

NEW BOSTON SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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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
New Boston School District
New Boston, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the New Boston School District as of and for the year ended June 30, 2019, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Grants Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 12-B to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits related to the School District's single employer plan in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities has not been determined.

*New Boston School District
Independent Auditor's Report*

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the New Boston School District, as of June 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and aggregate remaining fund information of the New Boston School District as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund and the grants fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

December 19, 2019

*Plodzik & Sanderson
Professional Association*

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the New Boston School District ("District"), we offer readers of the District's Financial Statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

1. Financial Highlights

- The assets and deferred outflow of resources of the District fell short of its liabilities and deferred inflows of resources at the close of the most recent year by \$(3,034,222) (*net position*). Of this amount, \$(3,651,845) (*unrestricted net position*), had it been positive, may have been used to meet the government's ongoing obligations to citizens and creditors. The negative unrestricted net position is attributable to the reporting of the District's proportional share of the actuarially determined retirement system's unfunded pension liability less the system's net position ("net pension liability"). Reporting the District's proportional share of the net pension liability does not impact the District's ability to meet its current obligations.
- The District's total net position changed by \$(360,047).
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,751,560, a change of \$(181,773) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,018,093, of which \$818,093 is *available for spending* at the District Town Meeting's discretion or for tax relief, and \$200,000 has been retained for contingency in accordance with RSA 198:4-bII.
- Per GASB Statement Nos 68 and 71, the District is required to record its related share of net pension liability of the New Hampshire Retirement System. The net pension liability is the District's proportionate share of the retirement system's actuarially determined unfunded pension liability less the system's net position. This amount is reported only on the government-wide financial statements and has no impact on the fund financial statements of the District. At the end of the most recent year, our net pension liability is \$5,906,670.

2. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four 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.

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 all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the items reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator 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 time of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The governmental activities of the District include administration, instruction, support services, operations and maintenance, transportation, and non-instructional services.

Fund Financial Statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be 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 to *government funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 four individual governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and grants fund, which are considered to be a major fund. Data from the other two funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and grants funds. A budgetary comparison statement has been provided for the major general and grants funds to demonstrate compliance with this budget.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements, because the resources of those funds are not available to support the District's own programs.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* that is required to be disclosed by accounting principles generally accepted in the United States of America which includes this management discussion and analysis, the Schedule of School District's Proportioned share of Net Pension Liability, Schedule of School District Contributions – Pensions, Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability, Schedule of the District Contributions – Other Postemployment Benefits. Other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. This includes the combining and individual fund schedules.

3. Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the District, assets and deferred outflows of resources fell short of the liabilities and deferred inflows of resources by \$3,034,222 at the close of the most recent fiscal year.

The largest portion of the District's net position \$617,623 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment and furnishings), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of condensed statement of net position and statement of activities for government-wide financial data for the current and prior fiscal years.

New Boston School District's Condensed Statement of Net Position

	Summary of Net Position Governmental Activities		
	2019	2018	% Change 2018-2019
Current and Other Assets	\$ 2,026,503	\$ 2,119,438	-4.38%
Capital Assets	<u>662,398</u>	<u>761,310</u>	<u>-12.99%</u>
Total Assets	2,688,901	2,880,748	-6.66%
Deferred Outflows of Resources	1,357,185	1,263,293	7.43%
Long-Term Liabilities Outstanding	6,553,462	6,424,990	2.00%
Other Liabilities	<u>264,351</u>	<u>174,351</u>	<u>51.62%</u>
Total Liabilities	6,817,813	6,599,341	3.31%
Deferred Inflows of Resources	262,495	218,875	19.93%
Net Investment in Capital Assets	617,623	761,310	-18.87%
Restricted Net Position	-	22,385	-100.00%
Unrestricted Net Position	<u>(3,651,845)</u>	<u>(3,457,870)</u>	<u>5.61%</u>
Total Net Position	<u>\$(3,034,222)</u>	<u>\$(2,674,175)</u>	<u>13.46%</u>

