include the private purpose trust funds and agency funds. Fiduciary funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

Nonmajor Fund – The School District also reports one nonmajor governmental fund, the Performing Arts Center fund.

1-D Cash and Cash Equivalents

The School District 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.

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside 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 of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

1-F Inventory

The inventories of the School District are valued at cost (first-in, first-out), which approximates market. The inventories of the School District’s food service fund consist of materials and supplies held for subsequent use. The cost of these inventories is expended when consumed rather than when purchased.

1-G Capital Assets

Capital assets are defined by the School District as assets with an initial individual cost of \$10,000 or more for all asset classes except infrastructure, which are capitalized over \$100,000 per item, and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, sidewalks, drainage, and similar items) and are reported in governmental activities.

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 School District 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.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

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

	<u>Years</u>
Land improvements	20 - 30
Buildings and building improvements	5 - 30
Machinery, equipment, and vehicles	5 - 10

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). 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 the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-I Accounts Payable

Accounts payable represent the gross amount 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 June 30, 2018.

1-J 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 (expense/expenditure) until then.

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) which 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.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

1-K Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

1-L Compensated Absences

The School District's policy allows certain employees to earn varying amounts of vacation, sick pay, and retirement incentives based on the employee's length of employment and rate of pay. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

An expense and a liability for vacation, sick pay, retirement incentive, and salary-related payments are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

1-M 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* 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.

1-N Postemployment Benefits Other Than Pensions (OPEB)

The School District maintains two separate other postemployment benefit plans, 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 – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the School District's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-O Net Position/Fund Balances

Government-wide statements – Equity is classified as net position and displayed in two components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of the bond that is attributable to the acquisition, construction, or improvement of those assets.

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

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances 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; 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 (School District 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 School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

Unassigned – The portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

When multiple net position/fund balance classifications are available for use, it is the School District'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 accordance with RSA 198:4-bII, *Contingency Fund*, the School District voted to retain general fund unassigned fund balance of \$200,000 to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

1-P 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. 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 School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general, food service, and grants funds, as well as the nonmajor Performing Arts Center fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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.

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State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2018, \$2,409,237 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, \$250,000 was appropriated to fund the School District's capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

The School District employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 66,454,062
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the expendable trust funds	16,565
Miscellaneous revenue of blended funds	19,174
Per Exhibit C-3 (GAAP basis)	<u>\$ 66,489,801</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 66,581,645
Adjustments:	
Basis difference:	
Encumbrances, beginning	327,075
Encumbrances, ending	(318,536)
GASB Statement No. 54:	
Net effect of transfers from blended funds	(250,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 66,340,184</u>

2-C Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows of resources, and deferred outflows of resources, as follows:

	Local OPEB	State OPEB	Total OPEB
Change in total OPEB liability under current standards, July 1	\$ (1,999,887)	\$ (6,457,701)	\$ (8,457,588)
Initial balance of deferred outflows of resources	459,219	784,308	1,243,527
Initial balance of deferred inflows of resources	(3,047,238)	-	(3,047,238)
Cumulative restatement related to GASB No. 75 implementation (see Note 15)	<u>\$ (4,587,906)</u>	<u>\$ (5,673,393)</u>	<u>\$ (10,261,299)</u>

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DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District’s agent in the School District’s name. The FDIC currently insures the first \$250,000 of the School District’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District’s deposits was \$3,064,383 and the bank balances totaled \$5,559,573. Petty cash totaled \$2,511.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$2,776,172
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>288,211</u>
Total cash and cash equivalents	<u><u>\$3,064,383</u></u>

NOTE 4 – RECEIVABLES

Receivables in the government-wide, governmental fund, and fiduciary fund financial statements represent amounts due to the School District at June 30, 2018, recorded as revenue, which will be collected in the future and consist of accounts and intergovernmental receivables. Receivables are comprised of the following:

Accounts:	
General:	
Lunch meal receivables	\$ 66,438
Intergovernmental:	
General:	
School Administrative Unit No. 55	\$ 614,045
Expendable trust	<u>1,390,845</u>
Total general fund intergovernmental	2,004,890
Food service:	
State of New Hampshire	22,911
Grants:	
State of New Hampshire	273,099
Fiduciary:	
Private purpose trust	<u>287,377</u>
Total receivables	<u><u>\$2,654,715</u></u>

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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 consisted of the following:

