

**NEW BOSTON SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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**TABLE OF CONTENTS**

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	3 - 10
 <b>BASIC FINANCIAL STATEMENTS</b> 	
<b>Government-wide Financial Statements</b>	
A Statement of Net Position .....	11
B Statement of Activities.....	12
<b>Fund Financial Statements</b>	
<i>Governmental Funds</i>	
C-1 Balance Sheet.....	13
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position .....	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	16
<i>Budgetary Comparison Information</i>	
D-1 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	17
D-2 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) – Grants Fund .....	18
<i>Fiduciary Funds</i>	
E Statement of Net Position .....	19
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS</b> .....	20 - 36
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b> 	
F Schedule of the School District's Proportionate Share of Net Pension Liability .....	37
G Schedule of School District Contributions - Pensions .....	38
<b>NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY</b> .....	39
H Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability .....	40
I Schedule of School District Contributions – Other Postemployment Benefits .....	41
<b>NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY</b> .....	42

**NEW BOSTON SCHOOL DISTRICT**  
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**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**TABLE OF CONTENTS**

		<u>PAGES</u>
<b>COMBINING AND INDIVIDUAL FUND SCHEDULES</b>		
<b>Governmental Funds</b>		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) .....	43
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis) .....	44
3	Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) .....	45
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet.....	46
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances .....	47
<b>Fiduciary Fund</b>		
<i>Agency Fund</i>		
6	New Boston Central School Student Activities Fund – Schedule of Changes in Student Activities Fund.....	48
<b>INDEPENDENT AUDITOR’S COMMUNICATION</b>		
	<b>OF SIGNIFICANT DEFICIENCIES</b> .....	49 - 51



# PLODZIK & SANDERSON

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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, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 unrelated to the New Hampshire Retirement System 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 is not readily determinable.

***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 government-wide financial statements of the New Boston School District as of June 30, 2018, 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, 2018, 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.

***Change in Accounting Principle***

As discussed in Note 2-C to the financial statements, in fiscal year 2018 the School District adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are modified with respect to this matter.

***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 District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of the 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.

*Plodzik & Sanderson  
Professional Association*

December 19, 2018

## 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, 2018. 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 exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$(2,674,175) (*net position*). Of this amount, (\$3,457,870) (*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 \$145,867.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,933,333, a change of \$213,555 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,350,422, of which \$1,200,422 *is available for spending* at the District Town Meeting's discretion or for tax relief, and \$150,000 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 \$5,688,235.
- The District partially implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$(574,287) for the OPEB provided by NHRS to retroactively report the increase/decrease in the net OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

### 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 \$2,674,175 at the close of the most recent fiscal year.

The largest portion of the District’s net position \$761,310 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			
	<u>2018</u>	As Restated <u>2017</u>	% Change <u>2017-2018</u>
Current and Other Assets	\$ 2,119,438	\$ 2,070,429	2.37%
Capital Assets	761,310	745,769	2.08%
Total Assets	<u>2,880,748</u>	<u>2,816,198</u>	2.29%
Deferred Outflows of Resources	1,263,293	1,800,930	-29.85%
Long-Term Liabilities Outstanding	6,424,990	6,923,579	-7.20%
Other Liabilities	174,351	336,924	-48.25%
Total Liabilities	<u>6,599,341</u>	<u>7,260,503</u>	-9.11%
Deferred Inflows of Resources	218,875	176,667	23.89%
Net Investment in Capital Assets	761,310	745,769	2.08%
Restricted Net Position	22,385	124,099	-81.96%
Unrestricted Net Position	<u>(3,457,870)</u>	<u>(3,689,910)</u>	-6.29%
Total Net Position	<u>\$ (2,674,175)</u>	<u>\$ (2,820,042)</u>	<u>-5.17%</u>



Summary of Changes in Net Position  
Governmental Activities

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>\$</u> <u>Difference</u>	<u>%</u> <u>Difference</u>
<b>Revenues:</b>				
<b>Program Revenue:</b>				
Charges for Services	\$ 182,550	\$ 142,513	\$ 40,037	21.93%
Operating Grants and Contributions	242,440	263,005	(20,565)	-8.48%
<b>General Revenue:</b>				
School District Assessment	10,479,764	9,736,898	742,866	7.09%
Unrestricted Grants	4,220,941	3,933,273	287,668	6.82%
Miscellaneous & Interest	72,066	41,642	30,424	42.22%
Total Revenues	<u>15,197,761</u>	<u>14,117,331</u>	<u>1,080,430</u>	<u>7.11%</u>
<b>Expenses:</b>				
Instruction	\$ 12,085,850	\$ 11,621,730	\$ 464,120	3.84%
Support Services:				
Student	529,755	541,081	(11,326)	-2.14%
Instructional Staff	107,743	117,412	(9,669)	-8.97%
General Administration	28,270	17,049	11,221	39.69%
Executive Administration	446,113	426,550	19,563	4.39%
School Administration	503,827	471,394	32,433	6.44%
Business	-	150	(150)	-100%
Operation and Maintenance of Plk	454,086	424,195	29,891	6.58%
Student Transportation	757,251	776,541	(19,290)	-2.55%
Noninstructional Services	138,999	130,723	8,276	5.95%
Total Expenses	<u>15,051,894</u>	<u>14,526,825</u>	<u>525,069</u>	<u>3.49%</u>
Change in Net Position	145,867	(409,494)	555,361	380.73%
Net Positon, beginning, as restated	<u>(2,820,042)</u>	<u>(2,410,548)</u>	<u>(409,494)</u>	<u>14.52%</u>
Net Position, ending	<u><u>\$ (2,674,175)</u></u>	<u><u>\$ (2,820,042)</u></u>	<u><u>\$ 145,867</u></u>	<u><u>-5.45%</u></u>

Note: Beginning net position for the current year has been adjusted to reflect various changes. See Footnote 16 Prior Period Adjustments.

