

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

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

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Haverhill Cooperative School District
North Haverhill, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Haverhill Cooperative 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 opinions.

Summary of Opinions

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1-N to the financial statements, management has not recorded the local portion of long-term costs of retirement health care costs and obligations for other postemployment benefits 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.

***Haverhill Cooperative 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 Haverhill Cooperative 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 Haverhill Cooperative School District as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons 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 10-B 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 School District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of School District Contributions – Other Postemployment Benefits, and
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Haverhill Cooperative 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*

March 7, 2019

HAVERHILL COOPERATIVE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Period Ending June 30, 2018

This discussion and analysis of the Haverhill Cooperative School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2018. Please read it in conjunction with District's financial statements.

Financial Highlights

- The District's governmental activities net position increased by \$606,701 as a result of this year's operations.
- The District's General Fund fund balance increased by \$281,328 as a result of this year's operation.
- The unassigned fund balance for the General Fund (including retained fund balance) was \$616,341 as of June 30, 2018.
- The School District 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 \$1,060,348 for the OPEB provided by NHRS to retroactively report the 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.

Overview of the Financial Statements

Management's discussion and analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and 4) required supplementary information. The government-wide financial statements present a long-term view and are designed to provide the reader with a broad overview of the District's finances as a whole. Governmental fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds. The fiduciary fund statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the government.

Government-wide Financial Statements

One of the most important questions to ask about the District's finances: "Is the District as a whole better off or worse off as result of the year's activities?" The statement of net position and the statement of activities report information about the District as a whole and about the activities in a way that helps answer this question. The statements are prepared similar to private sector using the accrual basis of accounting. Under this basis of accounting, all of the current year's revenues and expenses are reported when earned or incurred regardless of when cash is paid or received.

The statement of net position is used to report all that the District owns and owes. The difference between the two is reported as net position. This classification of net position is broken into three categories, the first being the portion invested in capital assets net of the related debt to indicate that this amount is not really accessible for other purposes. A second portion of net position reflects resources not accessible for general use because their use is subject to restrictions enforceable by third parties. Any remaining net position is classified as unrestricted.

The statement of activities is used to report all changes in a District's net position from one year to another. The statement is presented using a net cost format designed to highlight the portion of each functional activity that must be financed from the District's own resources. The statement first reports all direct costs associated with each functional activity, then reports dedicated outside resources (program revenues) as a direct reduction to arrive at the program's net cost to the District.

HAVERHILL COOPERATIVE SCHOOL DISTRICT
Management’s Discussion and Analysis
For the Period Ending June 30, 2018

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by state law. The District’s School Board may establish other funds to help them control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. This District uses governmental and fiduciary type funds.

Governmental Funds- Most of the District’s operations are reported in the governmental funds. These funds place their focus on near term financing needs. Financial assets include cash as well as other assets that will convert to cash in the course of their ordinary lives. Governmental funds do not report capital assets, because such assets will be used in operations rather than be converted to cash and therefore are not available to spend. The District reports five governmental funds; the General Fund (which includes the expendable trust fund), the Grants Fund, the Capital Project Fund, the Food Service Fund, and Haverhill Academy Fund. The District adopts an annual appropriated budget for its General Fund and Grants Fund. A budgetary comparison schedule has been provided for the General Fund and Grants Fund to demonstrate compliance with this budget.

Fiduciary Funds - The District serves as trustee or fiduciary for student activities accounts and private purpose trust funds. These activities are reported in the statement of fiduciary net position and a Statement of Changes in Net Position. These activities are excluded from the District’s other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to Financial Statements

Notes to Financial Statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

Financial Analysis of the Government as a Whole

Government-wide Net Position – The following analysis focuses on the net position, and the changes in net position of the District as a whole. The net position of the District increased \$606,701, from (\$4,723,959) to (\$4,117,258).

The following is a summary of the District’s government-wide net position:

| | | | | % |
|---------------------------------------|--------------|----------------------|------------------|------------------|
| | | 2017 | Change | Change |
| | <u>2018</u> | <u>(as restated)</u> | <u>2017-2018</u> | <u>2017-2018</u> |
| Assets | | | | |
| Current Assets | \$ 4,970,379 | \$ 1,574,638 | \$ 3,395,741 | 215.65% |
| Capital Assets | 5,829,383 | 5,939,439 | (110,056) | -1.85% |
| Total assets | 10,799,762 | 7,514,077 | 3,285,685 | 43.73% |
| Deferred Outflows of Resources | | | | |
| | 1,859,830 | 2,871,199 | (1,011,369) | -35.22% |
| Liabilities | | | | |
| Other Liabilities | 198,120 | 772,504 | (574,384) | -74.35% |
| Long Term Liabilities | 15,606,586 | 13,960,100 | 1,646,486 | 11.79% |
| Total Liabilities | 15,804,706 | 14,732,604 | 1,072,102 | 7.28% |

HAVERHILL COOPERATIVE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Period Ending June 30, 2018

| | | | | |
|--------------------------------------|----------------|----------------|-------------|---------|
| Deferred Inflows of Resources | 972,144 | 376,631 | 595,513 | 158.12% |
| Net Position | | | | |
| Net Investment in Capital Assets | 4,597,818 | 4,405,697 | 192,121 | 4.36% |
| Restricted Net Position | 3,643,839 | - | 3,643,839 | 100.00% |
| Unrestricted Net Position | (12,358,915) | (9,129,656) | (3,229,259) | 35.37% |
| Total Net Position | \$ (4,117,258) | \$ (4,723,959) | \$ 606,701 | -12.84% |

Government-wide Statement of Activities – Governmental activities reported total revenues of \$14,122,719 and total expenses of \$13,516,018 resulting in an increase in net position of \$606,701.

The following is a summary of the District's governmental activities:

| | June 30, | June 30, | | Change |
|---------------------------------------|--------------|--------------|----------------|-------------|
| | <u>2018</u> | <u>2017</u> | <u>Change</u> | <u>in %</u> |
| Revenues | | | | |
| Program Revenue | | | | |
| Charges for Services | \$ 1,099,473 | \$ 1,156,667 | \$ (57,194) | -4.94% |
| Operating Grants & Contributions | 1,065,961 | 1,074,999 | (9,038) | -0.84% |
| Capital Grants & Contributions | 237,359 | 229,244 | 8,115 | 3.54% |
| General Revenue | | | | |
| School District Assessment | 6,820,466 | 6,338,925 | 481,541 | 7.60% |
| Unrestricted Grants and Contributions | 4,823,714 | 4,979,051 | (155,337) | -3.12% |
| Unrestricted Investment Income | 3,436 | 3,586 | (150) | N/A |
| Miscellaneous | 72,310 | 104,654 | (32,344) | -30.91% |
| Total Revenues | \$14,122,719 | \$13,887,126 | \$ 235,593 | 1.70% |
| Program Expenses: | | | | |
| Instruction | \$ 8,203,304 | \$10,257,769 | \$ (2,054,465) | -20.03% |
| Support Services: | | | | |
| Student | 1,047,231 | 1,020,328 | 26,903 | 2.64% |
| Instructional Staff | 474,530 | 311,174 | 163,356 | 52.50% |
| General Administration | 82,990 | 111,146 | (28,156) | -25.33% |
| Executive Administration | 724,661 | 626,646 | 98,015 | 15.64% |
| School Administration | 1,024,283 | 932,518 | 91,765 | 9.84% |
| Business | - | - | - | N/A |
| Operation and Maintenance of Plant | 1,039,688 | 920,823 | 118,865 | 12.91% |
| Student Transportation | 543,301 | 468,686 | 74,615 | 15.92% |
| Other | 91,564 | 80,099 | 11,465 | 14.31% |
| Noninstructional Services | 273,879 | 310,669 | (36,790) | -11.84% |
| Interest on Long-Term Debt | 10,587 | 10,392 | 195 | 1.88% |
| Total Expenses | 13,516,018 | 15,050,250 | (1,534,232) | -10.19% |

HAVERHILL COOPERATIVE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Period Ending June 30, 2018

| | | | | |
|--------------------------------------|----------------|----------------|-------------|---------|
| Change in Net Position | 606,701 | (1,163,124) | 1,769,825 | 152.16% |
| Net Position, beginning, as restated | (4,723,959) | (3,560,835) | (1,163,124) | 32.66% |
| Net Position, ending | \$ (4,117,258) | \$ (4,723,959) | \$ 606,701 | -12.84% |

For further discussion on the differences see discussion in the General Fund Budgetary Highlights section.