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 515,901	\$ -	\$ 515,901
Being depreciated:			
Land improvements	2,945,804	199,608	3,145,412
Buildings and building improvements	59,794,191	357,143	60,151,334
Machinery, equipment, and vehicles	3,615,285	254,811	3,870,096
Total capital assets being depreciated	<u>66,355,280</u>	<u>811,562</u>	<u>67,166,842</u>
Total capital assets	<u>66,871,181</u>	<u>811,562</u>	<u>67,682,743</u>
Less accumulated depreciation:			
Land improvements	(2,119,357)	(103,934)	(2,223,291)
Buildings and building improvements	(39,114,047)	(1,644,845)	(40,758,892)
Machinery, equipment, and vehicles	(3,429,149)	(45,912)	(3,475,061)
Total accumulated depreciation	<u>(44,662,553)</u>	<u>(1,794,691)</u>	<u>(46,457,244)</u>
Net book value, capital assets being depreciated	<u>21,692,727</u>	<u>(983,129)</u>	<u>20,709,598</u>
Net book value, all capital assets	<u>\$ 22,208,628</u>	<u>\$ (983,129)</u>	<u>\$ 21,225,499</u>

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

Instruction	\$ 7,743
Support services:	
School administration	17,094
Operation and maintenance of plant	1,769,854
Total depreciation expense	<u>\$ 1,794,691</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2018 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Food service	\$ 345,324
	Grants	244,537
	Nonmajor	39,666
		<u>\$ 629,527</u>

Interfund transfers during the year ended June 30, 2018 are as follows:

	<u>Transfers In:</u>		
	Other	Governmental	
	Food	Fund	
	Service	(Performing	
	<u>Service</u>	Arts Center)	<u>Total</u>
Transfers out:			
General fund	<u>\$ 4,415</u>	<u>\$ 13,075</u>	<u>\$ 17,490</u>

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Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at June 30, 2018 consist of the following:

General fund:	
Balance due to the Town of Plaistow	\$ 49,750
Balance due to School Administrative Unit No. 55	36,148
Balance due to Pinkerton Academy	11,255
Balance due to the Salem School District	<u>20,932</u>
Total intergovernmental payables due	<u>\$118,085</u>

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2018 consisted of the following:

	<u>Exhibit A</u>
Amounts related to pensions (see Note 10)	\$11,026,565
Amounts related to other postemployment benefits (see Note 11)	<u>814,305</u>
	<u>\$11,840,870</u>

Deferred inflows of resources at June 30, 2018 consisted of the following:

	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Local grants received in advance of eligible expenditures being made	\$ 19,825	\$ 19,825
Amounts related to pensions (see Note 10)	2,273,945	-
Amounts related to other postemployment benefits (see Note 11)	<u>2,675,306</u>	<u>-</u>
	<u>\$ 4,969,076</u>	<u>\$ 19,825</u>

NOTE 9 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2018:

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
General obligation bond payable	\$ 4,800,000	\$ -	\$ (1,600,000)	\$ 3,200,000	\$ 1,600,000
Compensated absences	3,065,568	323,844	(173,776)	3,215,636	-
Net pension liability	58,648,858	-	(4,847,201)	53,801,657	-
Net other postemployment benefits	<u>12,018,324</u>	-	<u>(264,216)</u>	<u>11,754,108</u>	<u>-</u>
Total long-term liabilities	<u>\$78,532,750</u>	<u>\$ 323,844</u>	<u>\$ (6,885,193)</u>	<u>\$71,971,401</u>	<u>\$ 1,600,000</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2018
General obligation bond payable:					
School renovations	\$ 32,000,000	2000	2020	4.50 - 5.25%	<u>\$ 3,200,000</u>

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The annual requirements to amortize the general obligation bond outstanding as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending	Principal	Interest	Total
<u>June 30,</u>			
2019	\$ 1,600,000	\$ 126,000	\$ 1,726,000
2020	1,600,000	42,000	1,642,000
Totals	<u>\$ 3,200,000</u>	<u>\$ 168,000</u>	<u>\$ 3,368,000</u>

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one 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.