Summary of Changes in Net Position
Governmental Activities

	2019 <u>Amount</u>	2018 <u>Amount</u>	\$ <u>Difference</u>	% <u>Difference</u>
Revenues:				
Program Revenue:				
Charges for Services	\$ 132,420	\$ 182,550	\$ (50,130)	-37.86%
Operating Grants and Contributions	396,822	242,440	154,382	38.90%
General Revenue:				
School District Assessment	10,140,330	10,479,764	(339,434)	-3.35%
Unrestricted Grants	4,238,210	4,220,941	17,269	0.41%
Miscellaneous & Interest	45,264	72,066	(26,802)	-59.21%
Total Revenues	<u>14,953,046</u>	<u>15,197,761</u>	<u>(244,715)</u>	<u>-1.64%</u>
Expenses:				
Instruction	\$ 11,994,668	\$ 12,085,850	\$ (91,182)	-0.76%
Support Services:				
Student	679,857	529,755	150,102	22.08%
Instructional Staff	249,174	107,743	141,431	56.76%
General Administration	38,417	28,270	10,147	26.41%
Executive Administration	481,908	446,113	35,795	7.43%
School Administration	459,686	503,827	(44,141)	-9.60%
Operation and Maintenance of Plant	501,268	454,086	47,182	9.41%
Student Transportation	761,734	757,251	4,483	0.59%
Noninstructional Services	146,381	138,999	7,382	5.04%
Total Expenses	<u>15,313,093</u>	<u>15,051,894</u>	<u>261,199</u>	<u>1.71%</u>
Change in Net Position	(360,047)	145,867	(505,914)	140.51%
Net Position, beginning, as restated	<u>(2,674,175)</u>	<u>(2,820,042)</u>	145,867	-5.45%
Net Position, ending	<u>\$ (3,034,222)</u>	<u>\$ (2,674,175)</u>	<u>\$ (360,047)</u>	<u>11.87%</u>

Governmental Activities. As noted above, governmental activities net position changed by \$(360,047). Key elements of this change are as follows:

Governmental Activities:

Total net change in governmental funds fund balance:	
General Fund	\$(159,011)
Grants Fund	-
Other Governmental Funds	<u>(22,762)</u>
	(181,773)
Depreciation expense, net of capital asset additions	(98,912)
Change in capital lease obligations	(44,775)
Change in accrued interest payable	(1,674)
Change in compensated absences	(1,000)
Change in net pension liability, net of deferred resources	(139,002)
Change in net OPEB liability, net of deferred resources	<u>107,089</u>
Total net change	<u>\$(360,047)</u>

4. Financial Analysis of the Government's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end for the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,751,560, which is a change of \$(181,773) in comparison with the prior year. Key elements of this change are as follows:

Governmental Funds:	
General Fund	\$ 1,751,452
Grants Fund	-
Other Governmental Funds:	
Capital Project Fund	-
Food Service Fund	<u>108</u>
Total	<u>\$ 1,751,560</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,018,093, of which \$200,000 is retained in accordance with RSA 198:4-bII, while total fund balance was \$1,751,452. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.9 percent of total general fund expenditures, while total fund balance represents 11.8 percent of that same amount.

5. General Fund Budgetary Highlights

The general fund is what most people think of as “the budget” since it is the fiscal point of the First Session of Annual Meeting (Deliberative) and largely supported by locally raised taxes. The general fund ended the fiscal year with an unassigned fund balance of \$1,018,093 of which \$818,093 will be returned to the taxpayers in 2019-2020 and \$200,000 will be retained in accordance with RSA 198:4-bII.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

- General fund actual revenues totaling \$14,593,984 exceeded budgeted revenues by \$146,984 (1%)
 - **Local sources** totaling \$74,397 exceeded budget by \$69,997 due to a combination of over collection of tuition revenue and under estimation of local revenue sources.
 - **State sources** totaling \$4,292,730 exceeded budget by \$12,960, this amount is attributed to state adequacy aid revenues being slightly higher than expected.
 - **Federal sources** totaling \$86,527 exceeded budget by \$64,027 due to much higher than expected Medicaid reimbursements.

- General fund expenditures totaling \$14,854,724 were less than appropriation totaling \$15,649,638, by \$794,914.
 - **Instruction** totaling \$11,776,537 was below budget by \$761,392 primarily due to under expenditures in tuition charges to Goffstown School District, salary and benefits at NBCS, as well as under expenditures in special education.
 - **School Administration** totaling \$450,055 was below budget by \$50,780 due to benefits costs that were lower than anticipated.
 - **Student Transportation** totaling \$774,234 exceeded budget by \$16,017 due to unexpected special education transportation costs.
 - **Operation and Maintenance of Plant** totaling \$458,847 was very closely aligned with the budget amount of \$458,879 with a variance of \$32.

6. Capital Asset and Debt Administration

Capital Assets. The District’s investment in capital assets for its governmental activities as of June 30, 2019, amounted to \$662,398 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment, and furnishings.

The total change in the District's investment in total capital assets for the current year was \$(183,338) as evidenced below:

Capital Assets at Year End
Governmental Activities

	June 30, <u>2019</u>	June 30, <u>2018</u>	% Change <u>2018-2019</u>
Land	\$ 6,770	\$ 6,770	0.00%
Construction in Progress	-	282,250	-100.00%
Buildings & Building Improvements	3,603,045	3,289,034	9.55%
Machinery, Equipment & Furnishings	50,702	40,317	25.76%
Less: Accumulated Depreciation	<u>(2,998,119)</u>	<u>(2,857,061)</u>	4.94%
Total	<u>\$ 662,398</u>	<u>\$ 761,310</u>	<u>-12.99%</u>

Capital Asset Additions:

Buildings and Building Improvement Additions:

Central School Roofing	\$ 282,250
Garavanta Chair Lift	<u>31,761</u>
	<u>314,011</u>

Equipment Additions:

AC Unit Server Room	10,385
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Capital Asset Disposals:

Construction in progress	(282,250)
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Depreciation Expense

(141,058)

Total change in capital assets

\$ (98,912)

Additional information on the District's capital assets can be found in the notes to the financial statements at Note 5.