Financial Analysis of the District's Funds

Governmental funds – Governmental fund financial reporting focuses on short-term spendable resources and balances of spendable resources at year-end. The major governmental funds of the District are the General Fund (to include trust funds), Grants Fund and Capital Project Fund.

As of June 30, 2018, the District's governmental funds reported combined ending fund balances of \$4,732,663. Of this \$7,955 was classified as nonspendable, \$3,643,839 was restricted, \$465,466 was committed, and \$615,403 was unassigned.

General Fund - The General Fund is the primary operating fund of the District and supports the majority of the services provided by the District. Total fund balance of the General Fund as of June 30, 2018 was \$1,089,762 of which \$616,341 was unassigned. The General Fund had an increase in fund balance of \$281,328 for the year ending June 30, 2018, compared to a budgeted decrease in fund balance of \$100,000.

For further discussion on the differences see discussion in the General Fund Budgetary Highlights section.

Grants Fund - The Grants Fund is used to account for activity associated with grants from Federal, State and local sources. Total fund balance of the Grants Fund as of June 30, 2018 was \$0.

Capital Project Fund – The Capital Project Fund is used to account for building construction and renovations. We are currently in the process of renovating the Woodsville High School and King Street School. The total fund balance as of June 30, 2018 was \$3,643,839.

Food Service Fund - The Food Service Fund is used to account for activity of the District's hot lunch program and related food service activities. Total fund balance of the Food Service Fund as of June 30, 2018 was \$0.

Fiduciary Fund – The fiduciary fund is comprised of student activities funds held in a fiduciary capacity by the District and activity related to various private purpose trust accounts. The activity of the fund can be reviewed on pages 17 and 18 of the financial statements.

General Fund Budgetary Highlights

The schedule comparing the School District's original budget and actual results are included on page 15.

For the year ending June 30, 2018, actual General Fund revenues, on a budget basis, were \$13,418,936 compared to budgeted amounts of \$13,442,974. Differences in actual versus budgeted amounts were primarily the results of the following items:

- **Tuition from other LEAs:** Under budget \$160,000 ~ Less students than were budgeted.
- **SPED Tuition from other LEAs:** Under budget \$41,000 ~ Less students with additional special education cost than originally budgeted.
- **Catastrophic Aid:** Over budget \$53,500 ~ Based on actual expenditures from prior year.
- **Vocational Tuition & Transportation:** Over budget \$23,000 ~ Based on actual expenditures from prior year.
- **Medicaid Reimbursement:** Over budget \$72,000 ~ Based on actual expenses/student needs.

HAVERHILL COOPERATIVE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Period Ending June 30, 2018

For the year ending June 30, 2018, actual General Fund expenditures, on a budget basis, were \$13,089,745 compared to budgeted amounts of \$13,546,032. Differences in actual versus budgeted amounts were primarily the results of the following items:

- **Regular Education:** Under budget \$48,000 ~ Due to lower salaries and benefits. Offset by approx. \$38,000 in unanticipated expenditures for tuition.
- **Special Education:** Under budget \$139,000 ~ Due to lower salaries and benefits. Offset by approx. \$127,000 in unanticipated expenditures for tuition and related services.
- **King Street School:** Under budget \$117,000 ~ Based on student enrollment.
- **Co-curricular:** Under budget \$27,000 ~ Due to salaries/benefits.
- **Summer School:** Under budget \$37,000 ~ Less salaries, benefits, and tuition costs.
- **Speech, Physical & Occupational Therapy Services:** Over budget \$3,000 (combined) ~ Based on student need.
- **Operation of Buildings:** Over budget \$43,000 ~ Due to additional repairs for hot water heaters, plumbing, etc.
- **Regular Education Transportation:** Under budget \$66,000 ~ Budget was based on a percentage increase before contract was finalized.

Capital Assets and Debt Administration

Capital assets – The District's investment for its governmental activities as of June 30, 2018 was \$5,829,383 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment at book value.

| | Governmental Activities | | Increase | % |
|------------------------------------|-------------------------|--------------|-------------------|--------------------------------------|
| | <u>2018</u> | <u>2017</u> | <u>(Decrease)</u> | <u>Increase</u> <u>(Decrease)</u> |
| Land | \$ 17,349 | \$ 14,849 | \$ 2,500 | 16.84% |
| Construction in Progress | 98,776 | - | 98,776 | 100.00% |
| Land Improvements | 83,302 | 83,302 | - | 0.00% |
| Building and Building Improvements | 8,814,522 | 8,804,413 | 10,109 | 0.11% |
| Machinery and Equipment | 698,280 | 629,883 | 68,397 | 10.86% |
| Vehicles | 125,873 | 139,933 | (14,060) | -10.05% |
| Total Historical Costs | 9,838,102 | 9,672,380 | 165,722 | 1.71% |
| Total Accumulated Depreciation | (4,008,719) | (3,732,941) | (275,778) | 7.39% |
| Net Capital Assets | \$ 5,829,383 | \$ 5,939,439 | \$ (110,056) | -1.85% |

HAVERHILL COOPERATIVE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Period Ending June 30, 2018

Long-term liabilities – As of June 30, 2018, the District's total outstanding long-term liabilities consisted of net pension liabilities, bonds/notes payable, capital leases, accrued compensated absences, and net other postemployment benefits. For the year ending June 30, 2018, the District acquired a new bond for the Woodsville High School project in the amount of \$3,741,454.

| | Governmental Activities | | Increase (Decrease) | % Increase (Decrease) |
|------------------------------------|-------------------------|------------------------------|------------------------|-----------------------------|
| | <u>2018</u> | <u>2017</u> (as restated) | | |
| Bonds payable | \$ 4,552,518 | \$ 1,324,335 | \$ 3,228,183 | 243.76% |
| Note payable | 119,721 | 170,435 | (50,714) | 100.00% |
| Premium | 199,504 | - | 199,504 | 100.00% |
| Capital Lease | - | 38,972 | (38,972) | -100.00% |
| Compensated Absences | 480,032 | 538,967 | (58,935) | -10.93% |
| Pension Related Liability | 9,200,821 | 10,690,269 | (1,489,448) | -13.93% |
| Net Other Postemployment Benefits | 1,053,990 | 1,197,122 | (143,132) | -11.96% |
| Total Long-Term Liabilities | \$ 15,606,586 | \$ 13,960,100 | \$ 1,646,486 | 11.79% |

Future Budgetary Implications

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

- Health insurance rates
- Fluctuations in student enrollment
- Change in special education costs due to student need
- Change of State formula of Adequate Education Aid

Request for Information

This financial report is designed to provide a general overview of the 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 information should be directed to Kathryn Ducharme, Business Manager, SAU #23, 2975 Dartmouth College Highway, North Haverhill, NH 03774.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
HAVERHILL COOPERATIVE SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 4,234,209 |
| Accounts receivable | 5,148 |
| Intergovernmental receivable | 723,067 |
| Prepaid items | 7,955 |
| Capital assets, not being depreciated | 116,125 |
| Capital assets, net of accumulated depreciation | 5,713,258 |
| Total assets | 10,799,762 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Amounts related to pensions | 1,781,839 |
| Amounts related to other postemployment benefits | 77,991 |
| Total deferred outflows of resources | 1,859,830 |
| LIABILITIES | |
| Accounts payable | 145,413 |
| Accrued salaries and benefits | 26,025 |
| Intergovernmental payable | 18,248 |
| Accrued interest payable | 8,434 |
| Noncurrent obligations: | |
| Due within one year | 396,874 |
| Due in more than one year | 15,209,712 |
| Total liabilities | 15,804,706 |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - grants received in advance | 48,030 |
| Amounts related to pensions | 896,390 |
| Amounts related to other postemployment benefits | 27,724 |
| Total deferred inflows of resources | 972,144 |
| NET POSITION | |
| Net investment in capital assets | 4,597,818 |
| Restricted | 3,643,839 |
| Unrestricted | (4,124,399) |
| Total net position | \$ 4,117,258 |