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 School District. 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. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the School District contributed 15.70% for teachers and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$4,873,420, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the School District reported a liability of \$53,801,657 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net

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pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District'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, 2017, the School District's proportion was 1.09% which was a decrease of 0.01% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$5,683,277. At June 30, 2018, the School District 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	\$ 628,758	\$ 904,013
Changes in assumption	5,402,396	-
Differences between expected and actual experience	121,991	684,741
Net difference between projected and actual investment earnings on pension plan investments	-	685,191
Contributions subsequent to the measurement date	4,873,420	-
Total	<u>\$ 11,026,565</u>	<u>\$ 2,273,945</u>

The \$4,873,420 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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 June 30,	
2018	\$ 966,543
2019	2,200,767
2020	1,663,010
2021	(951,120)
Totals	<u>\$ 3,879,200</u>

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2016, rolled forward to June 30, 2017, using the following assumptions:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
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, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

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

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Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
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 School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the School District’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:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 70,880,982	\$ 53,801,657	\$ 39,805,826

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.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

11-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2017 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

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Benefits Provided – 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 years 2017 and 2016 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 2017, 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 2018, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$454,961, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the School District reported a liability of \$6,049,813 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB liability was based on a projection of the School District’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, 2017, the School District’s proportion was 1.32% which was a decrease of 0.01% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$411,155. At June 30, 2018, the School District 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	\$ -	\$ 15,730
Net difference between projected and actual investment earnings on OPEB plan investments	-	19,090
Contributions subsequent to the measurement date	454,961	-
Total	\$ 454,961	\$ 34,820

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The \$454,961 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. 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 June 30,	
2018	\$ (20,503)
2019	(4,773)
2020	(4,773)
2021	(4,771)
Totals	<u>\$ (34,820)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2016 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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, 2016 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. Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	<u>20.00%</u>	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25)%
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	<u>25.00%</u>	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	3.25%
Total	<u>100.00%</u>	

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100- :16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was expected 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 School District’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the School District’s proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the School District’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:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	<u>\$ 6,583,996</u>	<u>\$ 6,049,813</u>	<u>\$ 5,586,984</u>

Sensitivity of the School District’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rate – GASB No. 75 requires the sensitivity of the Net OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are a fixed stipend, there is no sensitivity to the change 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.

11-B Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The School District provides postemployment healthcare benefits for certain eligible retirees. The School District provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

Employees Covered by Benefit Terms – At July 1, 2016 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	32
Active employees	<u>585</u>
Total participants covered by OPEB plan	<u><u>617</u></u>

Total OPEB Liability – The School District’s total OPEB liability of \$5,704,295 was measured as of July 1, 2016, and was determined by an actuarial valuation of that date.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Actuarial Assumptions and Other Inputs – The total OPEB liability of \$5,704,295 in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.85%
Healthcare Cost Trend Rates:	
Current Year Trend	9.50%
Second Year Trend	9.00%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2027
Salary Increases:	4.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of July 1, 2016.

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

Changes in the Total OPEB Liability

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Total OPEB liability beginning of year, as restated	\$ 5,363,426	\$ 5,560,623
Changes for the year:		
Service cost	426,255	443,305
Interest	150,205	155,638
Assumption changes and difference between actual and expected experience	(193,124)	(255,988)
Benefit payments	<u>(186,139)</u>	<u>(199,283)</u>
Total OPEB liability end of year	<u>\$ 5,560,623</u>	<u>\$ 5,704,295</u>

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2016 actuarial valuation was prepared using a discount rate of 2.85%. If the discount rate were 1% lower than what was used, the OPEB liability would increase by \$309,988 or 5.43%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease \$306,693 or by 5.38%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 2.85%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 6,014,283</u>	<u>\$ 5,704,295</u>	<u>\$ 5,397,602</u>

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2016 actuarial valuation was prepared using an initial trend rate of 9.50%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease by \$611,465 or 10.72%. If the trend rate were 1% higher than what was used, the OPEB liability would increase by \$714,478 or 12.53%.