Long-Term Debt

The table below illustrates the long-term debt of the District as of June 30, 2019. The compensated balances were calculated on vacation days and retirement stipend days for all eligible employees for compensation at retirement. In accordance with GASB 68, the calculated value of the unfunded state retirement to the District for FY 2018 is noted, Note 11.

Long-Term Debt Outstanding at Year End
Governmental Activities

	June 30, <u>2019</u>	June 30, <u>2018</u>	% Change <u>2018-2019</u>
Compensated Absences	\$ 104,000	\$ 103,000	-0.96%
Capital Lease	44,775	-	-100.00%
Pension Related Liability	5,906,670	5,688,235	-3.70%
Net Other postemployment benefits liability	<u>498,017</u>	<u>633,755</u>	<u>27.26%</u>
Total	<u>\$ 6,553,462</u>	<u>\$ 6,424,990</u>	<u>-1.96%</u>

Future Budgetary Implications

Significant activities or events, which will have an impact on future district finances, include:

- o The State shifting cost responsibilities to local governments may have an impact on taxation calculation.
- o The Unassigned Fund Balance established in this audit is intended to be returned at tax rate setting in November.
- o Future budgets will continue to be developed based on actual expenditures in prior years, in particular reviewing salary and benefits. Additionally, a more accurate approach to revenues is be implemented focusing on funding derived from tuitions and other local sources.

7. Request for Information

This financial report is designed to provide a general overview of the District’s financing for all those with an interest in the District’s finances. Questions, concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, C/O SAU#19, 11 School Street, Goffstown, New Hampshire 03045.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
NEW BOSTON SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,579,257
Intergovernmental receivable	435,368
Inventory	5,688
Prepaid items	6,190
Capital assets, not being depreciated	6,770
Capital assets, net of accumulated depreciation	655,628
Total assets	2,688,901
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	1,304,730
Amounts related to other postemployment benefits	52,455
Total deferred outflows of resources	1,357,185
LIABILITIES	
Accounts payable	65,177
Accrued salaries and benefits	9,291
Intergovernmental payable	188,209
Accrued interest payable	1,674
Noncurrent obligations:	
Due within one year	14,275
Due in more than one year	6,539,187
Total liabilities	6,817,813
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - tuition received in advance	1,050
Unavailable revenue - grants and donations	11,216
Amounts related to pensions	219,616
Amounts related to other postemployment benefits	30,613
Total deferred inflows of resources	262,495
NET POSITION	
Net investment in capital assets	617,623
Unrestricted	(3,651,845)
Total net position	\$ (3,034,222)

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

EXHIBIT B
NEW BOSTON SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 11,994,668	\$ 30,937	\$ 281,455	\$ (11,682,276)
Support services:				
Student	679,857	-	21	(679,836)
Instructional staff	249,174	-	47,269	(201,905)
General administration	38,417	-	-	(38,417)
Executive administration	481,908	-	-	(481,908)
School administration	459,686	-	-	(459,686)
Operation and maintenance of plant	501,268	-	24,779	(476,489)
Student transportation	761,734	-	-	(761,734)
Noninstructional services	146,381	101,483	43,298	(1,600)
Total governmental activities	<u>\$ 15,313,093</u>	<u>\$ 132,420</u>	<u>\$ 396,822</u>	<u>(14,783,851)</u>
General revenues:				
School district assessment				10,140,330
Grants and contributions not restricted to specific programs				4,238,210
Interest				35,561
Miscellaneous				9,703
Total general revenues				<u>14,423,804</u>
Change in net position				<u>(360,047)</u>
Net position, beginning				<u>(2,674,175)</u>
Net position, ending				<u>\$ (3,034,222)</u>

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

EXHIBIT C-1
NEW BOSTON SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2019

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,523,898	\$ 53,200	\$ 2,159	\$ 1,579,257
Intergovernmental receivables	362,585	65,674	7,109	435,368
Interfund receivables	73,007	-	-	73,007
Inventory	5,688	-	-	5,688
Prepaid items	6,082	-	108	6,190
Total assets	<u>\$ 1,971,260</u>	<u>\$ 118,874</u>	<u>\$ 9,376</u>	<u>\$ 2,099,510</u>
LIABILITIES				
Accounts payable	\$ 21,399	\$ 34,510	\$ 9,268	\$ 65,177
Accrued salaries and benefits	9,150	141	-	9,291
Intergovernmental payable	188,209	-	-	188,209
Interfund payable	-	73,007	-	73,007
Total liabilities	<u>218,758</u>	<u>107,658</u>	<u>9,268</u>	<u>335,684</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tuition received in advance	1,050	-	-	1,050
Unavailable revenue - grants and donations	-	11,216	-	11,216
Total deferred inflows of resources	<u>1,050</u>	<u>11,216</u>	<u>-</u>	<u>12,266</u>
FUND BALANCES				
Nonspendable	11,770	-	108	11,878
Committed	431,594	-	-	431,594
Assigned	289,995	-	-	289,995
Unassigned	1,018,093	-	-	1,018,093
Total fund balances	<u>1,751,452</u>	<u>-</u>	<u>108</u>	<u>1,751,560</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,971,260</u>	<u>\$ 118,874</u>	<u>\$ 9,376</u>	<u>\$ 2,099,510</u>