EXHIBIT B
Haverhill Cooperative School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Change in Net Position</u> |
|--|----------------------|-------------------------------------|---|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Governmental activities: | | | | | |
| Instruction | \$ 8,203,304 | \$ 1,011,112 | \$ 725,837 | \$ - | \$ (6,466,355) |
| Support services: | | | | | |
| Student | 1,047,231 | - | 12,328 | - | (1,034,903) |
| Instructional staff | 474,530 | - | 77,310 | - | (397,220) |
| General administration | 82,990 | - | - | - | (82,990) |
| Executive administration | 724,661 | - | 6,214 | - | (718,447) |
| School administration | 1,024,283 | - | 63,715 | - | (960,568) |
| Operation and maintenance of plant | 1,039,688 | - | 830 | - | (1,038,858) |
| Student transportation | 543,301 | - | - | - | (543,301) |
| Other | 91,564 | - | - | - | (91,564) |
| Noninstructional services | 273,879 | 88,361 | 176,066 | - | (9,452) |
| Interest on long-term debt | 10,587 | - | - | 237,359 | 226,772 |
| Facilities acquisition and construction | - | - | 3,661 | - | 3,661 |
| Total governmental activities | <u>\$ 13,516,018</u> | <u>\$ 1,099,473</u> | <u>\$ 1,065,961</u> | <u>\$ 237,359</u> | <u>(11,113,225)</u> |
| General revenues: | | | | | |
| School district assessment | | | | | 6,820,466 |
| Grants and contributions not restricted to specific programs | | | | | 4,823,714 |
| Interest | | | | | 3,436 |
| Miscellaneous | | | | | 72,310 |
| Total general revenues | | | | | <u>11,719,926</u> |
| Change in net position | | | | | 606,701 |
| Net position, beginning, as restated (see Note 13) | | | | | <u>(4,723,959)</u> |
| Net position, ending | | | | | <u>\$ (4,117,258)</u> |

EXHIBIT C-1
HAVERHILL COOPERATIVE SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2018

| | General | Grants | Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 489,094 | \$ - | \$ 3,745,115 | \$ - | \$ 4,234,209 |
| Accounts receivable | 1,016 | - | - | 4,132 | 5,148 |
| Intergovernmental receivable | 591,715 | 115,848 | - | 15,504 | 723,067 |
| Interfund receivables | 181,194 | - | - | - | 181,194 |
| Prepaid items | 7,955 | - | - | - | 7,955 |
| Total assets | <u>\$ 1,270,974</u> | <u>\$ 115,848</u> | <u>\$ 3,745,115</u> | <u>\$ 19,636</u> | <u>\$ 5,151,573</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 138,939 | \$ 6,474 | \$ - | \$ - | \$ 145,413 |
| Accrued salaries and benefits | 24,025 | 2,000 | - | - | 26,025 |
| Intergovernmental payable | 18,248 | - | - | - | 18,248 |
| Interfund payable | - | 59,344 | 101,276 | 20,574 | 181,194 |
| Total liabilities | <u>181,212</u> | <u>67,818</u> | <u>101,276</u> | <u>20,574</u> | <u>370,880</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - grants received in advance | - | 48,030 | - | - | 48,030 |
| FUND BALANCES (DEFICIT) | | | | | |
| Nonspendable | 7,955 | - | - | - | 7,955 |
| Restricted | - | - | 3,643,839 | - | 3,643,839 |
| Committed | 465,466 | - | - | - | 465,466 |
| Unassigned (deficit) | 616,341 | - | - | (938) | 615,403 |
| Total fund balances (deficit) | <u>1,089,762</u> | <u>-</u> | <u>3,643,839</u> | <u>(938)</u> | <u>4,732,663</u> |
| Total liabilities and fund balances | <u>\$ 1,270,974</u> | <u>\$ 115,848</u> | <u>\$ 3,745,115</u> | <u>\$ 19,636</u> | <u>\$ 5,151,573</u> |

EXHIBIT C-2
Haverhill Cooperative School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

| | | |
|--|--------------------|------------------------------|
| Total fund balances of governmental funds (Exhibit C-1) | | \$ 4,732,663 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. | | |
| Cost | \$ 9,838,102 | |
| Less accumulated depreciation | <u>(4,008,719)</u> | 5,829,383 |
| 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 | \$ 1,781,839 | |
| Deferred inflows of resources related to pensions | (896,390) | |
| Deferred outflows of resources related to OPEB | 77,991 | |
| Deferred inflows of resources related to OPEB | <u>(27,724)</u> | 935,716 |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position. | | |
| Receivables | \$ (181,194) | |
| Payables | <u>181,194</u> | - |
| Interest on long-term debt is not accrued in governmental funds. | | |
| Accrued interest payable | | (8,434) |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds. | | |
| Bonds payable | \$ 4,552,518 | |
| Unamortized bond premium | 199,504 | |
| Note payable | 119,721 | |
| Compensated absences | 480,032 | |
| Net pension liability | 9,200,821 | |
| Other postemployment benefits | <u>1,053,990</u> | |
| | | <u>(15,606,586)</u> |
| Net position of governmental activities (Exhibit A) | | <u><u>\$ (4,117,258)</u></u> |

EXHIBIT C-3
Haverhill Cooperative School District
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

| | General | Grants | Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------|----------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| School district assessment | \$ 6,820,466 | \$ - | \$ - | \$ - | \$ 6,820,466 |
| Other local | 1,086,858 | 38,044 | 3,661 | 88,361 | 1,216,924 |
| State | 5,169,373 | - | - | 3,279 | 5,172,652 |
| Federal | 344,551 | 395,339 | - | 172,787 | 912,677 |
| Total revenues | <u>13,421,248</u> | <u>433,383</u> | <u>3,661</u> | <u>264,427</u> | <u>14,122,719</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instruction | 7,830,306 | 272,986 | - | 1,245 | 8,104,537 |
| Support services: | | | | | |
| Student | 1,037,889 | 12,328 | - | - | 1,050,217 |
| Instructional staff | 409,856 | 77,310 | - | - | 487,166 |
| General administration | 82,990 | - | - | - | 82,990 |
| Executive administration | 718,447 | 6,214 | - | - | 724,661 |
| School administration | 922,594 | 63,715 | - | - | 986,309 |
| Operation and maintenance of plant | 1,079,557 | 830 | - | - | 1,080,387 |
| Student transportation | 542,346 | - | - | 955 | 543,301 |
| Other | 91,564 | - | - | - | 91,564 |
| Noninstructional services | - | - | - | 314,602 | 314,602 |
| Debt service: | | | | | |
| Principal | 364,481 | - | - | - | 364,481 |
| Interest | 9,715 | - | - | - | 9,715 |
| Facilities acquisition and construction | - | - | 101,276 | - | 101,276 |
| Total expenditures | <u>13,089,745</u> | <u>433,383</u> | <u>101,276</u> | <u>316,802</u> | <u>13,941,206</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>331,503</u> | <u>-</u> | <u>(97,615)</u> | <u>(52,375)</u> | <u>181,513</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | - | 50,175 | 50,175 |
| Transfers out | (50,175) | - | - | - | (50,175) |
| Bond issued | - | - | 3,541,950 | - | 3,541,950 |
| Premium on bond | - | - | 199,504 | - | 199,504 |
| Total other financing sources (uses) | <u>(50,175)</u> | <u>-</u> | <u>3,741,454</u> | <u>50,175</u> | <u>3,741,454</u> |
| Net change in fund balances | 281,328 | - | 3,643,839 | (2,200) | 3,922,967 |
| Fund balances, beginning | 808,434 | - | - | 1,262 | 809,696 |
| Fund balances (deficit), ending | <u>\$ 1,089,762</u> | <u>\$ -</u> | <u>\$ 3,643,839</u> | <u>\$ (938)</u> | <u>\$ 4,732,663</u> |

