

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

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

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 7
 BASIC FINANCIAL STATEMENTS 	
Government-wide Financial Statements	
A Statement of Net Position	8
B Statement of Activities.....	9
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet.....	10
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	12
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
<i>Budgetary Comparison Information</i>	
D-1 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	14
D-2 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) – Grants Fund	15
<i>Fiduciary Fund</i>	
E Statement of Net Position	16
NOTES TO THE BASIC FINANCIAL STATEMENTS	17 - 31
 REQUIRED SUPPLEMENTARY INFORMATION 	
F Schedule of the School District's Proportionate Share of Net Pension Liability	32
G Schedule of School District Contributions - Pensions	33
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY	34
H Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability	35
I Schedule of School District Contributions – Other Postemployment Benefits.....	36
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY	37
 INDIVIDUAL FUND SCHEDULES 	
Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	38
2 Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis).....	39
3 Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)	40
Fiduciary Fund	
<i>Agency Fund</i>	
4 Warren Village School Student Activities Fund – Schedule of Changes in Student Activities Fund	41



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

INDEPENDENT AUDITOR’S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Warren 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
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1-M to the financial statements, management has not recorded the local portion of the 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.

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 Warren 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.

**Warren School District
Independent Auditor's Report**

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and aggregate remaining fund information of the Warren School District as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general and grants funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis
- Schedule of the School District's Proportionate Share of Net Pension Liability
- Schedule of School District Contributions – Pensions
- Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability
- Schedule of the District Contributions – Other Postemployment Benefits
- 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 Warren School District's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 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 5, 2019

WARREN SCHOOL DISTRICT
Management's Discussion & Analysis
For the Period Ending June 30, 2018

This discussion and analysis of the Warren 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 decreased by \$96,791 as a result of this year's operations.
- The District's General Fund fund balance decreased by \$32,603 as a result of this year's operation.
- The unassigned fund balance for the General Fund was \$65,198 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 \$133,117 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 of which the District did not report any at year end. 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.

WARREN SCHOOL DISTRICT
Management’s Discussion & 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 three governmental funds; the General Fund (which includes the expendable trust fund), the Grants Fund, and the Food Service Fund. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary Funds - The District serves as trustee or fiduciary for student activities accounts. These activities are reported in the statement of fiduciary 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 17 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 decreased \$96,791, from \$66,602, to (\$30,189).

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

	<u>2018</u>	As Restated <u>2017</u>	Change <u>2017-2018</u>	Change <u>2017-2018</u>
Assets				
Current Assets	\$ 257,981	\$ 245,012	\$ 12,969	5.29%
Capital Assets	846,094	874,170	(28,076)	-3.21%
Total assets	1,104,075	1,119,182	(15,107)	-1.35%
Deferred Outflows of Resources	334,044	505,027	(170,983)	-33.86%
Liabilities				
Other Liabilities	48,321	11,416	36,905	323.27%
Long Term Liabilities	1,283,062	1,493,375	(210,313)	-14.08%
Total Liabilities	1,331,383	1,504,791	(173,408)	-11.52%
Deferred Inflows of Resources	136,925	52,816	84,109	159.25%
Net Position				
Net Investment in Capital Assets	846,094	874,170	(28,076)	-3.21%
Unrestricted Net Position	(876,283)	(807,568)	(68,715)	8.51%
Total Net Position	\$ (30,189)	\$ 66,602	\$ (96,791)	-145.33%

WARREN SCHOOL DISTRICT
Management's Discussion & Analysis
For the Period Ending June 30, 2018

Government-wide Statement of Activities – Governmental activities reported total revenues of \$2,084,379 and total expenses of \$2,181,170 resulting in a decrease in net position of \$96,791.

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

	June 30, <u>2018</u>	June 30, <u>2017</u>	<u>Change</u>	<u>Change in</u> <u>%</u>
Revenues				
Program Revenue				
Charges for Services	\$ 8,040	\$ 12,048	\$ (4,008)	-33.27%
Operating Grants & Contributions	145,075	179,877	(34,802)	-19.35%
General Revenue				
School District Assessment	1,019,655	1,191,237	(171,582)	-14.40%
Unrestricted Grants and Contributions	899,825	891,719	8,106	0.91%
Unrestricted Investment Income	1,115	266	849	319.17%
Miscellaneous	10,669	4,142	6,527	157.58%
Total Revenues	\$ 2,084,379	\$ 2,279,289	\$ (194,910)	-8.55%
Program Expenses:				
Instruction	\$ 1,397,950	\$ 1,545,952	\$ (148,002)	-9.57%
Support Services:				
Student	153,235	146,338	6,897	4.71%
Instructional Staff	43,209	34,903	8,306	23.80%
General Administration	15,858	16,516	(658)	-3.98%
Executive Administration	112,654	89,345	23,309	26.09%
School Administration	125,756	170,812	(45,056)	-26.38%
Operation and Maintenance of Plant	138,540	113,502	25,038	22.06%
Student Transportation	126,576	124,035	2,541	2.05%
Other	8,583	2,528	6,055	239.52%
Noninstructional Services	58,809	58,696	113	0.19%
Total Expenses	2,181,170	2,302,627	(121,457)	-5.27%
Change in Net Position	(96,791)	(23,338)	(73,453)	-314.74%
Net Position, beginning, as restated	66,602	89,940	(23,338)	-25.95%
Net Position, ending	\$ (30,189)	\$ 66,602	\$ (96,791)	-145.33%

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) and Grants Fund.