An additional portion of the District's net position \$22,385 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$(2,674,175), if it were positive, may have been used to meet the District's ongoing obligations to citizens and creditors.

**Governmental Activities.** As noted above, governmental activities net position changed by \$145,867. Key elements of this change are as follows:

Governmental Activities:

Total net change in governmental funds fund balances	
General Fund	\$ 314,784
Grants Fund	-
Other Governmental Funds	<u>(101,229)</u>
	213,555
Change in capital assets	15,541
Change in compensated absences	28,500
Change in net OPEB liability, net of deferred resources	(8,977)
Change in net pension liability, net of deferred resources	<u>(102,752)</u>
Total net change	<u>\$ 145,867</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 \$1,933,333, which is a change of \$213,555 in comparison with the prior year. Key elements of this change are as follows:

Governmental Funds:

General Fund	\$ 1,910,463
Grants Fund	\$ -
Other Governmental Funds:	
Capital Project Fund	\$ 22,385
Food Service Fund	<u>\$ 485</u>
Total	<u>\$ 1,933,333</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 \$1,350,422, of which \$150,000 is retained in accordance with RSA 198:4-bII, while total fund balance was \$1,910,463. 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 9.7 percent of total general fund expenditures, while total fund balance represents 13.7 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 \$1,350,422 of which \$1,200,422 will be returned to the taxpayers in 2018-2019 and \$150,000 will be retained in accordance with RSA 198:4-bII.

## **COMMENTS ON GENERAL FUND BUDGET COMPARISONS**

- General fund actual revenues totaling \$14,975,761 exceeded budgeted revenues by \$234,619 (1.6%)
  - **Local sources** totaling \$153,116 exceeded budget by \$148,716 due to a combination of over collection of tuition revenue and under estimation of local revenue sources.
  - **State sources** totaling \$4,253,613 exceeded budget by \$21,635, this amount is minor (.5%) and is attributed to state adequacy aid revenues being slightly higher than expected.
  - **Federal sources** totaling \$89,268 exceeded budget by \$64,268 due to much higher than expected Medicaid reimbursements.
  
- General fund expenditures totaling \$14,727,252 were less than appropriation totaling \$15,092,642, by \$365,390.
  - **Instruction** totaling \$11,784,384 was below budget by \$426,791 primarily due to under expenditures in salary and benefits, as well as under expenditures in special education.
  - **School Administration** totaling \$491,925 was below budget by \$89,374 due to benefits costs that were lower than anticipated.
  - **Student Transportation** totaling \$757,251 exceeded budget by \$39,243 due to unexpected special education transportation costs.
  - **Operation and Maintenance of Plant** totaling \$593,974 exceeded budget by \$150,889 primarily due to a roofing project to a section of the New Boston Central School.
  - **Operating Transfers Out** totaling \$137,256 exceeded budget by \$44,636 primarily due to transfer from the General Fund to the Capital Project Fund.

**6. Capital Asset and Debt Administration**

**Capital Assets.** The District’s investment in capital assets for its governmental activities as of June 30, 2018, amounted to \$761,310 (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 \$15,541 as evidenced below:

Capital Assets at Year End Governmental Activities			
	June 30, <u>2018</u>	June 30, <u>2017</u>	% Change <u>2017-2018</u>
Land	\$ 6,770	\$ 6,770	0.00%
Construction in Progress	282,250	141,125	100.00%
Buildings & Building Improvements	3,289,034	3,289,034	0.00%
Machinery, Equipment & Furnishings	40,317	34,451	17.03%
Less: Accumulated Depreciation	<u>(2,857,061)</u>	<u>(2,725,611)</u>	4.82%
Total	<u>\$ 761,310</u>	<u>\$ 745,769</u>	<u>2.08%</u>

Capital Asset Additions:	
Construction in Progress for the following projects:	
Central School Roofing	<u>\$ 141,125</u>
Equipment Additions:	
Burnisher	<u>5,866</u>
Depreciation Expense	<u>(131,450)</u>
Total change in capital assets	<u>\$ 15,541</u>

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, 2018. 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 2017 is noted, Note 11.

### Long-Term Debt Outstanding at Year End Governmental Activities

	June 30, <u>2018</u>	June 30, 2017 <u>(As Restated)</u>	% Change <u>2016-2017</u>
Compensated Absences	\$ 103,000	\$ 131,500	27.67%
Net Other postemployment benefits liability	633,755	656,439	3.58%
Pension Related Liability	5,688,235	6,135,640	7.87%
Total	<u>\$ 6,424,990</u>	<u>\$ 6,923,579</u>	<u>7.76%</u>

### Future Budgetary Implications

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

- The State shifting cost responsibilities to local governments may have an impact on taxation calculation.
- The unassigned Fund Balance established in this audit is intended to be returned at tax rate setting in October.
- 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 being 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, New Boston, New Hampshire 03045.