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline 9.50%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 5,092,830</u>	<u>\$ 5,704,295</u>	<u>\$ 6,418,773</u>

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the School District recognized OPEB expense of \$163,205. At June 30, 2018, the School District 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 assumptions	\$ 359,344	\$ -
Differences between expected and actual experience	-	2,640,486
Total	\$ 359,344	\$2,640,486

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 June 30,	
2018	\$ (634,014)
2019	(634,014)
2020	(634,014)
2021	(379,100)
Totals	\$ (2,281,142)

NOTE 12 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2018 are as follows:

Current:	
Instruction:	
Regular programs	\$ 16,349
Special programs	3,597
Other	12,258
Total instruction	32,204
Support services:	
Student	1,721
Instructional staff	18,321
Executive administration	20,000
School administration	10,283
Operation and maintenance of plant	28,518
Other	12,312
Total support services	91,155
Facilities acquisition and construction	195,177
Total encumbrances	\$318,536

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2018

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2018 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 21,225,499
Less:	
General obligation bond payable	<u>(3,200,000)</u>
Total net investment in capital assets	18,025,499
Unrestricted	<u>(57,429,400)</u>
Total net position	<u><u>\$ (39,403,901)</u></u>

None of the net position is restricted by enabling legislation.

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2018 consist of the following:

	General Fund	Food Service	Other Governmental Fund (Performing Arts Center)	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ 36,302	\$ -	\$ 36,302
Restricted:				
Gate receipts	<u>31,232</u>	-	-	<u>31,232</u>
Committed:				
Expendable trust	1,390,845	-	-	1,390,845
Voted appropriation - March 2018	28,165	-	-	28,165
Performing Arts Center	-	-	<u>2,593</u>	<u>2,593</u>
Total committed fund balance	<u>1,419,010</u>	-	<u>2,593</u>	<u>1,421,603</u>
Assigned:				
Encumbrances	<u>318,536</u>	-	-	<u>318,536</u>
Unassigned:				
Unassigned - retained (RSA 198:4-bII)	2,541,663	-	-	2,541,663
Unassigned	200,000	-	-	200,000
Deficit	-	<u>(36,302)</u>	-	<u>(36,302)</u>
Total unassigned	<u>2,741,663</u>	<u>(36,302)</u>	-	<u>2,705,361</u>
Total governmental fund balances	<u><u>\$ 4,510,441</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,593</u></u>	<u><u>\$ 4,513,034</u></u>

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Net position at July 1, 2017 was restated to give retroactive effect for the following adjustment:

	Government-wide Statements
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (10,261,299)
Net position, as previously reported	<u>(29,189,569)</u>
Net position, as restated	<u><u>\$ (39,450,868)</u></u>

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

NOTE 16 – RISK MANAGEMENT

The School District 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 2018, the School District 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 July 1, 2017 to June 30, 2018 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. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The School District 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 17 – RELATED PARTY TRANSACTIONS

The Superintendent of the School District was a member of the Board of Directors for the Southern Regional Education Service Center (SERESC), which offered various professional and student services. Total payments to SERESC for the year were \$193,885. There were no amounts due to or from the organization at June 30, 2018.

NOTE 18 – CONTINGENT LIABILITIES

There are various claims and suits pending against the School District which arose in the normal course of the School District'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 School District.

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

NOTE 19 – 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 December 31, 2018, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	2014	2015	June 30, 2016	2017	2018
School District's proportion of the net pension liability	1.10%	1.12%	1.09%	1.10%	1.09%
School District's proportionate share of the net pension liability	\$ 47,167,174	\$ 42,125,600	\$ 43,214,222	\$ 58,648,858	\$53,801,657
School District's covered payroll	\$ 30,663,543	\$ 31,246,536	\$ 31,329,364	\$ 31,982,983	\$32,472,286
School District's proportionate share of the net pension liability as a percentage of its covered payroll	153.82%	134.82%	137.94%	183.38%	165.68%
Plan fiduciary net position as a percentage of the					

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

EXHIBIT G
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of School District Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 2,725,111	\$ 3,640,924	\$ 3,659,664	\$ 3,949,328	\$ 4,007,708
Contributions in relation to the contractually required contributions	<u>(2,725,111)</u>	<u>(3,640,924)</u>	<u>(3,659,664)</u>	<u>(3,949,328)</u>	<u>(4,007,708)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School District's covered payroll	<u>\$ 30,663,543</u>	<u>\$ 31,246,536</u>	<u>\$ 31,329,364</u>	<u>\$ 31,982,983</u>	<u>\$ 32,472,286</u>
Contributions as a percentage of covered p	8.89%	11.65%	11.68%	12.35%	12.34%

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

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

***Schedule of the School District’s Proportionate Share of Net Pension Liability and
Schedule of School District Contributions – Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the School District’s pension plan at June 30, 2018. 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 2017:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 years beginning July 1, 2017 (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	3.56% per year
Investment Rate of Return	7.25% per year
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 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes Contribution rates for Fiscal Year 2017 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