EXHIBIT C-4
Haverhill Cooperative School District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of 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) | | \$ 3,922,967 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows: | | |
| Capitalized capital outlay | \$ 179,782 | |
| Depreciation expense | <u>(289,778)</u> | (109,996) |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net position. | | |
| | | (60) |
| Transfers in and out between governmental funds are eliminated on the Statement of Activities. | | |
| Transfers in | \$ (50,175) | |
| Transfers out | <u>50,175</u> | - |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | |
| Issuance of bond | \$ (3,541,950) | |
| Issuance of bond premium | (199,504) | |
| Principal repayment of bonds | 313,767 | |
| Principal repayment of note | 50,714 | |
| Principal repayment of capital lease | <u>38,972</u> | (3,338,001) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds. | | |
| Increase in accrued interest expense | \$ (872) | |
| Decrease in compensated absences payable | 58,935 | |
| Changes in net pension liability and related deferred outflows and inflows of resources | 17,103 | |
| Changes in other postemployment benefits liability and related deferred outflows and inflows of resources | <u>56,625</u> | 131,791 |
| Change in net position of governmental activities (Exhibit B) | | <u>\$ 606,701</u> |

EXHIBIT D-1
Haverhill Cooperative School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------------------|-------------------|------------------------------------|
| REVENUES | | | |
| School district assessment | \$ 6,820,466 | \$ 6,820,466 | \$ - |
| Other local | 1,275,662 | 1,084,546 | (191,116) |
| State | 5,086,421 | 5,169,373 | 82,952 |
| Federal | 260,425 | 344,551 | 84,126 |
| Total revenues | <u>13,442,974</u> | <u>13,418,936</u> | <u>(24,038)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 8,179,086 | 7,830,306 | 348,780 |
| Support services: | | | |
| Student | 1,073,591 | 1,037,889 | 35,702 |
| Instructional staff | 437,169 | 409,856 | 27,313 |
| General administration | 100,800 | 82,990 | 17,810 |
| Executive administration | 718,447 | 718,447 | - |
| School administration | 933,507 | 922,594 | 10,913 |
| Operation and maintenance of plant | 1,021,647 | 1,079,557 | (57,910) |
| Student transportation | 625,886 | 542,346 | 83,540 |
| Other | 81,688 | 91,564 | (9,876) |
| Debt service: | | | |
| Principal | 364,959 | 364,481 | 478 |
| Interest | 9,252 | 9,715 | (463) |
| Total expenditures | <u>13,546,032</u> | <u>13,089,745</u> | <u>456,287</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(103,058)</u> | <u>329,191</u> | <u>432,249</u> |
| OTHER FINANCING USES | | | |
| Transfers out | <u>(30,000)</u> | <u>(50,175)</u> | <u>(20,175)</u> |
| Net change in fund balance | <u>\$ (133,058)</u> | 279,016 | <u>\$ 412,074</u> |
| Decrease in nonspendable fund balance | | 125,989 | |
| Increase in committed fund balance | | (100,000) | |
| Unassigned fund balance, beginning | | 311,336 | |
| Unassigned fund balance, ending | | <u>\$ 616,341</u> | |

EXHIBIT D-2
Haverhill Cooperative 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 | | |
| REVENUES | | | | |
| Local | \$ - | \$ 38,044 | \$ 38,044 | \$ - |
| Federal | 440,000 | 395,339 | 395,339 | - |
| Total revenues | <u>440,000</u> | <u>433,383</u> | <u>433,383</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 440,000 | 272,986 | 272,986 | - |
| Support services: | | | | |
| Student | - | 12,328 | 12,328 | - |
| Instructional staff | - | 77,310 | 77,310 | - |
| Executive administration | - | 6,214 | 6,214 | - |
| School administration | - | 63,715 | 63,715 | - |
| Operation and maintenance of plant | - | 830 | 830 | - |
| Total expenditures | <u>440,000</u> | <u>433,383</u> | <u>433,383</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund balance, beginning | | | - | |
| Fund balance, ending | | | <u>\$ -</u> | |

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

| | Private Purpose Trust | Agency |
|-------------------------------------|-----------------------------|----------------|
| ASSETS | | |
| Cash and cash equivalents | \$ - | \$ 118,010 |
| Intergovernmental receivable | 1,027,933 | - |
| Total assets | <u>1,027,933</u> | <u>118,010</u> |
| LIABILITIES | | |
| Due to student groups | - | <u>118,010</u> |
| NET POSITION | | |
| Held in trust for specific purposes | <u>\$ 1,027,933</u> | <u>\$ -</u> |

EXHIBIT E-2
Haverhill Cooperative School District
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

| | Private Purpose Trust |
|--|-----------------------------|
| Additions: | |
| New funds | \$ 3,008 |
| Interest | 35,276 |
| Net increase in fair value | 14,817 |
| Total revenue | 53,101 |
| Deductions: | |
| Scholarships | 38,569 |
| Management fees | 8,133 |
| Total deductions | 46,702 |
| Change in net position | 6,399 |
| Net position, beginning, as restated (see Note 13) | 1,021,534 |
| Net position, ending | \$ 1,027,933 |

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

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|--|-------------|
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HAVERHILL COOPERATIVE 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 Haverhill Cooperative School District, in North Haverhill, 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 1-N for further information on this pronouncement.

1-A Reporting Entity

The Haverhill Cooperative School District is a municipal corporation governed by an elected 7-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, with the exception of the local portion of the other postemployment liability which has not been reported since an actuarial valuation has not been done.

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

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

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

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

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

Measurement Focus and Basis of Accounting – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when 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.

HAVERHILL COOPERATIVE 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, 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 debt service. 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.

Capital Project Fund – the Woodsville High School Renovation capital project fund accounts for the activity pertaining to the renovation of Woodsville High School.

Nonmajor Funds – The School District also reports two nonmajor governmental funds. All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the financial statements.

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

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. 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.

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

1-F 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-G 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. 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 or amortized using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|-------------------------------------|--------------|
| Land improvements | 20 |
| Buildings and building improvements | 4 - 146 |
| Machinery and equipment | 4 - 20 |
| Vehicles | 5 - 15 |

1-H 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-I Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2018.

1-J Deferred Outflows/Inflows of Resources

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

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time.

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1-K Long-term Obligations

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

1-L Compensated Absences

The School District's policy allows certain employees to earn a retirement stipend based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full as set forth by personnel policy.

An expense and a liability for retirement stipend 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 stipend is used.

1-M Defined Benefit Pension Plan

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

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

1-N Postemployment Benefits Other Than Pensions (OPEB)

The School District maintains two separate other postemployment benefit plans, as follows:

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

Single Employer Plan – 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-O 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, reduced by the outstanding balances of bonds, notes, or other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The 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 which can be removed or modified.

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

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form; 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.

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 \$188,293 to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. 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.

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.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2018, \$133,058 of the beginning general fund unassigned fund balance was applied for this purpose.

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

| | |
|---|----------------------|
| Revenues | |
| Per Exhibit D-1 (budgetary basis) | \$ 13,418,936 |
| Adjustments: | |
| Basis difference: | |
| GASB Statement No. 54: | |
| Interest earnings related to the blended expendable trust funds | <u>2,312</u> |
| Per Exhibit C-3 (GAAP Basis) | <u>\$ 13,421,248</u> |

2-C Deficit Fund Balance

The Haverhill Academy fund had a fund deficit of \$938 at June 30, 2018. This deficit is a result of expenditures that exceed revenue. The School District plans to receive funds from Haverhill Academy in the subsequent year to eliminate the deficit.