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**NEW BOSTON SCHOOL DISTRICT**  
*Statement of Net Position*  
**June 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,705,549
Other receivables	12,494
Intergovernmental receivable	382,160
Inventory	8,782
Prepaid items	10,453
Capital assets, not being depreciated	289,020
Capital assets, net of accumulated depreciation	472,290
Total assets	2,880,748
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	1,210,802
Amounts related to other postemployment benefits	52,491
Total deferred outflows of resources	1,263,293
<b>LIABILITIES</b>	
Accounts payable	54,539
Accrued salaries and benefits	12,336
Intergovernmental payable	107,476
Noncurrent obligations:	
Due in more than one year	6,424,990
Total liabilities	6,599,341
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - tuition received in advance	580
Unavailable revenue - grants and donations	11,174
Amounts related to pensions	205,121
Amounts related to other postemployment benefits	2,000
Total deferred inflows of resources	218,875
<b>NET POSITION</b>	
Net investment in capital assets	761,310
Restricted	22,385
Unrestricted	(3,457,870)
Total net position	\$ (2,674,175)

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, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Change in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 12,085,850	\$ 81,278	\$ 186,866	\$ (11,817,706)
Support services:				
Student	529,755	-	2,333	(527,422)
Instructional staff	107,743	-	544	(107,199)
General administration	28,270	-	-	(28,270)
Executive administration	446,113	-	-	(446,113)
School administration	503,827	-	13,017	(490,810)
Operation and maintenance of plant	454,086	-	1,924	(452,162)
Student transportation	757,251	-	-	(757,251)
Noninstructional services	138,999	101,272	37,756	29
Total governmental activities	<u>\$ 15,051,894</u>	<u>\$ 182,550</u>	<u>\$ 242,440</u>	<u>(14,626,904)</u>
General revenues:				
School district assessment				10,479,764
Grants and contributions not restricted to specific programs				4,220,941
Interest				9,960
Miscellaneous				62,106
Total general revenues				<u>14,772,771</u>
Change in net position				145,867
Net position, beginning, as restated (see Note 16)				<u>(2,820,042)</u>
Net position, ending				<u>\$ (2,674,175)</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, 2018**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,661,474	\$ 44,075	\$ -	\$ 1,705,549
Receivables:				
Accounts	12,494	-	-	12,494
Intergovernmental	329,099	45,021	8,040	382,160
Interfund receivables	73,579	-	22,980	96,559
Inventory	8,782	-	-	8,782
Prepaid items	10,237	-	216	10,453
Total assets	<u>\$ 2,095,665</u>	<u>\$ 89,096</u>	<u>\$ 31,236</u>	<u>\$ 2,215,997</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 41,916	\$ 4,257	\$ 8,366	\$ 54,539
Accrued salaries and benefits	12,250	86	-	12,336
Intergovernmental payable	107,476	-	-	107,476
Interfund payable	22,980	73,579	-	96,559
Total liabilities	<u>184,622</u>	<u>77,922</u>	<u>8,366</u>	<u>270,910</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - tuition received in advance	580	-	-	580
Unavailable revenue - grants and donations	-	11,174	-	11,174
Total deferred inflows of resources	<u>580</u>	<u>11,174</u>	<u>-</u>	<u>11,754</u>
<b>FUND BALANCES</b>				
Nonspendable	19,019	-	216	19,235
Restricted	-	-	22,654	22,654
Committed	329,790	-	-	329,790
Assigned	211,232	-	-	211,232
Unassigned	1,350,422	-	-	1,350,422
Total fund balances	<u>1,910,463</u>	<u>-</u>	<u>22,870</u>	<u>1,933,333</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,095,665</u>	<u>\$ 89,096</u>	<u>\$ 31,236</u>	<u>\$ 2,215,997</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, 2018**

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,933,333
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	\$ 3,618,371	
Less accumulated depreciation	<u>(2,857,061)</u>	761,310
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	\$ 1,210,802	
Deferred inflows of resources related to pensions	(205,121)	
Deferred outflows of resources related to OPEB	52,491	
Deferred inflows of resources related to OPEB	<u>(2,000)</u>	1,056,172
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (96,559)	
Payables	<u>96,559</u>	-
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Compensated absences	\$ 103,000	
Other postemployment benefits	633,755	
Net pension liability	<u>5,688,235</u>	<u>(6,424,990)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (2,674,175)</u></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, 2018**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
School district assessment	\$10,479,764	\$ -	\$ -	\$ 10,479,764
Other local	153,344	2,333	101,272	256,949
State	4,253,613	14,941	1,987	4,270,541
Federal	89,268	65,470	35,769	190,507
Total revenues	<u>14,975,989</u>	<u>82,744</u>	<u>139,028</u>	<u>15,197,761</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	11,840,384	64,926	-	11,905,310
Support services:				
Student	510,666	2,333	-	512,999
Instructional staff	111,716	544	-	112,260
General administration	28,270	-	-	28,270
Executive administration	446,113	-	-	446,113
School administration	480,610	13,017	-	493,627
Operation and maintenance of plant	446,328	1,924	-	448,252
Student transportation	757,251	-	-	757,251
Noninstructional services	-	-	138,999	138,999
Facilities acquisition and construction	-	-	141,125	141,125
Total expenditures	<u>14,621,338</u>	<u>82,744</u>	<u>280,124</u>	<u>14,984,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>354,651</u>	<u>-</u>	<u>(141,096)</u>	<u>213,555</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	39,867	39,867
Transfers out	(39,867)	-	-	(39,867)
Total other financing sources (uses)	<u>(39,867)</u>	<u>-</u>	<u>39,867</u>	<u>-</u>
Net change in fund balances	314,784	-	(101,229)	213,555
Fund balances, beginning, as restated (see Note 16)	1,595,679	-	124,099	1,719,778
Fund balances, ending	<u>\$ 1,910,463</u>	<u>\$ -</u>	<u>\$ 22,870</u>	<u>\$ 1,933,333</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, 2018**