EXHIBIT H
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of the School District'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 June 30, 2018

	June 30,	
	2017	2018
School District's proportion of the net OPEB liability	1.33%	1.32%
School District's proportionate share of the net OPEB liability (asset)	\$ 6,457,701	\$ 6,049,813
School District's covered payroll	\$ 31,982,983	\$ 32,472,286
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	20.19%	18.63%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%

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

EXHIBIT I
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of School District Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2017	2018
Contractually required contribution	\$ 775,104	\$ 784,222
Contributions in relation to the contractually required contribution	<u>(775,104)</u>	<u>(784,222)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 31,982,983</u>	<u>\$ 32,472,286</u>
Contributions as a percentage of covered payroll	2.42%	2.42%

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

EXHIBIT J
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2017	2018
OPEB liability, beginning of year	\$ 5,363,426	\$ 5,560,623
Changes for the year:		
Service cost	426,255	443,305
Interest	150,205	155,638
Assumption changes and difference between actual and expected experience	(193,124)	(255,988)
Benefit payments	(186,139)	(199,283)
OPEB liability, end of year	<u>\$ 5,560,623</u>	<u>\$ 5,704,295</u>
Covered payroll	<u>\$ 26,767,235</u>	<u>\$ 27,837,924</u>
Total OPEB liability as a percentage of covered payroll	20.77%	20.49%

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

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Schedule of the School District’s Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of School District Contributions – Other Postemployment Benefits

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the School District’s other postemployment benefits at June 30, 2018. 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	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% 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.

Schedule of Changes in School District’s Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the School District’s other postemployment benefits at June 30, 2018. The schedule is 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.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 46,631,515	\$ 46,631,515	\$ -
Other local sources:			
Tuition	422,000	548,976	126,976
Impact fees	140,981	140,981	-
Refunds	-	525	525
Miscellaneous	179,519	215,618	36,099
Total from other local sources	<u>742,500</u>	<u>906,100</u>	<u>163,600</u>
State sources:			
Adequacy aid (grant)	10,122,253	10,136,104	13,851
Adequacy aid (tax)	6,375,818	6,375,818	-
School building aid	1,110,592	1,110,592	-
Catastrophic aid	490,000	562,298	72,298
Vocational aid	30,000	32,525	2,525
Other state aid	-	61,195	61,195
Total from state sources	<u>18,128,663</u>	<u>18,278,532</u>	<u>149,869</u>
Federal sources:			
Medicaid	525,000	592,098	67,098
Other	20,000	45,817	25,817
Total from federal sources	<u>545,000</u>	<u>637,915</u>	<u>92,915</u>
Total revenues	66,047,678	<u>\$ 66,454,062</u>	<u>\$ 406,384</u>
Use of fund balance to reduce school district assessment	2,409,237		
Use of fund balance - appropriated	250,000		
Total revenues and use of fund balance	<u>\$ 68,706,915</u>		

SCHEDULE 2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 20,059	\$ 19,647,944	\$ 18,836,369	\$ 16,349	\$ 815,285
Special programs	11,673	9,090,145	9,197,450	3,597	(99,229)
Vocational programs	17,060	72,002	88,106	-	956
Adult and community programs	-	191,598	158,280	-	33,318
Other	8,634	947,629	851,117	12,258	92,888
Total instruction	<u>57,426</u>	<u>29,949,318</u>	<u>29,131,322</u>	<u>32,204</u>	<u>843,218</u>
Support services:					
Student	475	3,602,816	3,407,302	1,721	194,268
Instructional staff	19,983	1,302,957	1,039,906	18,321	264,713
General administration	4	228,221	183,263	-	44,962
Executive administration	-	2,162,314	2,094,152	20,000	48,162
School administration	2,188	3,363,160	3,477,254	10,283	(122,189)
Business	-	62,000	52,641	-	9,359
Operation and maintenance of plant	139,630	4,156,329	4,005,187	28,518	262,254
Student transportation	11,258	3,116,757	3,065,179	-	62,836
Other	7,188	17,836,803	17,270,996	12,312	560,683
Total support services	<u>180,726</u>	<u>35,831,357</u>	<u>34,595,880</u>	<u>91,155</u>	<u>1,325,048</u>
Debt service:					
Principal of long-term debt	-	1,600,000	1,600,000	-	-
Interest on long-term debt	-	210,000	210,000	-	-
Total debt service	<u>-</u>	<u>1,810,000</u>	<u>1,810,000</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	88,923	866,239	785,492	195,177	(25,507)
Other financing uses:					
Transfers out	-	250,001	267,490	-	(17,489)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 327,075</u>	<u>\$ 68,706,915</u>	<u>\$ 66,590,184</u>	<u>\$ 318,536</u>	<u>\$ 2,125,270</u>