2-D Accounting Change/Restatement

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

| | |
|--|-----------------------|
| | State |
| | <u>OPEB</u> |
| Change in total OPEB liability under current standards, July 1 | \$ (1,197,122) |
| Initial balance of deferred outflows of resources | <u>136,774</u> |
| Cumulative restatement related to GASB No. 75 implementation (see Note 13) | <u>\$ (1,060,348)</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 \$4,351,669 and the bank balances totaled \$4,571,994. Petty cash totaled \$550.

Cash and cash equivalents reconciliation:

| | |
|--|---------------------|
| Cash per Statement of Net Position (Exhibit A) | \$ 4,234,209 |
| Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1) | <u>118,010</u> |
| Total cash and cash equivalents | <u>\$ 4,352,219</u> |

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NOTE 4 – RECEIVABLES

Receivables at June 30, 2018, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, and expendable trust funds held by the Town of Haverhill, Trustees of Trust Funds. 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, beginning</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance, ending</u> |
|--|-------------------------------|---------------------|--------------------|----------------------------|
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 14,849 | \$ 2,500 | \$ - | \$ 17,349 |
| Construction in progress | - | 98,776 | - | 98,776 |
| Total capital assets not being depreciated | <u>14,849</u> | <u>101,276</u> | <u>-</u> | <u>116,125</u> |
| Being depreciated: | | | | |
| Land improvements | 83,302 | - | - | 83,302 |
| Buildings and building improvements | 8,804,413 | 10,109 | - | 8,814,522 |
| Machinery and equipment | 629,883 | 68,397 | - | 698,280 |
| Vehicles | 139,933 | - | (14,060) | 125,873 |
| Total capital assets being depreciated | <u>9,657,531</u> | <u>78,506</u> | <u>(14,060)</u> | <u>9,721,977</u> |
| Total capital assets | <u>9,672,380</u> | <u>179,782</u> | <u>(14,060)</u> | <u>9,838,102</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (54,146) | (4,166) | - | (58,312) |
| Buildings and building improvements | (2,984,100) | (253,694) | - | (3,237,794) |
| Machinery and equipment | (588,973) | (17,817) | - | (606,790) |
| Vehicles | (105,722) | (14,101) | 14,000 | (105,823) |
| Total accumulated depreciation | <u>(3,732,941)</u> | <u>(289,778)</u> | <u>14,000</u> | <u>(4,008,719)</u> |
| Net book value, capital assets being depreciated | <u>5,924,590</u> | <u>(211,272)</u> | <u>(60)</u> | <u>5,713,258</u> |
| Net book value, all capital assets | <u>\$ 5,939,439</u> | <u>\$ (109,996)</u> | <u>\$ (60)</u> | <u>\$ 5,829,383</u> |

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

| | |
|----------------------------|-------------------|
| Instruction | \$ 246,538 |
| Support services: | |
| School administration | 42,033 |
| Noninstructional services | 1,207 |
| Total depreciation expense | <u>\$ 289,778</u> |

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------|-------------------|
| General | Grants | \$ 59,344 |
| | Capital Project Fund | 101,276 |
| | Nonmajor | 20,574 |
| | | <u>\$ 181,194</u> |

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

| | |
|----------------|----------------------|
| | <u>Transfers In:</u> |
| | Nonmajor |
| | <u>Fund</u> |
| Transfers out: | |
| General fund | <u>\$ 50,175</u> |

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 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources of \$48,030 in the grants fund June 30, 2018 consists of local grant revenues received in advance of eligible expenditures being made.

See Notes 9 and 10 for additional information on the deferrals related to pensions and other postemployment benefits.

NOTE 8 – 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 <u>(as restated)</u> | <u>Additions</u> | <u>Reductions</u> | Balance June 30, 2018 | Due Within <u>One Year</u> |
|-----------------------------------|---|--------------------|-----------------------|--------------------------|-------------------------------|
| General obligation bonds payable | \$ 1,324,335 | \$ 3,541,950 | \$ (313,767) | \$ 4,552,518 | \$ 313,768 |
| Premium | - | 199,504 | - | 199,504 | - |
| Total bonds payable | 1,324,335 | 3,741,454 | (313,767) | 4,752,022 | 313,768 |
| General obligation note payable | 170,435 | - | (50,714) | 119,721 | 52,033 |
| Capital lease | 38,972 | - | (38,972) | - | - |
| Compensated absences | 538,967 | 16,072 | (75,007) | 480,032 | 31,073 |
| Pension related liability | 10,690,269 | - | (1,489,448) | 9,200,821 | - |
| Net other postemployment benefits | 1,197,122 | - | (143,132) | 1,053,990 | - |
| Total long-term liabilities | <u>\$13,960,100</u> | <u>\$3,757,526</u> | <u>\$ (2,111,040)</u> | <u>\$ 15,606,586</u> | <u>\$ 396,874</u> |

Long-term bonds/notes are comprised of the following:

| | <u>Original Amount</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Outstanding at June 30, 2018</u> |
|---------------------------|----------------------------|-------------------|--------------------------|--------------------------|---|
| General obligation bonds: | | | | | |
| QZAB-2004 | \$ 500,000 | 2004 | 2019 | N/A | \$ 33,334 |
| QZAB-2006 | \$ 1,694,000 | 2006 | 2022 | N/A | 381,734 |
| QZAB-2009 | \$ 1,498,000 | 2009 | 2023 | N/A | 535,000 |
| School construction | \$ 605,000 | 2009 | 2019 | 2.48% | 60,500 |
| High school renovations | \$ 3,541,950 | 2018 | 2039 | 3.725-5.100% | 3,541,950 |
| | | | | | <u>4,552,518</u> |
| General obligation note: | | | | | |
| Building safety | \$ 268,213 | 2015 | 2021 | 2.50% | 119,721 |
| | | | | | <u>\$ 4,672,239</u> |

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The annual requirements to amortize all general obligation bonds/notes outstanding as of June 30, 2018, including interest payments, are as follows:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------|---------------------|---------------------|---------------------|
| June 30, | | | |
| 2019 | \$ 365,801 | \$ 105,672 | \$ 471,473 |
| 2020 | 385,186 | 147,538 | 532,724 |
| 2021 | 349,318 | 140,414 | 489,732 |
| 2022 | 269,934 | 134,061 | 403,995 |
| 2023 | 237,000 | 127,686 | 364,686 |
| 2024-2028 | 745,000 | 530,694 | 1,275,694 |
| 2029-2033 | 945,000 | 331,804 | 1,276,804 |
| 2034-2038 | 1,125,000 | 152,807 | 1,277,807 |
| 2039 | 250,000 | 4,656 | 254,656 |
| Totals | <u>\$ 4,672,239</u> | <u>\$ 1,675,332</u> | <u>\$ 6,347,571</u> |

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

NOTE 9 – 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.

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.

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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 \$815,653, 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 \$9,200,821 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 0.18708488% which was a decrease of 0.01395089% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$798,452. 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 | \$ 21,440 | \$ 662,113 |
| Net difference between projected and actual investment earnings on pension plan investments | - | 117,177 |
| Changes in assumptions | 923,884 | - |
| Differences between expected and actual experience | 20,862 | 117,100 |
| Contributions subsequent to the measurement date | 815,653 | - |
| Total | \$ 1,781,839 | \$ 896,390 |

The \$815,653 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 | \$ (8,174) |
| | 2019 | 211,226 |
| | 2020 | 139,468 |
| | 2021 | (272,724) |
| | Thereafter | - |
| | Totals | \$ 69,796 |

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

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

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

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

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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 2017 |
|----------------------------------|-------------------|---|
| Large Cap Equities | 22.50% | 4.25% |
| Small/Mid Cap Equities | 7.50% | 4.50% |
| Total domestic equities | 30.00% | |
| Int'l Equities (unhedged) | 13.00% | 4.50% |
| Emerging Int'l Equities | 7.00% | 6.25% |
| Total international equity | 20.00% | |
| Core Bonds | 5.00% | 0.75% |
| Short Duration | 2.00% | (0.25%) |
| Global Multi-Sector Fixed Income | 11.00% | 2.11% |
| Absolute Return Fixed Income | 7.00% | 1.26% |
| Total fixed income | 25.00% | |
| Private equity | 5.00% | 6.25% |
| Private debt | 5.00% | 4.75% |
| Opportunistic | 5.00% | 2.84% |
| Total alternative investments | 15.00% | |
| Real estate | 10.00% | 3.25% |
| Total | 100.00% | |

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

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

| Valuation Date | 1% Decrease 6.25% | Rate Assumption 7.25% | 1% Increase 8.25% |
|----------------|----------------------|--------------------------|----------------------|
| June 30, 2017 | \$ 12,121,620 | \$ 9,200,821 | \$ 6,807,342 |

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

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

10-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.

