

NOTTINGHAM SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2017

NOTTINGHAM SCHOOL DISTRICT

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Additional Offices:

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

INDEPENDENT AUDITORS' REPORT

To the School Board
Nottingham School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nottingham School District, as of and for the year ended June 30, 2017, which collectively comprise the Nottingham School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nottingham School District, as of June 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison for all budgeted funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 36 to 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the 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 evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

December 7, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Nottingham School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. 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 our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick leave).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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 the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the General Fund and Food Service Fund. A budgetary comparison statement has been provided to demonstrate compliance with these budgets.

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 District programs.

Notes to 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 certain required supplementary information, which is required to be disclosed by the accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by \$(1,145,689) (i.e., net position), a change of \$(528,643) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$694,807, a change of \$(106,550) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$340,150, a change of \$(248,439) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 1,019,095	\$ 1,222,037
Noncurrent assets	<u>2,774,280</u>	<u>2,801,462</u>
Total assets	3,793,375	4,023,499
Deferred outflows	1,647,776	563,314
Current liabilities	324,288	420,680
Noncurrent liabilities	<u>6,189,997</u>	<u>4,576,843</u>
Total liabilities	6,514,285	4,997,523
Deferred inflows	72,555	206,336
Net position:		
Net investment in capital assets	2,774,280	2,801,462
Unrestricted	<u>(3,919,969)</u>	<u>(3,418,508)</u>
Total net position	<u>\$ (1,145,689)</u>	<u>\$ (617,046)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(1,145,689), a change of \$(528,643) from the prior year.

The largest portion of net position, \$2,774,280, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position is in a deficit of \$(3,919,969), primarily resulting from the unfunded net pension liability (see Note 11) and the unfunded net OPEB obligation (see Note 12).

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 96,645	\$ 85,801
Operating grants and contributions	38,073	45,570
General revenues:		
School district assessment	9,238,928	8,992,220
Grants and contributions not restricted to specific programs	1,633,937	1,619,260
Investment income	617	350
Miscellaneous	1,311	74,356
Total revenues	<u>11,009,511</u>	<u>10,817,557</u>
Expenses:		
Regular programs	6,327,403	5,988,554
Special programs	1,705,199	1,597,382
Other instructional programs	45,041	42,291
Student services	664,157	553,762
Instructional staff	462,786	394,774
General administration	489,809	487,088
School administration	379,404	371,121
Operations and maintenance	487,591	356,508
Student transportation	683,429	746,163
Food service operations	159,527	161,104
Depreciation	133,808	134,239
Total expenses	<u>11,538,154</u>	<u>10,832,986</u>
Change in net position	(528,643)	(15,429)
Net position	<u>(617,046)</u>	<u>(601,617)</u>
Net position - end of year	<u>\$ (1,145,689)</u>	<u>\$ (617,046)</u>

Governmental activities: Governmental activities for the year resulted in a change in net position of \$(528,643). Key elements of this change are as follows:

<u>Operating Results:</u>	
General Fund	\$ (106,545)
Food Service Fund	<u>(5)</u>
Subtotal operating results	(106,550)
Purchase of capital assets	106,626
Depreciation expense	(133,808)
Change in compensated absence liability	(914)
Change in net OPEB obligation	(105,890)
Change in net pension liability	(1,506,349)
Change in deferred outflows	1,084,461
Change in deferred inflows	<u>133,781</u>
Total	<u>\$ (528,643)</u>

D. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$694,807, a change of \$(106,550) in comparison to the prior year. Key elements of this change are as follows:

General Fund expenditures and transfers out in excess of revenues	\$ (106,545)
Food Service Fund expenditures in excess of revenues and transfers in	<u>(5)</u>
Total	<u>\$ (106,550)</u>