SCHEDULE 3
TIMBERLANE REGIONAL SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

Unassigned fund balance, beginning (Non-GAAP budgetary basis)	\$ 2,646,411
Changes:	
Unassigned fund balance used to reduce school district assessment	(2,409,237)
Unassigned fund balance appropriated for use in 2017-2018	(250,000)
2017-2018 Budget summary:	
Revenue surplus (Schedule 1)	\$ 406,384
Unexpended balance of appropriations (Schedule 2)	<u>2,125,270</u>
2017-2018 Budget surplus	2,531,654
Decrease in nonspendable fund balance	1,000
Decrease in committed fund balance	<u>221,835</u>
Total unassigned fund balance, ending (Non-GAAP budgetary basis) (Exhibit D-1)	2,741,663
<i>Adjustment to reconcile to unassigned fund balance returned to reduce School District assessment</i>	
Portion of unassigned fund balance retained per RSA 198:4-b II	<u>(200,000)</u>
Unassigned fund balance, ending	<u><u>\$ 2,541,663</u></u>

SCHEDULE 4
TIMBERLANE REGIONAL SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2018

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Timberlane Regional High School	\$ 174,040	\$ 416,096	\$ (424,718)	\$ 165,418
Timberlane Regional Middle School	29,897	139,480	(136,316)	33,061
Atkinson Academy	17,005	19,485	(21,209)	15,281
Danville Elementary School	41,056	15,472	(14,848)	41,680
Sandown Central School	1,314	4,168	(3,476)	2,006
Pollard School	23,267	29,209	(28,499)	23,977
Sandown North School	7,927	27,291	(28,430)	6,788
Totals	<u>\$ 294,506</u>	<u>\$ 651,201</u>	<u>\$ (657,496)</u>	<u>\$ 288,211</u>

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the School Board
Timberlane Regional School District
Plaistow, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Timberlane Regional School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Timberlane Regional School District's basic financial statements, and have issued our report thereon dated December 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Timberlane Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Timberlane Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Timberlane Regional School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Timberlane Regional School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Timberlane Regional School District
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards***

Timberlane Regional School District's Responses to Findings

The Timberlane Regional School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Timberlane Regional School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 31, 2018



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the School Board
Timberlane Regional School District
Plaistow, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Timberlane Regional School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Timberlane Regional School District's major federal program for the year ended June 30, 2018. The Timberlane Regional School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Timberlane Regional School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Timberlane Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Timberlane Regional School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Timberlane Regional School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Timberlane Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Timberlane Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Timberlane Regional School District's internal control over compliance.

**Timberlane Regional School District
Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

December 31, 2018



PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TIMBERLANE REGIONAL SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

**Auditor
Reference
Number**

MATERIAL WEAKNESS

2017-001 Interim and Annual Account Reconciliation and Reporting

Criteria: Accounting tasks, such as monthly reconciliations, play a key role in proving the accuracy of accounting data and information included in interim and annual financial statements.

Condition: Numerous instances were identified where reconciliations were not being performed in a timely manner, if at all. In the food service fund, multiple journal entries were identified in August 2017, after audit fieldwork had begun, to post the entire year's worth of revenue, deferred revenue, and to adjust cash, for the year ended June 30, 2017. In the grants fund, an \$18,879 journal entry was identified in March 2018 to remove a receivable that was never requested. For all funds, no bank reconciliations were available for cash accounts until March 2018, and review of subsequent period activity as of March 22, 2018 indicates that no revenue has been posted for the subsequent year to date and no bank reconciliations had been completed. Due to the conditions listed above, no financial statements are available that can be provided to management for review for the 2017-2018 fiscal year.

Cause: Unknown.

Effect: All of the above conditions caused significant delays in audit fieldwork as much of the information was not initially available. The \$18,879 journal entry to the grants fund required a reciprocal adjustment in the general fund to cover the expenditures. None of the cash balances for any of the governmental funds have been reconciled as of March 22, 2018 for the subsequent fiscal year.