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

EXHIBIT C-2
NEW BOSTON SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,751,560
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 3,660,517	
Less accumulated depreciation	<u>(2,998,119)</u>	662,398
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	\$ 1,304,730	
Deferred inflows of resources related to pensions	(219,616)	
Deferred outflows of resources related to OPEB	52,455	
Deferred inflows of resources related to OPEB	<u>(30,613)</u>	1,106,956
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (73,007)	
Payables	<u>73,007</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(1,674)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Capital lease	\$ 44,775	
Compensated absences	104,000	
Net pension liability	5,906,670	
Other postemployment benefits	<u>498,017</u>	(6,553,462)
Net position of governmental activities (Exhibit A)		<u>\$ (3,034,222)</u>

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

EXHIBIT C-3
NEW BOSTON SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 10,140,330	\$ -	\$ -	\$ 10,140,330
Other local	76,201	508	101,483	178,192
State	4,292,730	24,779	2,178	4,319,687
Federal	86,527	187,190	41,120	314,837
Total revenues	<u>14,595,788</u>	<u>212,477</u>	<u>144,781</u>	<u>14,953,046</u>
EXPENDITURES				
Current:				
Instruction	11,708,379	140,408	-	11,848,787
Support services:				
Student	675,575	21	-	675,596
Instructional staff	201,905	47,269	-	249,174
General administration	38,417	-	-	38,417
Executive administration	477,760	-	-	477,760
School administration	459,686	-	-	459,686
Operation and maintenance of plant	513,565	24,779	-	538,344
Student transportation	761,734	-	-	761,734
Noninstructional services	-	-	146,381	146,381
Total expenditures	<u>14,837,021</u>	<u>212,477</u>	<u>146,381</u>	<u>15,195,879</u>
Deficiency of revenues under expenditures	<u>(241,233)</u>	<u>-</u>	<u>(1,600)</u>	<u>(242,833)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	22,385	-	1,223	23,608
Transfers out	(1,223)	-	(22,385)	(23,608)
Capital lease	61,060	-	-	61,060
Total other financing sources (uses)	<u>82,222</u>	<u>-</u>	<u>(21,162)</u>	<u>61,060</u>
Net change in fund balances	(159,011)	-	(22,762)	(181,773)
Fund balances, beginning	1,910,463	-	22,870	1,933,333
Fund balances, ending	<u>\$ 1,751,452</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ 1,751,560</u>

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

EXHIBIT C-4
NEW BOSTON 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, 2019

Net change in fund balances of total governmental funds (Exhibit C-3)		\$(181,773)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 42,146	
Depreciation expense	<u>(141,058)</u>	(98,912)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (23,608)	
Transfers out	<u>23,608</u>	-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital lease	\$ (61,060)	
Principal repayment of capital lease	<u>16,285</u>	(44,775)
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.		
Increase in accrued interest expense	\$ (1,674)	
Increase in compensated absences payable	(1,000)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(139,002)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>107,089</u>	(34,587)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (360,047)</u></u>

EXHIBIT D-1
NEW BOSTON 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, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
School district assessment	\$ 10,140,330	\$ 10,140,330	\$ 10,140,330	\$ -
Other local	4,400	4,400	74,397	69,997
State	4,279,770	4,279,770	4,292,730	12,960
Federal	22,500	22,500	86,527	64,027
Total revenues	<u>14,447,000</u>	<u>14,447,000</u>	<u>14,593,984</u>	<u>146,984</u>
EXPENDITURES				
Current:				
Instruction	12,688,069	12,537,929	11,776,537	761,392
Support services:				
Student	580,970	662,294	678,789	(16,495)
Instructional staff	195,888	213,318	200,085	13,233
General administration	27,004	40,405	38,417	1,988
Executive administration	477,761	477,761	477,760	1
School administration	485,647	500,835	450,055	50,780
Operation and maintenance of plant	446,752	458,879	458,847	32
Student transportation	747,547	758,217	774,234	(16,017)
Total expenditures	<u>15,649,638</u>	<u>15,649,638</u>	<u>14,854,724</u>	<u>794,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,202,638)</u>	<u>(1,202,638)</u>	<u>(260,740)</u>	<u>941,898</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,215	2,215	22,385	20,170
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(101,223)</u>	<u>(1,223)</u>
Total other financing sources (uses)	<u>(97,785)</u>	<u>(97,785)</u>	<u>(78,838)</u>	<u>18,947</u>
Net change in fund balance	<u>\$ (1,300,423)</u>	<u>\$ (1,300,423)</u>	<u>(339,578)</u>	<u>\$ 960,845</u>
Decrease in nonspendable fund balance			7,249	
Unassigned fund balance, beginning			<u>1,350,422</u>	
Unassigned fund balance, ending			<u>\$ 1,018,093</u>	