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$340,150, while total fund balance was \$696,297. 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 General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>06/30/17</u>	<u>06/30/16</u>	<u>Change</u>	<u>Percentage of General Fund Expenditures</u>
Unassigned fund balance	\$ 340,150	\$ 588,589	\$ (248,439)	3.1%
Total fund balance	\$ 696,297	\$ 802,842	\$ (106,545)	6.4%

The fund balance of the General Fund changed by \$(106,545) during the current fiscal year. Key factors related to this change are as follows:

Use of fund balance as a funding source	\$ (579,037)
Revenues greater than budget	80,288
Expenditures less than budget	316,517
Food service fund activity funded by General Fund	6,427
Reserve fund activity	<u>69,260</u>
Total	\$ <u>(106,545)</u>

Included in the total general fund balance are the District's reserve accounts with the following balances:

	<u>06/30/17</u>	<u>06/30/16</u>	<u>Change</u>
Building repairs	\$ 61,365	\$ 36,243	\$ 25,122
Grounds improvements	38,925	30,021	8,904
Special education	103,199	87,989	15,210
Textbooks	<u>20,024</u>	<u>-</u>	<u>20,024</u>
Total	\$ <u>223,513</u>	\$ <u>154,253</u>	\$ <u>69,260</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There was no difference between the original and final budget.

F. CAPITAL ASSET ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$2,774,280 (net of accumulated depreciation), a change of \$(27,182) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment, and furnishings.

Additional information on capital assets can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Nottingham School District's finances 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:

Nottingham School District
23A Mountain Avenue
Northwood, New Hampshire 03261

NOTTINGHAM SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 724,881
Intergovernmental receivables	288,379
Prepaid expenses	2,634
Inventory	3,201
Total current assets	1,019,095
Noncurrent:	
Capital assets:	
Land	390,975
Capital assets, net of accumulated depreciation	2,383,305
Total noncurrent assets	2,774,280
Deferred Outflows of Resources - Pension Related	1,647,776
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,441,151
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current:	
Accounts payable	197,542
Intergovernmental payables	54,868
Accrued payroll and benefits	71,772
Unearned revenue	106
Total current liabilities	324,288
Noncurrent:	
Compensated absences	104,882
Net OPEB obligation	339,310
Net pension liability	5,745,805
Total noncurrent liabilities	6,189,997
Deferred Inflows of Resources - Pension Related	72,555
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,586,840
NET POSITION	
Net investment in capital assets	2,774,280
Unrestricted	(3,919,969)
TOTAL NET POSITION	\$ (1,145,689)

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

NOTTINGHAM SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Regular programs	\$ 6,327,403	\$ 7,815	\$ -	\$ (6,319,588)
Special programs	1,705,199	-	-	(1,705,199)
Other instructional programs	45,041	-	-	(45,041)
Student services	664,157	-	-	(664,157)
Instructional staff	462,786	-	-	(462,786)
General administration	489,809	-	-	(489,809)
School administration	379,404	-	-	(379,404)
Operations and maintenance	487,591	-	-	(487,591)
Student transportation	683,429	-	-	(683,429)
Food service operations	159,527	88,830	38,073	(32,624)
Depreciation	133,808	-	-	(133,808)
	<u>\$ 11,538,154</u>	<u>\$ 96,645</u>	<u>\$ 38,073</u>	<u>(11,403,436)</u>
Total Governmental Activities				
General Revenues:				
				9,238,928
				1,633,937
				617
				1,311
				10,874,793
				<u>10,874,793</u>
				Change in Net Position
				(528,643)
				Net Position:
				Beginning of year
				(617,046)
				End of year
				<u>\$ (1,145,689)</u>