As a result of the conditions listed above, no financial reports are being reviewed by management. It is extremely difficult, if not impossible, for management to make informed financial decisions regarding the School District without financial information available.

Recommendation: We recommend that all activity (revenues and expenditures) for all funds be posted to the general ledger immediately, when it occurs. All balance sheet accounts for all funds should be reconciled on a monthly basis. Upon completing these reconciliations, budget to actual reports for both revenues and expenditures should be provided to the school board on a monthly basis. Balance sheet reconciliations should also be available at board meeting for review upon request.

Management's Response: Revenue is, and has been, entered contemporaneously with receipts and deposits and is subject to review and approval prior to posting. Revenue entries are now being reviewed and approved for posting on a timelier basis. Monthly budget to actual revenue and expenditure reports are now being posted to the District website on a monthly basis and include year-to-date figures, encumbrances, and budget balances. The reports have also been circulated and discussed at recent School Board meetings. Should the School Board desire to include the same on a monthly basis in their meeting agenda, the Business Office can oblige. Bank reconciliation responsibilities have been distributed to members of the finance team to ensure multiple team members are involved in reviewing and generating monthly reports. All other balance sheet accounts are typically reviewed and reconciled on an interim or periodic basis. In order to have these reconciliations occur on a monthly basis, duties will be distributed to finance team members to ensure monthly review and reconciliation. We anticipate these corrective actions to be in place not later than June 30, 2018.

Status: This comment will be repeated as a material weakness in the current year's audit, see Schedule of Findings and Questioned Costs, item 2018-001.

SCHEDULE I (continued)
TIMBERLANE REGIONAL SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

SIGNIFICANT DEFICIENCY

2017-002 Adjusting Journal Entry Review

Criteria: Adjusting journal entries pose an increased risk for misstatement to the financial statements as they allow a single user to bypass regular procedures and manipulate the general ledger directly. In order to mitigate this risk, additional controls should be put in place requiring a second individual to review the adjusting journal entry once posted.

Condition: During our review of adjusting journal entries, we noted there is no review process for adjusting journal entries once they are posted to the general ledger.

Cause: Unknown.

Effect: The internal controls are not properly designed. They create an opportunity for misstatements to occur without being detected in a timely manner.

Recommendation: We recommend that all adjusting journal entries be printed out once posted and attached to supporting documentation. This information should then be provided to a second individual in the finance office to review and approve the entry. All approved journal entries should then be retained in a separate binder.

Management's Response: Management has implemented two separate processes to address the deficiency. First, for staff generated adjusting journal entries (these are journal entries to the general ledger which are not generated from another ledger within the financial system), a workflow-based journal entry approval process has been instituted. A proposed adjusting entry is entered by staff and backup documentation to support the entry is provided to the Business Administrator. Such journal entries appear in the workflow and are reviewed by the Business Administrator for posting. Should the entry require revision, it is sent back to the originator for correction and resubmitted for approval. Once approved, the entry is posted and the journal entry is printed and included with backup into the appropriate binder. A second process has also been implemented whereby journal entries originating with, and posted by the Business Administrator, are printed. The journal entry and backup is then reviewed by finance department staff and initialed before filing.

Status: This comment will be repeated as a significant deficiency in the current year's audit, see Schedule of Findings and Questioned Costs, item 2018-002.

SCHEDULE II (continued)
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

**Auditor
Reference
Number**

2018-001 Interim and Annual Account Reconciliation and Reporting

Criteria: Accounting tasks, such as monthly reconciliations, play a key role in proving the accuracy of accounting data and information included in interim and annual financial statements.

Condition: As reported in the previous year, numerous instances were identified where reconciliations were not being performed in a timely manner. Upon learning of these matters, management did take corrective action and hired a financial consultant to assist the School District in completing these reconciliations. However due to the backlog that had previously existed, the condition still existed at year-end.

Cause: Unknown.

Effect: As a result of the conditions above, accurate financial reports would not have been available for management to review and evaluate the School District's financial performance throughout the course of the year. Without timely reconciliations, it is possible that errors or discrepancies may have occurred which were not subsequently identified and corrected in a timely manner.