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

EXHIBIT D-2
NEW BOSTON 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, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Local	\$ -	\$ 508	\$ 508	\$ -
State	-	24,779	24,779	-
Federal	96,400	187,190	187,190	-
Total revenues	<u>96,400</u>	<u>212,477</u>	<u>212,477</u>	<u>-</u>
EXPENDITURES				
Current:				
Instruction	96,400	140,408	140,408	-
Support services:				
Student	-	21	21	-
Instructional staff	-	47,269	47,269	-
Operation and maintenance of plant	-	24,779	24,779	-
Total expenditures	<u>96,400</u>	<u>212,477</u>	<u>212,477</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ -</u>	

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

EXHIBIT E
NEW BOSTON SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2019

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 36,700</u>
LIABILITIES	
Due to student groups	<u>\$ 36,700</u>

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

NEW BOSTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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NEW BOSTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Boston School District, in New Boston, 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.

1-A Reporting Entity

The New Boston School District is a municipal corporation governed by an elected 5-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. Generally, 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 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. 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 the 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.

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

NEW BOSTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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, and support services. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the expendable trust funds are consolidated in the general fund.

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.

Nonmajor Funds – The School District also reports two nonmajor governmental funds.

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

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. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

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 intergovernmental receivables.

1-F Inventory

Inventories are valued at cost (first-in, first-out) which approximates market. The School District’s inventories include various items consisting of fuel and commodities. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when consumed at the schools (the consumption method). The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balance that is nonspendable.

NEW BOSTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

1-G Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used.

1-H Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The School District has established a threshold of \$5,000 or more and an estimated useful life in excess of one year for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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.

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:

Capital Asset Class:	<u>Years</u>
Buildings and building improvements	20 - 40
Machinery, equipment, and furnishings	10

1-I Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” 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-J 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, 2019.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) 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.

NEW BOSTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

1-L Long-term Obligations

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

1-M Compensated Absences

General leave for the School District includes retirement stipend pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full vale for any accrued general leave earned as set forth by personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

1-N 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-O 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 – The School District maintains a single employer plan, but has not obtained an actuarial report calculating the other postemployment benefit liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board pronouncement No. 75.

1-P 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 capital lease attributable to the acquisition, construction, or improvement of those assets.

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

NEW BOSTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances 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.

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 government'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-Q 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/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable, recoverability of inventory, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general and grants funds, as well as the nonmajor food service 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 2019, \$1,200,423 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, \$100,000 was appropriated to fund the School District's capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis and GAAP basis of accounting for the major grants and nonmajor food service funds. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 14,616,369
Adjustments:	
Basis difference:	
Capital lease inception	61,060
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	1,804
Per Exhibit C-3 (GAAP Basis)	<u>\$ 14,679,233</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 14,955,947
Adjustments:	
Basis difference:	
Encumbrances, beginning	211,232
Encumbrances, ending	(289,995)
Capital lease inception	61,060
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust funds	(100,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 14,838,244</u>

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 \$1,615,957 and the bank balances totaled \$1,832,580.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 1,579,257
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E)	<u>36,700</u>
Total cash and cash equivalents	<u>\$ 1,615,957</u>

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NOTE 4 – RECEIVABLES

Receivables at June 30, 2019, consisted of accounts and intergovernmental amounts arising from tuition, shared services, grants, school lunch program, and expendable trust funds held by the Town of New Boston Trustees of Trust Funds for the School District. Receivables are recorded on the School District’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 6,770	\$ -	\$ -	\$ 6,770
Construction in progress	282,250	-	(282,250)	-
Total capital assets not being depreciated	<u>289,020</u>	<u>-</u>	<u>(282,250)</u>	<u>6,770</u>
Being depreciated:				
Buildings and building improvements	3,289,034	314,011	-	3,603,045
Machinery, equipment, and furnishings	40,317	10,385	-	50,702
Total capital assets being depreciated	<u>3,329,351</u>	<u>324,396</u>	<u>-</u>	<u>3,653,747</u>
Total capital assets	<u>3,618,371</u>	<u>324,396</u>	<u>(282,250)</u>	<u>3,660,517</u>
Less accumulated depreciation:				
Buildings and building improvements	(2,846,507)	(135,988)	-	(2,982,495)
Machinery, equipment, and furnishings	(10,554)	(5,070)	-	(15,624)
Total accumulated depreciation	<u>(2,857,061)</u>	<u>(141,058)</u>	<u>-</u>	<u>(2,998,119)</u>
Net book value, capital assets being depreciated	<u>472,290</u>	<u>183,338</u>	<u>-</u>	<u>655,628</u>
Net book value, all capital assets	<u>\$ 761,310</u>	<u>\$ 183,338</u>	<u>\$ (282,250)</u>	<u>\$ 662,398</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	\$ 135,988
Support services:	
Operation and maintenance of plant	<u>5,070</u>
Total depreciation expense	<u>\$ 141,058</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2019 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Grants	<u>\$ 73,007</u>