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

NOTTINGHAM SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 724,881	\$ -	\$ 724,881
Intergovernmental receivables	284,263	4,116	288,379
Due from Food Service Fund	7,543	-	7,543
Prepaid expenses	2,634	-	2,634
Inventory	<u>-</u>	<u>3,201</u>	<u>3,201</u>
TOTAL ASSETS	<u>\$ 1,019,321</u>	<u>\$ 7,317</u>	<u>\$ 1,026,638</u>
LIABILITIES			
Accounts payable	\$ 196,384	\$ 1,158	\$ 197,542
Intergovernmental payables	54,868	-	54,868
Due to General Fund	-	7,543	7,543
Accrued payroll and benefits	71,772	-	71,772
Unearned revenue	<u>-</u>	<u>106</u>	<u>106</u>
TOTAL LIABILITIES	323,024	8,807	331,831
FUND BALANCES			
Nonspendable	2,634	3,201	5,835
Committed	223,513	-	223,513
Assigned	130,000	-	130,000
Unassigned	<u>340,150</u>	<u>(4,691)</u>	<u>335,459</u>
TOTAL FUND BALANCES	<u>696,297</u>	<u>(1,490)</u>	<u>694,807</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,019,321</u>	<u>\$ 7,317</u>	<u>\$ 1,026,638</u>

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

NOTTINGHAM SCHOOL DISTRICT

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION**

JUNE 30, 2017

Total governmental fund balances	\$ 694,807
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,774,280
• Deferred outflows of resources from net pension liability.	1,647,776
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(104,882)
Net OPEB obligation	(339,310)
Net pension liability	(5,745,805)
• Deferred inflows of resources from net pension liability.	<u>(72,555)</u>
Net position of governmental activities	<u><u>\$ (1,145,689)</u></u>

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

NOTTINGHAM SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
School district assessment	\$ 9,238,928	\$ -	\$ 9,238,928
Intergovernmental	1,633,937	38,073	1,672,010
Charges for services	7,815	88,830	96,645
Investment income	617	-	617
Miscellaneous	1,311	-	1,311
	<u>10,882,608</u>	<u>126,903</u>	<u>11,009,511</u>
Expenditures:			
Current:			
Regular programs	6,034,594	-	6,034,594
Special programs	1,678,113	-	1,678,113
Other instructional programs	43,769	-	43,769
Student services	639,563	-	639,563
Instructional staff	444,422	-	444,422
General administration	489,809	-	489,809
School administration	358,839	-	358,839
Operations and maintenance	565,600	-	565,600
Student transportation	683,429	-	683,429
Facilities acquisition and construction	21,198	-	21,198
Food service operations	-	156,725	156,725
	<u>10,959,336</u>	<u>156,725</u>	<u>11,116,061</u>
Excess (deficiency) of revenues over expenditures	(76,728)	(29,822)	(106,550)
Other Financing Sources (Uses):			
Transfers in	90,000	29,817	119,817
Transfers out	(119,817)	-	(119,817)
	<u>(29,817)</u>	<u>29,817</u>	<u>-</u>
Change in fund balances	(106,545)	(5)	(106,550)
Fund Balances, at Beginning of Year	<u>802,842</u>	<u>(1,485)</u>	<u>801,357</u>
Fund Balances, at End of Year	<u>\$ 696,297</u>	<u>\$ (1,490)</u>	<u>\$ 694,807</u>

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

NOTTINGHAM SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - total governmental funds	\$ (106,550)
<ul style="list-style-type: none">Governmental funds report capital purchases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Purchase of capital assets	106,626
Depreciation	(133,808)
<ul style="list-style-type: none">Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences	(914)
Net OPEB obligation	(105,890)
GASB 68 changes:	
Net pension liability	(1,506,349)
Deferred outflows of resources	1,084,461
Deferred inflows of resources	<u>133,781</u>
Change in net position of governmental activities	\$ <u>(528,643)</u>