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 \$77,991, 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 \$1,053,990 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 0.23051428% which was a decrease of 0.01677125% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$21,218. 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 | \$ - | \$ 24,398 |
| Net difference between projected and actual investment earnings on OPEB plan investments | - | 3,326 |
| Contributions subsequent to the measurement date | 77,991 | - |
| Total | \$ 77,991 | \$ 27,724 |

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

The \$77,991 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 | \$ (25,229) |
| 2019 | (831) |
| 2020 | (831) |
| 2021 | (833) |
| Totals | <u>\$ (27,724)</u> |

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

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

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

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

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

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

HAVERHILL COOPERATIVE 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 | <u>\$ 1,147,054</u> | <u>\$ 1,053,990</u> | <u>\$ 973,356</u> |

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

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

10-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 local portion of the School District. The amounts that should be recorded as the net OPEB liability and the OPEB expense is unknown.

NOTE 11 – 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 | \$ 5,829,383 |
| Less: | |
| General obligation bonds/note payable | (4,672,239) |
| Unamortized bond premiums | (199,504) |
| Amount of debt related to unspent proceeds | <u>3,640,178</u> |
| Total net investment in capital assets | 4,597,818 |
| Restricted for capital projects | 3,643,839 |
| Unrestricted | <u>(4,124,399)</u> |
| Total net position | <u>\$ 4,117,258</u> |

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

NOTE 12 – GOVERNMENTAL FUND BALANCES

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

| | General Fund | Grants Fund | Capital Project Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------|----------------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | | |
| Prepaid items | \$ 7,955 | \$ - | \$ - | \$ - | \$ 7,955 |
| Restricted: | | | | | |
| Capital project | - | - | 3,643,839 | - | 3,643,839 |
| Committed: | | | | | |
| Expendable trust | 365,466 | - | - | - | 365,466 |
| Voted appropriations - March 2018 | 100,000 | - | - | - | 100,000 |
| Total committed fund balance | 465,466 | - | - | - | 465,466 |
| Unassigned (deficit): | | | | | |
| Unassigned - retained (RSA 198:4-bII) | 188,293 | - | - | - | 188,293 |
| Unassigned | 428,048 | - | - | - | 428,048 |
| Haverhill Academy (deficit) | - | - | - | (938) | (938) |
| Total unassigned (deficit) | 616,341 | - | - | (938) | 615,403 |
| Total governmental fund balances (deficit) | <u>\$ 1,089,762</u> | <u>\$ -</u> | <u>\$ 3,643,839</u> | <u>\$ (938)</u> | <u>\$ 4,732,663</u> |

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

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

| | Government-wide Statements | Fiduciary Funds Private Purpose Trust |
|--|-------------------------------|---|
| To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-D | \$ (1,060,348) | \$ - |
| To remove a private purpose trust account that does not pertain to the School District | - | (16,495) |
| Net position, as previously reported | (3,663,611) | 1,038,029 |
| Net position, as restated | <u>\$ (4,723,959)</u> | <u>\$ 1,021,534</u> |

NOTE 14 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2018, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2017 to June 30, 2018 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

***Haverhill Cooperative School District
Notes to the Basic Financial Statements
As of and for the Fiscal Year Ended
June 30, 2018***

NOTE 15 – 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 16 – 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 March 7, 2019, 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
Haverhill Cooperative 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, | | | | |
|---|--------------|--------------|--------------|---------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| School District's proportion of the net pension liability | 0.21% | 0.21% | 0.20% | 0.20% | 0.19% |
| School District's proportionate share of the net pension liability | \$ 8,949,033 | \$ 7,870,203 | \$ 8,032,371 | \$ 10,690,269 | \$ 9,200,821 |
| School District's covered payroll | \$ 5,681,952 | \$ 5,820,331 | \$ 5,773,486 | \$ 5,774,023 | \$ 5,473,804 |
| School District's proportionate share of the net pension liability as a percentage of its covered payroll | 157.50% | 135.22% | 139.13% | 185.14% | 168.09% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.32% | 59.81% | 65.47% | 59.30% | 62.66% |

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

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

| | June 30, | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Contractually required contribution | \$ 517,036 | \$ 680,223 | \$ 680,234 | \$ 719,867 | \$ 685,373 |
| Contributions in relation to the contractually required contributions | (517,036) | (680,223) | (680,234) | (719,867) | (685,373) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| School District's covered payroll | \$ 5,681,952 | \$ 5,820,331 | \$ 5,773,486 | \$ 5,774,023 | \$ 5,473,804 |
| Contributions as a percentage of covered payroll | 9.10% | 11.69% | 11.78% | 12.47% | 12.52% |

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

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

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the School District’s pension plan at June 30, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2017:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage-of-Payroll, Closed |
| Remaining Amortization Period | 22 years beginning July 1, 2017 (30 years beginning July 1, 2009) |
| Asset Valuation Method | 5-year smooth market for funding purposes |
| Price Inflation | 2.5% per year |
| Wage Inflation | 3.25% per year |
| Salary Increases | 5.6% Average, including inflation |
| Municipal Bond Rate | 3.56% per year |
| Investment Rate of Return | 7.25% per year |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015. |
| Mortality | RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study. |

Other Information:

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

EXHIBIT H
H Averhill Cooperative School District
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

| | June 30, | |
|--|--------------|--------------|
| | 2017 | 2018 |
| School District's proportion of the net OPEB liability | 0.25% | 0.23% |
| School District's proportionate share of the net OPEB liability (asset) | \$ 1,197,122 | \$ 1,053,990 |
| School District's covered payroll | \$ 5,733,227 | \$ 5,535,910 |
| School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 20.88% | 19.04% |
| 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
HVERHILL COOPERATIVE SCHOOL DISTRICT
Schedule of School District Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

| | June 30, | |
|--|--------------|--------------|
| | 2017 | 2018 |
| Contractually required contribution | \$ 143,688 | \$ 136,626 |
| Contributions in relation to the contractually required contribution | (143,688) | (136,626) |
| Contribution deficiency (excess) | \$ - | \$ - |
| School District's covered payroll | \$ 5,733,227 | \$ 5,535,910 |
| Contributions as a percentage of covered payroll | 2.51% | 2.47% |

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

HAVERHILL COOPERATIVE 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
HAVERTHILL COOPERATIVE 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 | \$ 6,820,466 | \$ 6,820,466 | \$ - |
| Other local sources: | | | |
| Tuition | 1,207,337 | 1,005,588 | (201,749) |
| Investment earnings | 2,000 | 1,124 | (876) |
| Student activities | 2,495 | 3,569 | 1,074 |
| Refunds | 27,000 | 30,920 | 3,920 |
| Rentals | 9,520 | 9,803 | 283 |
| Miscellaneous | 27,310 | 33,542 | 6,232 |
| Total from other local sources | <u>1,275,662</u> | <u>1,084,546</u> | <u>(191,116)</u> |
| State sources: | | | |
| Adequacy aid (grant) | 3,868,428 | 3,869,792 | 1,364 |
| Adequacy aid (tax) | 711,257 | 711,257 | - |
| School building aid | 191,672 | 191,672 | - |
| Catastrophic aid | 182,797 | 236,332 | 53,535 |
| Vocational aid | 132,267 | 155,443 | 23,176 |
| Other state aid | - | 4,877 | 4,877 |
| Total from state sources | <u>5,086,421</u> | <u>5,169,373</u> | <u>82,952</u> |
| Federal sources: | | | |
| Medicaid | 225,000 | 297,408 | 72,408 |
| Federal forest reserve | 1,425 | 1,456 | 31 |
| Other | 34,000 | 45,687 | 11,687 |
| Total from federal sources | <u>260,425</u> | <u>344,551</u> | <u>84,126</u> |
| Total revenues | 13,442,974 | <u>\$ 13,418,936</u> | <u>\$ (24,038)</u> |
| Use of fund balance to reduce school district assessment | 133,058 | | |
| Total revenues and use of fund balance | <u>\$ 13,576,032</u> | | |