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Interfund transfers during the year ended June 30, 2019 are as follows:

	Transfers In:		
	General Fund	Nonmajor Fund	Total
Transfers out:			
General fund	\$ -	\$ 1,223	\$ 1,223
Nonmajor fund	22,385	-	22,385
Total	\$ 22,385	\$ 1,223	\$ 23,608

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, 2019 consist of the following:

Balance due to the Goffstown School District	\$ 187,418
Balance due to the Milford School District	791
Total intergovernmental payables due	\$ 188,209

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at June 30, 2019 consist of amounts related to pensions totaling \$1,304,730 and amounts related to OPEB totaling \$52,455. For further discussion on these amounts, see Notes 11 and 12, respectively.

Deferred inflows of resources reported in the governmental funds are as follows:

	Governmental Activities	General Fund	Grants Fund
Fiscal year 2020 summer school tuition received in advance	\$ 1,050	\$ 1,050	\$ -
Local grant revenue collected in advance of eligible expenditures being made	11,216	-	11,216
Amounts related to pensions, see Note 11	219,616	-	-
Amounts related to OPEB, see Note 12	30,613	-	-
Total deferred inflows of resources	\$ 262,495	\$ 1,050	\$ 11,216

NOTE 9 – LEASE OBLIGATIONS

Capital Leases – The School District has entered into a capital lease agreement under which the related equipment will become the property of the School District when all the terms of the lease agreement are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2019
Capital lease obligations:		
Computers	4.49%	\$ 44,775

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The annual requirements to amortize the capital lease payable as of June 30, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2020	\$ 16,285
2021	16,285
2022	16,285
Total requirements	48,855
Less: interest	4,080
Present value of remaining payments	<u>\$ 44,775</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

Operating Leases – The School District subleases the property known as the White Building to the Town of New Boston Recreation Department. The School District and the Recreation Department recognize that the Recreation Department has previously utilized the premises from time to time over the years, on an informal basis, and had contributed financially to the maintenance and improvement of the premises. The parties agree that \$20,000 represents a fair estimate of the net amount that the Recreation Department has paid over that time, considering that the premises were and will continue to be used without charge by the Recreation Department.

NOTE 10 – LONG-TERM LIABILITIES

Changes in the School District’s long-term liabilities consisted of the following for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Capital lease	\$ -	\$ 61,060	\$ (16,285)	\$ 44,775	\$ 14,275
Compensated absences	103,000	10,000	(9,000)	104,000	-
Pension related liability	5,688,235	218,435	-	5,906,670	-
Net other postemployment benefits	633,755	-	(135,738)	498,017	-
Total long-term liabilities	<u>\$ 6,424,990</u>	<u>\$ 289,495</u>	<u>\$ (161,023)</u>	<u>\$ 6,553,462</u>	<u>\$ 14,275</u>

NOTE 11 – 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.

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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 2019, the School District contributed 15.70% for teachers and 11.08% for other employees. The contribution requirement for the fiscal year 2019 was \$532,244, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the School District reported a liability of \$5,906,670 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net 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, 2018, the School District’s proportion was 0.12% which was an increase of 0.007% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$671,247. At June 30, 2019, 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	\$ 316,569	\$ 35,104
Net difference between projected and actual investment earnings on pension plan investments	-	136,686
Changes in assumptions	408,771	-
Differences between expected and actual experience	47,146	47,826
Contributions subsequent to the measurement date	532,244	-
Total	\$ 1,304,730	\$ 219,616

The \$532,244 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2019	\$ 315,638
2020	256,838
2021	(48,227)
2022	28,621
Thereafter	-
Totals	\$ 552,870

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Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2017, rolled forward to June 30, 2018, using the following assumptions:

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

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
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%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
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.

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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, 2018	<u>\$ 7,858,872</u>	<u>\$ 5,906,670</u>	<u>\$ 4,270,664</u>

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 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

12-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 2018 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

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 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2019, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$49,534, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2019, the School District reported a liability of \$3,528,618 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was

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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, 2018, the School District's proportion was 0.11% which was a decrease of 0.03% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$57,558. At June 30, 2019, 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	\$ -	\$ 29,031
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,582
Differences between expected and actual experience	2,923	-
Contributions subsequent to the measurement date	49,532	-
Total	\$ 52,455	\$ 30,613

The \$49,532 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2019	\$ (26,601)
2020	(494)
2021	(494)
2022	(101)
Thereafter	-
Totals	\$ (27,690)

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2017 and a measurement date of June 30, 2018. 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, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2018
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%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2018 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-A: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 projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the 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, 2018	\$ 518,339	\$ 498,017	\$ 441,094

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.