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

NOTTINGHAM SCHOOL DISTRICT

ALL BUDGETED FUNDS

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
General Fund:				
School district assessment	\$ 9,238,928	\$ 9,238,928	\$ 9,238,928	\$ -
Intergovernmental	1,561,291	1,561,291	1,633,937	72,646
Charges for services	-	-	7,815	7,815
Investment income	150	150	161	11
Miscellaneous	1,500	1,500	1,316	(184)
Total General Fund	10,801,869	10,801,869	10,882,157	80,288
Other Funds:				
Food Service Fund:				
Intergovernmental	55,000	55,000	38,073	(16,927)
Charges for services	95,000	95,000	88,830	(6,170)
Total Food Service Fund	150,000	150,000	126,903	(23,097)
Other Financing Sources:				
Use of fund balance - WA#6	30,000	30,000	30,000	-
Use of fund balance - WA#7	25,000	25,000	25,000	-
Use of fund balance - WA#8	15,000	15,000	15,000	-
Use of fund balance - WA#9	20,000	20,000	20,000	-
Use of fund balance - reduce taxes	489,037	489,037	489,037	-
Total Other Financing Sources	579,037	579,037	579,037	-
Total Revenues and Other Sources	11,530,906	11,530,906	11,588,097	57,191
Expenditures and Other Uses:				
General Fund:				
Regular programs	6,214,307	6,214,307	6,034,594	179,713
Special programs	1,793,260	1,793,260	1,678,114	115,146
Other instructional programs	50,094	50,094	43,769	6,325
Student services	619,111	619,111	639,563	(20,452)
Instructional staff	422,954	422,954	444,422	(21,468)
General administration	518,297	518,297	489,809	28,488
School administration	398,900	398,900	358,839	40,061
Operations and maintenance	468,089	468,089	565,600	(97,511)
Student transportation	769,644	769,644	683,429	86,215
Total General Fund	11,254,656	11,254,656	10,938,139	316,517
Other Funds:				
Food Service Fund:				
Food service operations	186,250	186,250	156,725	29,525
Other Financing Uses:				
Transfers to reserve funds	90,000	90,000	90,000	-
Total Expenditures and Other Uses	11,530,906	11,530,906	11,184,864	346,042
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 403,233	\$ 403,233

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

NOTTINGHAM SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Student Activity Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>35,493</u>
Total Assets	\$ <u><u>35,493</u></u>
<u>LIABILITIES</u>	
Due to student groups	\$ <u>35,493</u>
Total Liabilities	\$ <u><u>35,493</u></u>

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

NOTTINGHAM SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Nottingham School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District is a municipal corporation governed by an elected School Board. As required by generally accepted accounting principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. School District assessments and other items not properly included among program revenues are reported instead as *general revenues*.

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include School District assessments.

Fund Financial Statements

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. Typically, revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Food Service Fund* accounts for the District's food service program.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The District reports the following fiduciary funds:

- *Agency Funds* are used to account for funds held by the District on behalf of others (e.g., student activity funds).

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash and investment 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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

F. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method.

G. Capital Assets

Capital assets, which include land, buildings and improvements, and machinery, equipment and furnishings, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 45
Machinery, equipment, and furnishings	3 - 10

H. Compensated Absences

It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position – Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or

through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance and Accountability

A. Budgetary Information

At its annual meeting, the District adopts a budget for the next fiscal year. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, overexpenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end.

B. Budgetary Basis

The final appropriations appearing on the “Budget and Actual” pages of the fund financial statements represent the final amended budget after all transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund and the food service fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund and the food service fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>All Budgeted Funds</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 11,009,511	\$ 11,116,061
Reverse reserve fund activity	(451)	(21,197)
Record budgeted transfer to reserve funds	-	90,000
Recognize use of fund balance as funding source	<u>579,037</u>	<u>-</u>
Revenues/Expenditures and Other Financing Sources/Uses (Budgetary Basis)	<u>\$ 11,588,097</u>	<u>\$ 11,184,864</u>

D. Deficit Fund Equity

The Food Service fund had a deficit of \$(1,490) at June 30, 2017. This deficit will be eliminated through future operating revenues or transfers from the General Fund.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. RSA 48:16 limits "deposits in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a District with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank". The District does not have a deposit policy for custodial credit risk.