Recommendation: As noted above, the School District did hire a financial consultant at the end of the year to assist in performing the monthly reconciliations. Although the condition had not been fully corrected at year-end, it is expected this will help the School District to get caught up in the future period. Additionally, it is important the School District work to develop and implement an appropriate accounting and financial reporting environment that allows reconciliations to be completed on a timely basis.

Management's Response: A mirror finding was noted in the 2016-17 fiscal year audit (see 2017-001). The fiscal year 2016-17 audit report was issued on or about May 18, 2018 when a majority of the 2017-18 fiscal year was complete. Procedures have been implemented within the finance department to facilitate timely account review and reconciliation, but were only effective from late in the 2017-18 fiscal year, thus not providing a lot of testing data. As noted above, a financial consultant has been utilized by the District to assist in various capacities. An additional step the business office will take going forward is to maintain a record of when draft versions of reconciliations are printed. Should a report need to be re-printed, the original date of the reconciliation will be preserved for audit purposes. Monthly revenue and expenditure reporting has been occurring regularly and posted to the School District Budget Committee Sharepoint site. The District Budget Committee has a standing agenda item for review of the revenue and expenditure report and the Business Administrator regularly attends Budget Committee meetings. The revenue and expenditure report has also been provided to the District School Board as part of their agenda package. The Business Administrator is available at School Board meetings to discuss or address concerns relating to those reports. Business office procedures have been updated to reflect the above.

SCHEDULE II (continued)
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SIGNIFICANT DEFICIENCY

2018-002 Adjusting Journal Entry Review

Criteria: Adjusting journal entries pose an increased risk for misstatement to the financial statements as they allow a single user to bypass regular procedures and manipulate the general ledger directly. When software controls do not allow, additional controls should be put in place to require a second individual to review adjusting journal entries posted by the Business Administrator.

Condition: During our review of adjusting journal entries, we noted that entries initiated by the Business Administrator do not require a second individual to approve the entry before being posted. For any entries initiated by other users, all require electronic approval by the Business Administrator before being posted.

Cause: Unknown.

Effect: Without a second individual reviewing adjusting journal entries initiated by the Business Administrator, it is possible an entry could be incorrectly posted that would not be identified or corrected in a timely manner.

Recommendation: We noted the School District did hire a financial consultant at the end of the year to assist with monthly reconciliations who is also able to review the journal entries. However, the condition still existed for the entirety of the fiscal year. Additionally, the School District will need to identify an in-house employee, such as the Superintendent, who is capable of reviewing journal entries going forward. Once the journal entries have been posted, they should be printed, initialed by the reviewer, and filed with any supporting documentation.

Management's Response: A mirror finding was noted in the 2016-17 fiscal year audit (see 2017-002). The fiscal year 2016-17 audit report was issued on or about May 18, 2018 when a majority of the 2017-18 fiscal year was complete. As indicated in the initial response to 2017-002, a workflow has been created in the District's finance system allowing the Business Administrator to review and approve adjusting journal entries prior to posting to the general ledger. The District has been utilizing the services of an outside finance consultant who currently reviews adjusting journal entries initiated and posted by the Business Administrator. Should the finance consultant be unavailable to review adjusting entries generated by the Business Administrator, the Superintendent or finance department staff unaffiliated with the adjusting journal entry may review the same.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE III
TIMBERLANE REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 33,562
National School Lunch Program <i>(note 4)</i>	10.555	N/A	-	340,092
<i>CLUSTER TOTAL</i>			-	373,654
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I - Part A	84.010	70142	-	25,404
Title I - Part A	84.010	80142	-	188,209
<i>PROGRAM TOTAL</i>			-	213,613
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA	84.027	72504	-	40,919
IDEA	84.027	82542	-	770,784
Special Education - Preschool Grants:				
Preschool	84.173	82542	-	25,210
SSIP 2018	84.173	82640	-	3,427
<i>CLUSTER TOTAL</i>			-	840,340
Supporting Effective Instruction State Grant:				
Title IIA	84.367	64945	-	21,889
Title IIA	84.367	74945	-	138,323
Title IIA	84.367	84945	-	9,957
<i>PROGRAM TOTAL</i>			-	170,169
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through the State of New Hampshire Department of Education				
Pregnancy Assistance Fund Program	93.500	89003	-	2,080
Total Expenditures of Federal Awards			\$ -	\$ 1,599,856

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Timberlane Regional School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Timberlane Regional School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Timberlane Regional School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Timberlane Regional School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2017 the value of food donations received was \$94,143.