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 213,555
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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 146,991	
Depreciation expense	<u>(131,450)</u>	15,541
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (39,867)	
Transfers out	<u>39,867</u>	-
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in compensated absences payable	\$ 28,500	
Net increase in deferred outflows and inflows of resources related to other postemployment benefits	(8,977)	
Net increase in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(102,752)</u>	<u>(83,229)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 145,867</u></u>

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

**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, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School district assessment	\$ 10,479,764	\$ 10,479,764	\$ -
Other local	4,400	153,116	148,716
State	4,231,978	4,253,613	21,635
Federal	25,000	89,268	64,268
Total revenues	<u>14,741,142</u>	<u>14,975,761</u>	<u>234,619</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	12,211,175	11,784,384	426,791
Support services:			
Student	542,036	511,761	30,275
Instructional staff	128,921	113,574	15,347
General administration	22,005	28,270	(6,265)
Executive administration	446,113	446,113	-
School administration	581,299	491,925	89,374
Operation and maintenance of plant	443,085	593,974	(150,889)
Student transportation	718,008	757,251	(39,243)
Total expenditures	<u>15,092,642</u>	<u>14,727,252</u>	<u>365,390</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(351,500)</u>	<u>248,509</u>	<u>600,009</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(92,620)</u>	<u>(137,256)</u>	<u>(44,636)</u>
Net change in fund balance	<u>\$ (444,120)</u>	111,253	<u>\$ 555,373</u>
Increase in nonspendable fund balance		(7,989)	
Increase in committed fund balance		(100,000)	
Unassigned fund balance, beginning, as restated (see Note 16)		<u>1,347,158</u>	
Unassigned fund balance, ending		<u>\$ 1,350,422</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, 2018**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local	\$ -	\$ 2,333	\$ 2,333	\$ -
State	-	14,941	14,941	-
Federal	96,400	65,470	65,470	-
Total revenues	<u>96,400</u>	<u>82,744</u>	<u>82,744</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	96,400	64,926	64,926	-
Support services:				
Student	-	2,333	2,333	-
Instructional staff	-	544	544	-
School administration	-	13,017	13,017	-
Operation and maintenance of plant	-	1,924	1,924	-
Total expenditures	<u>96,400</u>	<u>82,744</u>	<u>82,744</u>	<u>-</u>
Net change in fund balance	<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, 2018**

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 28,911</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$ 28,911</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, 2018**

	<u><b>NOTE</b></u>
<b>Summary of Significant Accounting Policies</b> .....	1
Reporting Entity.....	1-A
Government-wide and Fund Financial Statements .....	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation .....	1-C
Cash and Cash Equivalents.....	1-D
Receivables .....	1-E
Inventory.....	1-F
Prepaid Items .....	1-G
Capital Assets .....	1-H
Interfund Activities .....	1-I
Accounts Payable.....	1-J
Deferred Outflows/Inflows of Resources.....	1-K
Long-term Obligations.....	1-L
Compensated Absences .....	1-M
Defined Benefit Pension Plan .....	1-N
Postemployment Benefits Other Than Pensions (OPEB) .....	1-O
Net Position/Fund Balances .....	1-P
Use of Estimates .....	1-Q
<b>Stewardship, Compliance, and Accountability</b> .....	2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis .....	2-B
Accounting Change/Restatement .....	2-C

**DETAILED NOTES ON ALL FUNDS**

<b>Cash and Cash Equivalents</b> .....	3
<b>Receivables</b> .....	4
<b>Capital Assets</b> .....	5
<b>Interfund Balances and Transfers</b> .....	6
<b>Intergovernmental Payables</b> .....	7
<b>Deferred Outflows/Inflows of Resources</b> .....	8
<b>Operating Lease Obligations</b> .....	9
<b>Long-term Liabilities</b> .....	10
<b>Defined Benefit Pension Plan</b> .....	11
<b>Postemployment Benefits Other Than Pensions (OPEB)</b> .....	12
New Hampshire Retirement System (NHRS) .....	12-A
Retiree Health Benefit Program .....	12-B
<b>Encumbrances</b> .....	13
<b>Governmental Activities Net Position</b> .....	14
<b>Governmental Fund Balances</b> .....	15
<b>Prior Period Adjustments</b> .....	16
<b>Risk Management</b> .....	17
<b>Contingent Liabilities</b> .....	18
<b>Subsequent Events</b> .....	19



**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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

The financial statements of the 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.

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

**1-A Reporting Entity**

The 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. Facilities acquisition and construction 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 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.

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The School District reports the following major governmental funds:

**General Fund** – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, and facilities acquisition and construction. 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 accounts and intergovernmental receivables.

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

***1-F Inventory***

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

***1-G Prepaid Items***

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

***1-H Capital Assets***

Capital assets are defined by the School District as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, sidewalks, drainage, and similar items) and are reported in governmental activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the School District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

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

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

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

<b>Capital Asset Class</b>	<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, 2018.

***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.

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

*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.