As of June 30, 2017, none of the District's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Intergovernmental Receivables and Payables

Intergovernmental receivables and payables consist of the following:

	<u>Receivables</u>	<u>Payables</u>
SAU 44	\$ 9,088	\$ 53,440
Northwood School District	-	714
Strafford School District	-	714
Trustee of Trust Funds	244,710	-
Other governmental entities	<u>34,581</u>	<u>-</u>
Total	<u>\$ 288,379</u>	<u>\$ 54,868</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows: (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,369	\$ 10	\$ -	\$ 4,379
Machinery, equipment, and furnishings	543	97	-	640
Total capital assets, being depreciated	4,912	107	-	5,019
Less accumulated depreciation for:				
Buildings and improvements	(2,057)	(100)	-	(2,157)
Machinery, equipment, and furnishings	(445)	(34)	-	(479)
Total accumulated depreciation	(2,502)	(134)	-	(2,636)
Total capital assets, being depreciated, net	2,410	(27)	-	2,383
Capital assets, not being depreciated:				
Land	391	-	-	391
Total capital assets, not being depreciated	391	-	-	391
Governmental activities capital assets, net	<u>\$ 2,801</u>	<u>\$ (27)</u>	<u>\$ -</u>	<u>\$ 2,774</u>

6. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, are more fully discussed in Note 11.

7. Long-Term Debt

Changes in Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/15	Additions	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Noncurrent Portion 6/30/16
<u>Governmental Activities</u>						
Compensated absences	\$ 104	\$ 1	\$ -	\$ 105	\$ -	\$ 105
Net OPEB obligation	233	119	(13)	339	-	339
Net pension liability	4,239	1,507	-	5,746	-	5,746
Totals	<u>\$ 4,576</u>	<u>\$ 1,627</u>	<u>\$ (13)</u>	<u>\$ 6,190</u>	<u>\$ -</u>	<u>\$ 6,190</u>

8. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The District reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 11.

9. Fund Balances

Fund balances are segregated to account for resources that are either not available for expenditures in the future or are legally set aside for a specific future use.

The District has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2017:

Nonspendable – Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes reserves for inventory and prepaid expenditures.

Restricted – Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Committed – Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest decision-making authority (i.e., the School District Meeting). This fund balance classification includes capital reserve funds.

Assigned – Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. This fund balance classification includes surplus set aside to be used in the subsequent year's budget.

Unassigned – Represents amounts that are available to be spent in future periods and deficit funds.

The following is a summary of the District's fund balances at June 30, 2017:

	General <u>Fund</u>	Food Service <u>Fund</u>
Nonspendable:		
Reserve for prepaids	\$ 2,634	\$ -
Reserve for inventory	<u>-</u>	<u>3,201</u>
Total Nonspendable	2,634	3,201
Committed:		
Building repairs	61,365	-
Grounds improvements	38,925	-
Special education	103,199	-
Textbooks	<u>20,024</u>	<u>-</u>
Total Committed	223,513	-
Assigned:		
Transfers to reserve funds (2018)	70,000	-
RSA 198:4-b II	<u>60,000</u>	<u>-</u>
Total Assigned	130,000	-
Unassigned:		
Remaining fund balance	<u>340,150</u>	<u>(4,691)</u>
Total Unassigned	<u>340,150</u>	<u>(4,691)</u>
Total Fund Balances	<u>\$ 696,297</u>	<u>\$ (1,490)</u>

10. Interfund Accounts

Transfers

The District reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditures purposes. The following is an analysis of interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Building repairs	\$ -	\$ 25,000
Grounds improvements	-	30,000
Special Education	-	15,000
Textbooks	-	20,000
Food service	-	29,817
Capital Reserve Funds:		
Building repairs	25,000	-
Grounds improvements	30,000	-
Special Education	15,000	-
Textbooks	20,000	-
Food Service Fund:		
General fund	<u>29,817</u>	<u>-</u>
Total	<u>\$ 119,817</u>	<u>\$ 119,817</u>

11. New Hampshire Retirement System

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Section 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters

belong to Group II. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

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 a 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 benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and teachers, 11.55% for police, and 11.80% for fire. The District makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 25.32% of covered compensation. The District's contributions to NHRS for the year ended June 30, 2017 were \$404,244, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$5,745,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.10701571 percent.