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

| | <u>Appropriations</u> | <u>Expenditures</u> | Variance Positive (Negative) |
|---|-----------------------|----------------------|------------------------------------|
| Current: | | | |
| Instruction: | | | |
| Regular programs | \$ 4,683,491 | \$ 4,634,613 | \$ 48,878 |
| Special programs | 2,755,217 | 2,504,859 | 250,358 |
| Vocational programs | 375,200 | 378,193 | (2,993) |
| Adult and community programs | 16,452 | 17,081 | (629) |
| Other | 348,726 | 295,560 | 53,166 |
| Total instruction | <u>8,179,086</u> | <u>7,830,306</u> | <u>348,780</u> |
| Support services: | | | |
| Student | 1,073,591 | 1,037,889 | 35,702 |
| Instructional staff | 437,169 | 409,856 | 27,313 |
| General administration | 100,800 | 82,990 | 17,810 |
| Executive administration | 718,447 | 718,447 | - |
| School administration | 933,507 | 922,594 | 10,913 |
| Operation and maintenance of plant | 1,021,647 | 1,079,557 | (57,910) |
| Student transportation | 625,886 | 542,346 | 83,540 |
| Other | 81,688 | 91,564 | (9,876) |
| Total support services | <u>4,992,735</u> | <u>4,885,243</u> | <u>107,492</u> |
| Debt service: | | | |
| Principal of long-term debt | 364,959 | 364,481 | 478 |
| Interest on long-term debt | 9,252 | 9,715 | (463) |
| Total debt service | <u>374,211</u> | <u>374,196</u> | <u>15</u> |
| Other financing uses: | | | |
| Transfers out | 30,000 | 50,175 | (20,175) |
| Total appropriations, expenditures, and other financing uses | <u>\$ 13,576,032</u> | <u>\$ 13,139,920</u> | <u>\$ 436,112</u> |

SCHEDULE 3
Haverhill Cooperative 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 | | \$ 311,336 |
| Changes: | | |
| Unassigned fund balance used to reduce school district assessment | | (133,058) |
| 2017-2018 Budget summary: | | |
| Revenue shortfall (Schedule 1) | \$ (24,038) | |
| Unexpended balance of appropriations (Schedule 2) | <u>436,112</u> | |
| 2017-2018 Budget surplus | | 412,074 |
| Decrease in nonspendable fund balance | | 125,989 |
| Increase in committed fund balance | | <u>(100,000)</u> |
| Unassigned fund balance, ending | | <u><u>\$ 616,341</u></u> |

SCHEDULE 4
Haverhill Cooperative School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

| | <u>Special Revenue Funds</u> | | <u>Total</u> |
|-------------------------------------|------------------------------|--------------------------|------------------|
| | <u>Food Service</u> | <u>Haverhill Academy</u> | |
| ASSETS | | | |
| Accounts receivable | \$ 4,132 | \$ - | \$ 4,132 |
| Intergovernmental receivable | 15,504 | - | 15,504 |
| Total assets | <u>\$ 19,636</u> | <u>\$ -</u> | <u>\$ 19,636</u> |
| LIABILITIES | | | |
| Interfund payable | \$ 19,636 | \$ 938 | \$ 20,574 |
| FUND DEFICIT | | | |
| Unassigned (deficit) | - | (938) | (938) |
| Total liabilities and fund balances | <u>\$ 19,636</u> | <u>\$ -</u> | <u>\$ 19,636</u> |

SCHEDULE 5
Haverhill Cooperative 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 Funds | | Total |
|---|-----------------------|----------------------|-----------------|
| | Food Services | Haverhill Academy | |
| Revenues: | | | |
| Local | \$ 88,361 | \$ - | \$ 88,361 |
| State | 3,279 | - | 3,279 |
| Federal | 172,787 | - | 172,787 |
| Total revenues | <u>264,427</u> | <u>-</u> | <u>264,427</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction | - | 1,245 | 1,245 |
| Support services: | | | |
| Student transportation | - | 955 | 955 |
| Noninstructional services | <u>314,602</u> | <u>-</u> | <u>314,602</u> |
| Total expenditures | <u>314,602</u> | <u>2,200</u> | <u>316,802</u> |
| Deficiency of revenues under expenditures | <u>(50,175)</u> | <u>(2,200)</u> | <u>(52,375)</u> |
| Other financing sources: | | | |
| Transfers in | <u>50,175</u> | <u>-</u> | <u>50,175</u> |
| Net change in fund balances | - | (2,200) | (2,200) |
| Fund balances, beginning | <u>-</u> | <u>1,262</u> | <u>1,262</u> |
| Fund balances (deficit), ending | <u>\$ -</u> | <u>\$ (938)</u> | <u>\$ (938)</u> |

SCHEDULE 6
Haverhill Cooperative School District
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2018

| | <u>Balance, beginning</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance, ending</u> |
|--------------------------|-------------------------------|-------------------|-------------------|----------------------------|
| Schools: | | | | |
| Woodsville High | \$ 100,786 | \$ 86,381 | \$ 94,172 | \$ 92,995 |
| Haverhill Academy Middle | 16,976 | 34,551 | 35,586 | 15,941 |
| Woodsvill Elementary | 4,346 | 7,618 | 7,924 | 4,040 |
| King Street School | 4,882 | 1,042 | 890 | 5,034 |
| Totals | <u>\$ 126,990</u> | <u>\$ 129,592</u> | <u>\$ 138,572</u> | <u>\$ 118,010</u> |



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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES

To the Members of the School Board and Superintendent
Haverhill Cooperative School District
North Haverhill, 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 Haverhill Cooperative 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 the Haverhill Cooperative 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 Haverhill Cooperative School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Haverhill Cooperative 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 certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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:

Student Activity Funds

Student Activity Funds are established to account for monies used to support the activities of student organizations and clubs of the School District. The students are involved in the management of the student accounts/activities. Acting as the agent, the School District is responsible for maintaining the records and properly accounting for the activity with the student activity funds.

Upon examination of the various student activity fund accounts we identified the following conditions:

Woodsville High School

During the review of Woodsville High School student activity account, the following issues were identified:

- Multiple subaccounts in the student activity account had negative balances. Subaccounts should not be in a deficit as it results in funds being used from other activity accounts to cover any disbursements from those accounts. We recommend that subaccounts not be over expended.
- Several scholarship accounts were identified in the student activity fund. Scholarships should not be held in, or operated through, a student activity fund. Scholarships accounts should be held in the custody of the School District's trustees of trust funds in accordance with RSA 31:31, *Trust Funds for Districts*. We recommend that all scholarship accounts in the student activity fund be turned over to the trustees of trust funds.