***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***

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

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

***1-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 three components:

**Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation.

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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

**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 with can be removed or modified.

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

**Nonspendable** – Amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

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

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

**Assigned** – Amounts that are constrained by the School District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

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

When multiple net position/fund balance classifications are available for use, it is the 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 \$150,000 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 during the period reported. These estimates include assessing the collectability of accounts receivable 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.

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2018, \$344,120 of the beginning general fund unassigned fund balance was applied for this purpose and \$100,000 was voted to be used to fund transfers to the School District's capital reserve funds.

**2-B Budgetary Reconciliation to GAAP Basis**

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

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

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

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 14,975,761
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	228
Per Exhibit C-3 (GAAP Basis)	<u>\$ 14,975,989</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 14,864,508
Adjustments:	
Basis difference:	
Encumbrances, beginning	105,318
Encumbrances, ending	(211,232)
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust fund	(100,000)
Expenditures of the blended expendable trust funds	2,611
Per Exhibit C-3 (GAAP basis)	<u>\$ 14,661,205</u>

**2-C Accounting Change/Restatement**

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

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources as follows:

	State
	<u>OPEB</u>
Change in total OPEB liability under current standards, July 1	\$ (656,439)
Initial balance of deferred outflows of resources	82,152
Cumulative restatement related to GASB No. 75 implementation (see Note 16)	<u>\$ (574,287)</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 \$1,734,460 and the bank balances totaled \$2,198,851.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 1,705,549
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E)	<u>28,911</u>
Total cash and cash equivalents	<u>\$ 1,734,460</u>

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2018, consisted of accounts and intergovernmental amounts arising from tuition, shared services, school lunch program, grants, 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, 2018 consisted of the following:

	<u>Balance,</u> <u>beginning</u>	<u>Additions</u>	<u>Balance,</u> <u>ending</u>
At cost:			
Not being depreciated:			
Land	\$ 6,770	\$ -	\$ 6,770
Construction in progress	141,125	141,125	282,250
Total capital assets not being depreciated	<u>147,895</u>	<u>141,125</u>	<u>289,020</u>
Being depreciated:			
Buildings and building improvements	3,289,034	-	3,289,034
Machinery, equipment, and furnishings	34,451	5,866	40,317
Total capital assets being depreciated	<u>3,323,485</u>	<u>5,866</u>	<u>3,329,351</u>
Total capital assets	<u>3,471,380</u>	<u>146,991</u>	<u>3,618,371</u>
Less accumulated depreciation:			
Buildings and building improvements	(2,718,502)	(128,005)	(2,846,507)
Machinery, equipment, and furnishings	(7,109)	(3,445)	(10,554)
Total accumulated depreciation	<u>(2,725,611)</u>	<u>(131,450)</u>	<u>(2,857,061)</u>
Net book value, capital assets being depreciated	<u>597,874</u>	<u>(125,584)</u>	<u>472,290</u>
Net book value, all capital assets	<u>\$ 745,769</u>	<u>\$ 15,541</u>	<u>\$ 761,310</u>

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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	\$ 120,999
Support services:	
Operation and maintenance of plant	10,451
Total depreciation expense	\$ 131,450

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

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

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 73,579
Nonmajor	General	22,980
		\$ 96,559

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

	Transfers In:
	Nonmajor
	Funds
Transfers out:	
General fund	\$ 39,867

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 in the general fund at June 30, 2018 consist of the following:

Balance due to the Goffstown School District	\$ 95,186
Balance due to the Nashua School District	12,290
Total general fund intergovernmental payables due	\$ 107,476

**NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$1,263,293 in the government wide activities June 30, 2018 consist of deferred amounts related to pensions and OPEB, see Notes 11 and 12 for further information.

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

	Government- wide	General Fund	Grants Fund
Fiscal year 2019 summer school tuition received in advance	\$ 580	\$ 580	\$ -
Local grant and donation revenue collected in advance of eligible expenditures being made	11,174	-	11,174
Amounts related to pensions	205,121	-	-
Amounts related to other postemployment benefits	2,000	-	-
Total deferred inflows of resources	\$ 218,875	\$ 580	\$ 11,174



**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NOTE 9 – OPERATING LEASE OBLIGATIONS**

The School District is committed under various noncancelable operating leases, primarily for copiers (principally in the general fund). Future minimum operating lease commitments are as follows:

Fiscal Year Ending	Principal
<u>June 30,</u> 2019	<u>\$ 4,451</u>

The School District subleases the property known as the White Buildings 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, 2018:

	Balance July 1, 2017 (as restated)	Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 131,500	\$ (28,500)	\$ 103,000	\$ -
Net other postemployment benefits	656,439	(22,684)	633,755	-
Pension related liability	<u>6,135,640</u>	<u>(447,405)</u>	<u>5,688,235</u>	-
Total long-term liabilities	<u>\$ 6,923,579</u>	<u>\$ (498,589)</u>	<u>\$ 6,424,990</u>	<u>\$ -</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 with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

**Contributions** – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the School District contributed 15.70% for teachers and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$518,462, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the School District reported a liability of \$5,688,235 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on a projection of the School District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the School District’s proportion was 0.12% which was an increase of 0.0003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$621,211. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 108,268	\$ 60,283
Net difference between projected and actual investment earnings on pension plan investments	-	72,443
Changes in assumptions	571,174	-
Differences between expected and actual experience	12,898	72,395
Contributions subsequent to the measurement date	518,462	-
Total	\$ 1,210,802	\$ 205,121

The \$518,462 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Fiscal Year Ending June 30,	
	2018	\$ 122,529
	2019	254,448
	2020	199,262
	2021	(89,020)
	Thereafter	-
	Totals	\$ 487,219