At June 30, 2016, the District's proportion was 0.10805267 percent, which was an increase of 0.00103696% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$692,351. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual experience	\$ 15,968	\$ 72,555
Changes of assumptions	707,126	-
Net difference between projected and actual earnings on pension plan investments	359,487	-
Changes in proportion and differences between contributions and proportionate share of contributions	160,951	-
Contributions subsequent to the measurement date (fiscal year 2017)	404,244	-
Total	<u>\$ 1,647,776</u>	<u>\$ 72,555</u>

\$404,244 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 256,777
2019	256,777
2020	364,819
2021	278,655
2022	<u>13,949</u>
Total	\$ <u><u>1,170,977</u></u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent per year
Salary increases	5.6 percent average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments 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 rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
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	4.75%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.64%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	1.71%
Absolute Return Fixed Income	7.00	1.08%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	3.68%
Real estate	10.00	3.25%
Total alternative investments	25.00	
Total	100.00 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the 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 and 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 7,382,966	\$ 5,745,804	\$ 4,388,037

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NHRS financial report.

12. Other Post-Employment Benefits – OPEB (GASB 45)

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing retirement benefits, the District provides post-employment healthcare benefits for retired employees through the District’s plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2015, the actuarial valuation date, 2 retirees and 74 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The District provides medical insurance to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the District. The District contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2015.

Annual Required Contribution (ARC)	\$ 123,362
Interest on net OPEB obligation	9,337
Adjustment to ARC	<u>(13,237)</u>
Annual OPEB cost	119,462
Contributions made	<u>(13,572)</u>
Increase in net OPEB obligation	105,890
Net OPEB obligation - beginning of year	<u>233,420</u>
Net OPEB obligation - end of year	<u><u>\$ 339,310</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 119,462	11.4%	\$ 339,310
2016	\$ 125,663	11.1%	\$ 233,420
2015	\$ 82,433	24.2%	\$ 121,726

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability	\$ 964,736
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 964,736</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 3,387,531</u>
UAAL as a percentage of covered payroll	<u>28.5%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the District and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined, as the District has not advanced funded its obligation. The actuarial assumptions included a 4.0% investment rate of return. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming inflation rates of (3.46%) in year one, 9.00% in year two, with an ultimate inflation rate of 5.00%, over ten years.

13. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the District is involved. The District's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

14. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the District beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, the Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

NOTTINGHAM SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2015	June 30, 2014	0.10768431%	\$ 4,042,023	\$ 2,961,753	136.47%	66.32%
June 30, 2016	June 30, 2015	0.10701571%	\$ 4,239,456	\$ 3,032,054	139.82%	65.47%
June 30, 2017	June 30, 2016	0.10805267%	\$ 5,745,804	\$ 3,083,702	186.33%	58.30%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent See Independent Auditors' Report.

NOTTINGHAM SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	Contributions as a Percentage of Covered <u>Payroll</u>
June 30, 2015	\$ 349,353	\$ 349,353	\$ -	\$ 3,032,054	11.52%
June 30, 2016	\$ 386,913	\$ 386,913	\$ -	\$ 3,083,702	12.55%
June 30, 2017	\$ 404,244	\$ 404,244	\$ -	\$ 3,222,761	12.54%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

NOTTINGHAM SCHOOL DISTRICT

SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/13	\$ -	\$ 531,400	\$ 531,400	0.0%	\$ 3,247,150	16.4%
07/01/15	\$ -	\$ 964,736	\$ 964,736	0.0%	\$ 3,387,551	28.5%

See Independent Auditors' Report.