12-B Retiree Health Benefit Program

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

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The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires State and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The School District has not fully implemented GASB Statement No. 75 at June 30, 2019, or contracted with an actuarial firm to assist in evaluating the impact of this standard on the School District's single employer plan. The amounts that should be recorded as the net OPEB liability and the OPEB expense for the single employer plan is unknown.

NOTE 13 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2019 are as follows:

Current:	
Instruction:	
Regular programs	\$ 128,218
Special programs	1,000
Total instruction	129,218
Support services:	
Student	4,309
Instructional staff	38
School administration	1,684
Operation and maintenance of plant	142,246
Student transportation	12,500
Total support services	160,777
Total encumbrances	\$ 289,995

NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2019 include the following:

Net investment in capital assets:	
Net book value of all capital assets	\$ 662,398
Less:	
Capital lease payable	(44,775)
Total net investment in capital assets	617,623
Unrestricted	(3,651,845)
Total net position	\$ (3,034,222)

None of the net position is restricted by enabling legislation.

NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2019 consist of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 5,688	\$ -	\$ 5,688
Prepaid items	6,082	108	6,190
Total nonspendable fund balance	11,770	108	11,878

Continued)

NEW BOSTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

Governmental fund balances continued:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Committed:			
Expendable trust	331,594	-	331,594
Voted appropriation - March 2019	100,000	-	100,000
Total committed fund balance	<u>431,594</u>	<u>-</u>	<u>431,594</u>
Assigned:			
Encumbrances	289,995	-	289,995
Unassigned:			
Unassigned - retained (RSA 198:4-bII)	200,000	-	200,000
Unassigned	818,093	-	818,093
Total unassigned	<u>1,018,093</u>	<u>-</u>	<u>1,018,093</u>
Total governmental fund balances	<u>\$ 1,751,452</u>	<u>\$ 108</u>	<u>\$ 1,751,560</u>

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 2019, 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, 2018 to June 30, 2019 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2018-19 the School District paid \$12,165 and \$17,394, respectively, to Primex for workers' compensation and property/liability. 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 – CONTINGENT LIABILITIES

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 18 – 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 19, 2019, the date the June 30, 2019 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
NEW BOSTON 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, 2019

	June 30,					
	2014	2015	2016	2017	2018	2019
School District's proportion of the net pension liability	0.11%	0.12%	0.11%	0.12%	0.12%	0.12%
School District's proportionate share of the net pension liability	\$ 4,884,809	\$ 4,346,989	\$ 4,460,720	\$ 6,135,640	\$ 5,688,235	\$ 5,906,670
School District's covered payroll	\$ 3,177,109	\$ 3,246,600	\$ 3,360,879	\$ 3,360,879	\$ 3,437,822	\$ 3,528,618
School District's proportionate share of the net pension liability as a percentage of its covered payroll	153.75%	133.89%	132.72%	182.56%	165.46%	167.39%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%	64.73%

EXHIBIT G
NEW BOSTON 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, 2019

	June 30,					
	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 282,223	\$ 375,711	\$ 377,763	\$ 413,165	\$ 423,719	\$ 518,462
Contributions in relation to the contractually required contributions	282,223	375,711	377,763	413,165	423,719	518,462
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	<u>\$ 3,177,109</u>	<u>\$ 3,246,600</u>	<u>\$ 3,360,879</u>	<u>\$ 3,360,879</u>	<u>\$ 3,437,822</u>	<u>\$ 3,528,618</u>
Contributions as a percentage of covered payroll	8.88%	11.57%	11.24%	12.29%	12.33%	14.69%

NEW BOSTON SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

***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, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% 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	The roll-forward of total pension liability from June 30, 2017 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments.
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EXHIBIT H
NEW BOSTON 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, 2019

	June 30,		
	2017	2018	2019
School District's proportion of the net OPEB liability	0.14%	0.14%	0.11%
School District's proportionate share of the net OPEB liability (asset)	\$ 656,439	\$ 633,755	\$ 498,017
School District's covered payroll	\$ 3,360,879	\$ 3,437,822	\$ 3,528,618
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	19.53%	18.43%	14.11%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

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

EXHIBIT I
NEW BOSTON 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, 2019

	June 30,		
	2017	2018	2019
Contractually required contribution	\$ 78,791	\$ 82,152	\$ 48,114
Contributions in relation to the contractually required contribution	78,791	82,152	48,114
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School District's covered payroll	\$ 3,360,879	\$ 3,437,822	\$ 3,528,618
Contributions as a percentage of covered payroll	2.34%	2.39%	1.36%