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

Inflation:	2.5%	
Salary increases:	5.6% average, including inflation	
Investment rate of return:	7.25% net of pension plan investment expense, including inflation	

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

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

**Long-term Rates of Return** – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.5%	4.25%
Small/Mid Cap Equities	7.5%	4.50%
Total domestic equities	<u>30.0%</u>	
Int'l Equities (unhedged)	13.0%	4.50%
Emerging Int'l Equities	7.0%	6.25%
Total international equity	<u>20.0%</u>	
Core Bonds	5.0%	0.75%
Short Duration	2.0%	(0.25%)
Global Multi-Sector Fixed Income	11.0%	2.11%
Absolute Return Fixed Income	7.0%	1.26%
Total fixed income	<u>25.0%</u>	
Private equity	5.0%	6.25%
Private debt	5.0%	4.75%
Opportunistic	5.0%	2.84%
Total alternative investments	<u>15.0%</u>	
Real estate	10.0%	3.25%
Total	<u><u>100.0%</u></u>	

**Discount Rate** – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	<u>\$ 7,493,964</u>	<u>\$ 5,688,235</u>	<u>\$ 4,208,511</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.

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**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 2017 Comprehensive Annual Financial Report, which can be found on the system’s website at [www.nhrs.org](http://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 2017, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$48,114, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At June 30, 2018, the School District reported a liability of \$633,755 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB liability was based on a projection of the School District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the School District’s proportion was 0.14% which was an increase of 0.003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$57,092. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 4,375	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	2,000
Contributions subsequent to the measurement date	48,116	-
Total	\$ 52,491	\$ 2,000

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

The \$48,116 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2018	\$ 3,875
2019	(500)
2020	(500)
2021	(500)
Thereafter	-
Totals	<u>\$2,375</u>

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

**Long-term Rates of Return** – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2017:

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

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-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, 2017	\$ 689,713	\$ 633,755	\$ 585,270

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

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

**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.

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, 2018, or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the School District. The amounts that should be recorded as the net OPEB liability and the OPEB expense is unknown.

**NOTE 13 – ENCUMBRANCES**

Encumbrances outstanding at June 30, 2018 are as follows:

Current:	
Support services:	
Student	\$ 1,095
Instructional staff	1,858
School administration	11,315
Operation and maintenance of plant	<u>196,964</u>
Total encumbrances	<u>\$ 211,232</u>

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION**

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

Net investment in capital assets:	
Net book value of all capital assets	\$ 761,310
Restricted for capital projects	22,385
Unrestricted	(3,457,870)
Total net position	<u>\$ (2,674,175)</u>

**NOTE 15 – GOVERNMENTAL FUND BALANCES**

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Inventory	\$ 8,782	\$ -	\$ 8,782
Prepaid	10,237	216	10,453
Total nonspendable fund balance	19,019	216	19,235
<b>Restricted:</b>			
Food service	-	269	269
Capital projects	-	22,385	22,385
Total restricted fund balance	-	22,654	22,654
<b>Committed:</b>			
Expendable trust	229,790	-	229,790
Voted appropriation - March 2018	100,000	-	100,000
Total committed fund balance	329,790	-	329,790
<b>Assigned:</b>			
Encumbrances	211,232	-	211,232
<b>Unassigned:</b>			
Unassigned - retained (RSA 198:4-bII)	150,000	-	150,000
Unassigned	1,200,422	-	1,200,422
Total unassigned	1,350,422	-	1,350,422
Total governmental fund balances	\$ 1,910,463	\$ 22,870	\$ 1,933,333

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at July 1, 2017 was restated for the following:

	Government-wide Statements	General Fund (GAAP)	General Fund (Budgetary)
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (574,287)	\$ -	\$ -
To adjust for estimated tuition payable	354,941	354,941	354,941
Net position/fund balance, as previously reported	(2,600,696)	1,240,738	992,217
Net position/fund balance, as restated	\$ (2,820,042)	\$ 1,595,679	\$ 1,347,158

**NOTE 17 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2018, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

**NEW BOSTON SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs is a pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2017 to June 30, 2018 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex<sup>3</sup> 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 18 – 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 19 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 19, 2018, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.



***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT F**  
**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, 2018*

	June 30,				
	2013	2014	2015	2016	2017
School District's proportion of the net pension liability	0.11%	0.12%	0.11%	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
School District's covered payroll	\$ 3,177,109	\$ 3,246,600	\$ 3,360,879	\$ 3,360,879	\$ 3,437,822
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%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%

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

**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, 2018*

	June 30,				
	2013	2014	2015	2016	2017
Contractually required contribution	\$ 282,223	\$ 375,711	\$ 377,763	\$ 413,165	\$ 423,719
Contributions in relation to the contractually required contributions	<u>282,223</u>	<u>375,711</u>	<u>377,763</u>	<u>413,165</u>	<u>423,719</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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>
Contributions as a percentage of covered payroll	8.88%	11.57%	11.24%	12.29%	12.33%

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



**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, 2018*

	June 30,	
	2016	2017
School District's proportion of the net OPEB liability	0.14%	0.14%
School District's proportionate share of the net OPEB liability (asset)	\$ 656,439	\$ 633,755
School District's covered payroll	\$ 3,360,879	\$ 3,437,822
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	19.53%	18.43%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%