***Haverhill Cooperative School District
Independent Auditor's Communication of Significant Deficiencies***

- Accounts balances still exist in the student activity fund for student groups that have already graduated from the high school. This includes balances for the Class of 2015, Class of 2016, Class of 2017, and a deficit for the Class of 2018. Balances in the student activity fund represent amounts due to these students, and upon graduation, any balances should be returned to the student group. As previously noted, student groups should not be allowed to incur a deficit. We recommend the School District contact the class officers of the graduated classes to determine what to do with the balances in their accounts.
- We noted one instance where a teacher was reimbursed \$10,000 for the purchase of airfare and rooms for a class trip. When possible, all disbursements for a student activity account should be paid directly from the account via check. In rare instances where a check is not accepted, purchases should be made using a School District credit card or P-card. Teachers should not be expected or required to front this type of money, nor should they be allowed to use the student activity account as an opportunity to earn points or rewards on their personal credit card. We recommend that purchases for a student activity account be made directly from the account or with a School District P-card or credit card.
- One instance was identified where a purchase lacked any supporting documentation, including either a request for payment of funds form or an invoice. All disbursements should include both a properly completed and approved request for payment form and an appropriate receipt or invoice. We recommend that disbursements not be processed without the required documentation.
- None of the deposits from November 2, 2017 to June 30, 2018, totaling \$23,854, had not been posted to the student activity general ledger maintain in QuickBooks. In order to properly reconcile the bank account, all receipts should be posted to the general ledger when the funds are received. We recommend all receipts be posted to QuickBooks when they are received from the student activity advisor.
- Numerous deposits were identified that were not remitted and deposited in a timely manner. In many of these instances, it appears that cash and checks are being collected by activity advisors and held for extended periods before they are brought to the office for deposit. Deposits that are not made timely are at a higher risk for loss or theft. We recommend all activity advisors be reminded that cash and check receipts should be brought to the office for deposit on at least a weekly basis.
- For deposits consisting of cash, no record or list of cash receipts is prepared and included with the deposit information. When cash is collected from students, a list of receipts should be prepared to show how much was collected from each student. This ensures proper documentation for each deposit and also assists in verifying returns or reimbursements are correctly made, if necessary. We recommend that all activity advisors prepare a detailed list of receipts, including who provided the payment, when preparing deposits.

Haverhill Cooperative Middle School

During the review of Haverhill Cooperative Middle School student activity account, the following issues were noted:

- The bank reconciliation for the student activity account contains an excessive number of stale dated items which appear to be outstanding checks or deposits in transit that were either never correctly entered or cleared. Some of these items date as far back as 2010. In order to present an accurate bank reconciliation, these items should be followed up on and properly removed. We recommend reviewing monthly bank reconciliations to ensure there are no stale dated or improper items on the reconciliations and if any items are identified, they should be addressed.
- The school secretary who is responsible for maintaining the general ledger in QuickBooks is also a signer on the bank account and signs a majority of the checks from the account. In order to ensure a proper segregation of duties, the individual responsible for maintaining the general ledger should not also be a signer on the account. We recommend the secretary be removed as a signer on the bank account and that signers be limited to the principal and assistant principal, or other building administrator.
- We noted a few instances where the school secretary endorsed a reimbursement check to herself. This represents another lack of segregation of duties and creates an opportunity for fraud or errors to occur if undetected. Also, in a public environment, such a transaction does not provide an appropriate level of transparency. In no instances should a signer on a bank account be allowed to endorse a check to themselves. We recommend that any checks paid to a signer on the account be endorsed by a second, separate signer on the account.
- Donations and reimbursements to operate the Fresh Fruits and Vegetables Program are being run through the student activity account. The Fresh Fruits and Vegetables Program represents activity related to the food service fund of the School District, not the student activity fund. Donations received by the School District should be formally and publicly approved by the School Board in accordance with RSA 31:95-b *Appropriation for Funds Made Available During Year*,

***Haverhill Cooperative School District
Independent Auditor's Communication of Significant Deficiencies***

and held in the general fund for tracking purposes. We recommend that all Fresh Fruits and Vegetables Program activity be run through the food service fund and that all donations received be run through the general fund.

- Deposit forms are not being completed by the student activity advisor, nor is the advisor signing off on the deposit once it has been verified. There are also no deposit receipts being retained with the supporting documentation. Deposit forms should be completed and signed by the student activity advisor, not the school secretary. The secretary should recount and verify the deposit once received to confirm it is complete and accurate. In addition, once the deposit is made, a deposit receipt should be obtained and attached to the deposit backup. We recommend the school develop a deposit receipt form, which should be provided to all activity advisors for them to complete prior to bringing the deposit to the school secretary. In addition, we recommend that deposit receipts be obtained and retained for each deposit.
- Several instances were noted on the summary of activity where beginning balances for subaccounts did not agree with prior year ending balances. In some cases, it appears that intra-account transfers were made to prior year-end balances after last year's audit. In addition, there was a change in the total balance of the student activity account at June 30, 2017 from the prior year's audited balance. Beginning balances for all subaccounts, as well as the student activity account in total should agree with the prior year's ending balances. All activity, changes, and transfers that occur during the year should be reflected as current year activity rather than adjustments to prior year ending balances. If for any reason a prior year balance is determined to be incorrect and an adjustment is made, then a clear explanation should be provided describing the change. We were not made aware of the need for changes to prior year balances. We recommend the summary of activity be updated on a monthly basis, in addition to completing the bank reconciliation. No changes should be made to beginning balances once the account has been reconciled to the bank statement.

Woodsville Elementary School

Upon review of the Woodsville Elementary School Student Activity Fund, the following issues were noted:

- There was lack of supporting documentation for cash receipts and cash disbursements. Proper supporting documentation should be kept on file for all cash receipts and disbursements in order to reduce the risk of theft or misappropriation of funds. We recommend that a request for payment form be filled out for each disbursement, which includes the reason for disbursement, date of payment and a third-party approval. We further recommend that a deposit form be completed upon the receipt of cash or checks.
- No bank reconciliation was provided for the bank statement as of June 30, 2018. There is a difference of \$1,840 between the bank statement balance at June 30, 2018 and the summary of activity of activity, which consists of outstanding checks, but there is no indication the reconciliation was performed. Bank reconciliations are an essential function for ensuring the proper maintenance of records and to ensure no discrepancies occur. We recommend that bank reconciliations be completed in a timely manner each month by the secretary once the bank statement is received. Once completed, the reconciliations should be reviewed and formally approved by the principal.
- There is a separate account library account maintained by the librarian. The librarian is responsible for collecting receipts, making deposits, maintaining a manual general ledger, and writing and signing checks. This poses a significant risk for fraud or errors to occur as there is no segregation of duties or oversight of this account by a second individual. In order to create a proper segregation of controls, deposits should be provided to the Secretary to verify and take to the bank. The librarian should be removed as a signer from the account and all checks should be endorsed by the principal. Bank reconciliations should be completed by the librarian and the reviewed and approved by the principal.

King Street School

Upon review of the King Street School Student Activity Fund, the following issues were noted:

- Disbursements for the account are made by withdrawing cash. Cash transactions can provide a lack of transparency and are easily susceptible to theft or fraud. We recommend cash withdrawals be prohibited and all disbursements from the student activity should be made by check instead of cash.
- One of the disbursements reviewed contained no supporting documentation other than the withdrawal receipt. As this payment was made by withdrawing cash, there is no evidence as to who the money was paid to. Again, we recommend the cash withdrawals be prohibited and all payments be made via check. In addition, no payments should be made without an appropriate receipt or invoice to substantiate the purchase.
- No deposit backup was retained other than a deposit receipt. All deposits should have a deposit form completed to document the date, amount, source, and student group (if applicable) prior to making the deposit. The deposit receipt should then be attached to this deposit form after the deposit is made.

***Haverhill Cooperative School District
Independent Auditor's Communication of Significant Deficiencies***

- Monthly service fees are being charged to the account totaling \$36 for the year. We recommend the School District contact the bank to set up a different account that will not be assessed fees.

It should also be noted that High School's student activity fund records were not available at the time of the audit. We returned several months later in order to complete the audit. All student activity fund records should be made available on the first day of audit fieldwork in order to avoid a delay in the audit being finalized as well as potential additional audit fees.

This communication is intended solely for the information and use of management, members of the School Board, and others within the Haverhill Cooperative School District, and is not intended to be and should not be used by anyone other than these specified parties.

*Plodyk & Sanderson
Professional Association*

March 7, 2019