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

NEW BOSTON SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
NEW BOSTON SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2019

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 10,140,330	\$ 10,140,330	\$ -
Other local sources:			
Tuition	-	30,937	30,937
Investment earnings	1,800	33,757	31,957
Miscellaneous	2,600	9,703	7,103
Total from other local sources	<u>4,400</u>	<u>74,397</u>	<u>69,997</u>
State sources:			
Adequacy aid (grant)	2,878,854	2,879,961	1,107
Adequacy aid (tax)	1,358,249	1,358,249	-
Catastrophic aid	42,667	53,502	10,835
Other state aid	-	1,018	1,018
Total from state sources	<u>4,279,770</u>	<u>4,292,730</u>	<u>12,960</u>
Federal sources:			
Medicaid	<u>22,500</u>	<u>86,527</u>	<u>64,027</u>
Other financing sources:			
Transfers in	<u>2,215</u>	<u>22,385</u>	<u>20,170</u>
Total revenues and other financing sources	14,449,215	<u>\$ 14,616,369</u>	<u>\$ 167,154</u>
Use of fund balance to reduce school district assessment	1,200,423		
Use of fund balance - appropriated	100,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 15,749,638</u>		

SCHEDULE 2
NEW BOSTON SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 10,496,259	\$ 9,692,380	\$ 128,218	\$ 675,661
Special programs	-	1,974,388	1,887,490	1,000	85,898
Other programs	-	67,282	67,449	-	(167)
Total instruction	-	12,537,929	11,647,319	129,218	761,392
Support services:					
Student	1,095	662,294	675,575	4,309	(16,495)
Instructional staff	1,858	213,318	201,905	38	13,233
General administration	-	40,405	38,417	-	1,988
Executive administration	-	477,761	477,760	-	1
School administration	11,315	500,835	459,686	1,684	50,780
Operation and maintenance of plant	196,964	458,879	513,565	142,246	32
Student transportation	-	758,217	761,734	12,500	(16,017)
Total support services	211,232	3,111,709	3,128,642	160,777	33,522
Other financing uses:					
Transfers out	-	100,000	101,223	-	(1,223)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 211,232	\$ 15,749,638	\$ 14,877,184	\$ 289,995	\$ 793,691

SCHEDULE 3
NEW BOSTON SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2019

Unassigned fund balance, beginning		\$ 1,350,422
Changes:		
Unassigned fund balance used to reduce school district assessment		(1,200,423)
Unassigned fund balance appropriated for use in 2018-2019		(100,000)
2018-2019 Budget summary:		
Revenue surplus (Schedule 1)	\$ 167,154	
Unexpended balance of appropriations (Schedule 2)	<u>793,691</u>	
2018-2019 Budget surplus		960,845
Decrease in nonspendable fund balance		<u>7,249</u>
Unassigned fund balance, ending		<u>\$ 1,018,093</u>

SCHEDULE 4
NEW BOSTON SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Fund Food Service	Capital Projects Fund	Total
ASSETS			
Cash and cash equivalents	\$ 2,159	\$ -	\$ 2,159
Intergovernmental receivable	7,109	-	7,109
Prepaid items	108	-	108
Total assets	<u>\$ 9,376</u>	<u>\$ -</u>	<u>\$ 9,376</u>
LIABILITIES			
Accounts payable	\$ 9,268	\$ -	\$ 9,268
FUND BALANCES			
Nonspendable	108	-	108
Total liabilities and fund balances	<u>\$ 9,376</u>	<u>\$ -</u>	<u>\$ 9,376</u>

SCHEDULE 5
NEW BOSTON SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019

	Special Revenue Fund Food Service	Capital Projects Fund	Total
REVENUES			
Local	\$ 101,483	\$ -	\$ 101,483
State	2,178	-	2,178
Federal	41,120	-	41,120
Total revenues	<u>144,781</u>	<u>-</u>	<u>144,781</u>
EXPENDITURES			
Current:			
Noninstructional services	<u>146,381</u>	<u>-</u>	<u>146,381</u>
Deficiency of revenues under expenditures	<u>(1,600)</u>	<u>-</u>	<u>(1,600)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,223	-	1,223
Transfers out	<u>-</u>	<u>(22,385)</u>	<u>(22,385)</u>
Total other financing sources (uses)	<u>1,223</u>	<u>(22,385)</u>	<u>(21,162)</u>
Net change in fund balances	(377)	(22,385)	(22,762)
Fund balances, beginning	485	22,385	22,870
Fund balances, ending	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 108</u>

SCHEDULE 6
NEW BOSTON SCHOOL DISTRICT
New Boston Central School Student Activities Fund
Schedule of Changes in Student Activities Fund
For the Fiscal Year Ended June 30, 2019

Balance, beginning	Additions	Deductions	Balance, ending
\$ 28,911	\$ 56,403	\$ 48,614	\$ 36,700