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, 2018*

	June 30,	
	2016	2017
Contractually required contribution	\$ 78,791	\$ 82,152
Contributions in relation to the contractually required contribution	<u>78,791</u>	<u>82,152</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 3,360,879</u>	<u>\$ 3,437,822</u>
Contributions as a percentage of covered payroll	2.34%	2.39%

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, 2018**

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

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the School District’s other postemployment benefits at June 30, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

**Methods and Assumptions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

***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, 2018**

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 10,479,764	\$ 10,479,764	\$ -
Other local sources:			
Tuition	-	81,278	81,278
Investment earnings	1,800	9,732	7,932
Miscellaneous	2,600	62,106	59,506
Total from other local sources	<u>4,400</u>	<u>153,116</u>	<u>148,716</u>
State sources:			
Adequacy aid (grant)	2,874,997	2,887,749	12,752
Adequacy aid (tax)	1,333,192	1,333,192	-
Catastrophic aid	23,789	30,756	6,967
Other state aid	-	1,916	1,916
Total from state sources	<u>4,231,978</u>	<u>4,253,613</u>	<u>21,635</u>
Federal sources:			
Medicaid	25,000	89,268	64,268
Total revenues	14,741,142	<u>\$ 14,975,761</u>	<u>\$ 234,619</u>
Use of fund balance to reduce school district assessment	344,120		
Use of fund balance - appropriated	100,000		
Total revenues and use of fund balance	<u>\$ 15,185,262</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, 2018**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 56,000	\$ 10,115,496	\$ 9,952,103	\$ -	\$ 219,393
Special programs	-	2,037,277	1,821,301	-	215,976
Other	-	58,402	66,980	-	(8,578)
Total instruction	<u>56,000</u>	<u>12,211,175</u>	<u>11,840,384</u>	<u>-</u>	<u>426,791</u>
Support services:					
Student	-	542,036	510,666	1,095	30,275
Instructional staff	-	128,921	111,716	1,858	15,347
General administration	-	22,005	28,270	-	(6,265)
Executive administration	-	446,113	446,113	-	-
School administration	-	581,299	480,610	11,315	89,374
Operation and maintenance of plant	49,318	443,085	446,328	196,964	(150,889)
Student transportation	-	718,008	757,251	-	(39,243)
Total support services	<u>49,318</u>	<u>2,881,467</u>	<u>2,780,954</u>	<u>211,232</u>	<u>(61,401)</u>
Other financing uses:					
Transfers out	-	92,620	137,256	-	(44,636)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 105,318</u>	<u>\$ 15,185,262</u>	<u>\$ 14,758,594</u>	<u>\$ 211,232</u>	<u>\$ 320,754</u>

**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, 2018**

Unassigned fund balance, beginning, as restated (see Note 16)		\$ 1,347,158
Changes:		
Unassigned fund balance used to reduce school district assessment		(344,120)
Unassigned fund balance appropriated for use in 2018-2019		(100,000)
2017-2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 234,619	
Unexpended balance of appropriations (Schedule 2)	<u>320,754</u>	
2017-2018 Budget surplus		555,373
Increase in nonspendable fund balance		(7,989)
Increase in committed fund balance		<u>(100,000)</u>
Unassigned fund balance, ending		<u><u>\$ 1,350,422</u></u>

**SCHEDULE 4**  
**NEW BOSTON SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2018**

	Special Revenue Fund		Total
	Food Service	Capital Projects	
<b>ASSETS</b>			
Intergovernmental receivable	\$ 8,040	\$ -	\$ 8,040
Interfund receivable	595	22,385	22,980
Prepaid items	216	-	216
Total assets	<u>\$ 8,851</u>	<u>\$ 22,385</u>	<u>\$ 31,236</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	<u>\$ 8,366</u>	<u>\$ -</u>	<u>\$ 8,366</u>
Fund balances:			
Nonspendable	216	-	216
Restricted	269	22,385	22,654
Total fund balances	<u>485</u>	<u>22,385</u>	<u>22,870</u>
Total liabilities and fund balances	<u>\$ 8,851</u>	<u>\$ 22,385</u>	<u>\$ 31,236</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, 2018**

	Special Revenue Fund		Total
	Food Service	Capital Projects	
Revenues:			
Local	\$ 101,272	\$ -	\$ 101,272
State	1,987	-	1,987
Federal	35,769	-	35,769
Total revenues	<u>139,028</u>	<u>-</u>	<u>139,028</u>
Expenditures:			
Current:			
Noninstructional services	138,999	-	138,999
Facilities acquisition and construction	-	141,125	141,125
Total expenditures	<u>138,999</u>	<u>141,125</u>	<u>280,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29</u>	<u>(141,125)</u>	<u>(141,096)</u>
Other financing sources:			
Transfers in	<u>456</u>	<u>39,411</u>	<u>39,867</u>
Net change in fund balances	485	(101,714)	(101,229)
Fund balances, beginning	-	124,099	124,099
Fund balances, ending	<u>\$ 485</u>	<u>\$ 22,385</u>	<u>\$ 22,870</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, 2018*

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<u>Balance,</u> <u>beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance,</u> <u>ending</u>
<u>\$ 25,551</u>	<u>\$ 49,566</u>	<u>\$ 46,206</u>	<u>\$ 28,911</u>



# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES***

To the Members of the School Board  
New Boston School District  
New Boston, New Hampshire

In planning and performing our audit of the 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, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered New Boston School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Boston School District's internal control. Accordingly, we do not express an opinion on the effectiveness of New Boston School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

### **Budget Planning, Review, and Oversight**

Annual budgets should be developed in accordance with municipal budget law for the State of New Hampshire with the intent that the actual expenditures incurred are as close to budget as possible without over expenditure.

We observed during our audit that actual expenditures for some functions were significantly less than the estimated appropriation which results in a higher budget surplus at year end which in turn gets added to unassigned fund balance. The over assessment of taxes and the continued expenditure variances at this level without an immediate action will only continue to produce large budget surpluses at year end. In addition, we noted that the revenue budget for the School District was not entered into the general ledger software system for the year. Budget to actual comparisons of the revenue becomes inefficient or even nonexistent if the revenue budget is not input into the accounting software system.

Management should seriously consider using a more conservative approach in developing the School District's budget. Therefore, we strongly recommend that:

1. Management should undertake a thorough review and comparison of the budget to current actual revenues and expenditures;
2. The total expenditure budget should be based on the actual and known costs;
3. The budgeted revenue should be based on actual amounts earned, which will result in the development of a more conservative and realistic budget;

***New Boston School District  
Independent Auditor's Communication of Significant Deficiencies***

4. Development and practice of a formal process of comparing the periodic budget to actual revenues and expenditures by management, with timely revisions as needed. The annual revenue budget, once known, should also be input into the accounting software system so that meaningful budget to actual comparisons can be made which will lead to more accurate decisions being made.

As management goes through the budget-to-actual comparison for fiscal year 2018-19 and as it develops the fiscal year 2019-2020 budget based on the above principles, it may determine that certain expenditures (both function and object level) will require significant reductions.

**Management's Response:** School District management has taken a conservative approach to budget development. State financial reporting through the DOE-25 was prepared by the SAU Business Office and reviewed by our auditors at Plodzik & Sanderson to ensure accuracy. For FY 2018 and moving forward, the NH DOE-25 was prepared using audited financial information.

In terms of audited expenditures, the variance between actual to budget was \$365,390 or 2.4%. It is management's belief that this underspend of the final budget is appropriate and reasonable considering the numerous factors that occur when developing a budget 12-18 months prior to its conclusion. The factors include teacher turnover, employee benefit changes, regular and special education enrollment changes, and unforeseen repairs or improvements to school buildings and grounds.

School District management has also taken a conservative approach to revenue projections. In FY 2018, actual revenues exceeded the revenue budget by \$234,619 or 1.6%. Management is working to add revenues to its financial software system for tracking purposes as recommended. Please note that in FY 2018, approximately 98% of all revenues received by the District are in the form of local taxes, adequacy aid, and the State assessment. These sources are predictable, timely and reasonably accurate.

In terms of budgeting practices, management has already begun the process of:

- Reviewing actual to budget data for both expenses and revenues on a monthly basis
- Conducting expense to budget reviews with building principals and department heads
- Developing expense and revenue budgets based on actuals (and anticipated needs).

Correction Dates: Fiscal year 2020. Our next budget cycle will be fiscal year 2020. Our budget process began in August 2018.

**Encumbrances**

RSA 32:7, Lapse of Appropriations, states in part that the "Annual meeting appropriations shall cover anticipated expenditures for one fiscal year. All appropriations shall lapse at the end of the fiscal year and any unexpended portion thereof shall not be expended without further appropriation, unless the amount has, prior to the end of that fiscal year, become encumbered by a legally-enforceable obligation, created by contract or otherwise, to any person for the expenditure of that amount..."

Upon review of the School District's encumbrances at June 30, 2018 we noted encumbered items that did not have sufficient supporting documentation. In addition, we noted that the School District software makes it difficult to track current year encumbrances that have to be carried forward into the new fiscal year. These encumbrances (purchase orders) are posted in the computer system in Fund 11 (Prior Year Expenses) and any corresponding expenditures related to the encumbrances are also posted in Fund 11. If encumbrances are liquidated and there is a remaining balance on an encumbrance, the encumbrance balance should lapse and not become available for other expenditures. We noted instances where encumbrances were not lapsed in the system and were used to fund unrelated capital project items.

By using Fund 11 to report this information separate from the applicable fund, interim financial reports could be misleading and misstated since all of the expenditures for those funds is not being properly reported until year-end.

We strongly recommend that all encumbered amounts at year end be legally-enforceable obligations or contracts and that supporting documentation is on file for such amounts. If it is found that encumbrances are being created to hold over unspent budget amounts without cause, they should be voided and denied. It is also recommended that the new Business Administrator work closely with the School District Accountant in the last quarter each year to clean up any old open purchase orders and to ensure what is being encumbered at year end is appropriate and properly authorized. Finally, we strongly recommend that management work with the software company to find a way to track year end encumbrances in each fund so that each fund's activity is being properly reported so that either Fund 11 is being used more effectively or it no longer has to be used.

**Management's Response:** Management agrees with this recommendation, as this finding was brought to our attention based on a recently completed audit for FY 2017. In the past, encumbrances were left open and were not closed out in a timely manner. Moving forward, new internal controls will be implemented to ensure this deficiency is corrected.

Correction Dates: Fiscal year 2019



***New Boston School District  
Independent Auditor's Communication of Significant Deficiencies***

The New Boston School District's responses to the findings identified in our audit are described in this Independent Auditor's Communication of Significant Deficiencies. The New Boston School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses. This communication is intended solely for the information and use of management the School Board, and others within the New Boston School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

December 19, 2018

*Plodzik & Sanderson  
Professional Association*