As of June 30, 2018, the District's governmental funds reported combined ending fund balances of \$172,296. Of this \$1,914 was classified as nonspendable, \$105,184 was committed, and \$65,198 was unassigned.

WARREN SCHOOL DISTRICT
Management's Discussion & Analysis
For the Period Ending June 30, 2018

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 \$172,296 of which \$65,198 was unassigned. The General Fund had a decrease in fund balance of \$32,603 for the year ending June 30, 2018, compared to a budgeted decrease in fund balance of \$129,207.

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.

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 trust accounts. The activity of the fund can be reviewed on page 16 of the financial statements.

General Fund Budgetary Highlights

The schedule comparing the School District's original budget and actual results are included on page 17.

For the year ending June 30, 2018, actual General Fund revenues, on a budget basis, were \$1,992,176 compared to budgeted amounts of \$1,964,303. Differences in actual versus budgeted amounts were primarily the results of the following items:

- **Other Local Revenue:** Over budget \$7,700 due to E-rate reimbursement on equipment.
- **Medicaid Reimbursement:** Over budget \$19,000 ~ Based on actual expenses/student needs.

For the year ending June 30, 2018, actual General Fund expenditures, on a budget basis, were \$2,003,717 compared to budgeted amounts of \$2,070,510. Differences in actual versus budgeted amounts were primarily the results of the following items:

- **Regular Education:** Under budget \$133,000 ~ Mostly due to tuition less than budget.
- **Special Education:** Over budget \$51,000 ~ Contracted services based on student need.
- **Vocational Tuition:** Over budget \$22,000 ~ More students enrolled than anticipated (budgeted in regular education above).
- **Speech, Physical & Occupational Therapy:** Over budget \$9,000 ~ Based on student need.
- **Building, Grounds & Equipment:** Over budget \$17,000 ~ \$7,300 is related to paving the driveway. Salaries and propane gas are over budget, offset by savings in a number of line items.

WARREN SCHOOL DISTRICT
Management's Discussion & Analysis
For the Period Ending June 30, 2018

Capital Assets and Debt Administration

Capital assets – The District's investment for its governmental activities as of June 30, 2018 was \$846,094 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment at book value.

	Governmental Activities		Increase	% Increase
	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Land	\$ 3,463	\$ 3,463	\$ -	0.00%
Land Improvements	13,350	13,350	-	0.00%
Building and Building Improvements	1,200,367	1,200,367	-	0.00%
Machinery, Equipment, and Vehicles	116,650	110,136	6,514	5.91%
Total Historical Costs	1,333,830	1,327,316	6,514	0.49%
Total Accumulated Depreciation	(487,736)	(453,146)	(34,590)	7.63%
Net Capital Assets	\$ 846,094	\$ 874,170	\$ (28,076)	-3.21%

Long-term liabilities – As of June 30, 2018, the District's total outstanding long-term liabilities consisted of net pension liabilities and net other postemployment benefits. For the year ending June 30, 2018, the District did not acquire any new long-term liabilities.

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
WARREN SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 149,648
Other receivables	3,627
Intergovernmental receivable	102,792
Prepaid items	1,914
Capital assets, not being depreciated	3,463
Capital assets, net of accumulated depreciation	842,631
Total assets	1,104,075
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	325,374
Amounts related to other postemployment benefits	8,670
Total deferred outflows of resources	334,044
LIABILITIES	
Accounts payable	17,511
Accrued salaries and benefits	2,951
Intergovernmental payable	27,859
Noncurrent obligations:	
Due in more than one year	1,283,062
Total liabilities	1,331,383
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - grants	37,364
Amounts related to pensions	93,741
Amounts related to other postemployment benefits	5,820
Total deferred inflows of resources	136,925
NET POSITION	
Net investment in capital assets	846,094
Unrestricted	(876,283)
Total net position	\$ (30,189)

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

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

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Change in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 1,397,950	\$ 360	\$ 106,100	\$ (1,291,490)
Support services:				
Student	153,235	-	-	(153,235)
Instructional staff	43,209	-	5,506	(37,703)
General administration	15,858	-	-	(15,858)
Executive administration	112,654	-	970	(111,684)
School administration	125,756	-	2,445	(123,311)
Operation and maintenance of plant	138,540	-	-	(138,540)
Student transportation	126,576	-	1,412	(125,164)
Other	8,583	-	-	(8,583)
Noninstructional services	58,809	7,680	28,642	(22,487)
Total governmental activities	<u>\$ 2,181,170</u>	<u>\$ 8,040</u>	<u>\$ 145,075</u>	<u>(2,028,055)</u>
General revenues:				
School district assessment				1,019,655
Grants and contributions not restricted to specific programs				899,825
Interest				1,115
Miscellaneous				10,669
Total general revenues				<u>1,931,264</u>
Change in net position				(96,791)
Net position, beginning, as restated (see Note 14)				66,602
Net position, ending				<u>\$ (30,189)</u>

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

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

	General	Grants	Other Governmental Fund (Food Service)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 149,648	\$ -	\$ -	\$ 149,648
Accounts receivable	450	-	3,177	3,627
Intergovernmental receivable	91,840	9,767	1,185	102,792
Interfund receivables	-	27,597	-	27,597
Prepaid items	1,914	-	-	1,914
Total assets	<u>\$ 243,852</u>	<u>\$ 37,364</u>	<u>\$ 4,362</u>	<u>\$ 285,578</u>
LIABILITIES				
Accounts payable	\$ 17,467	\$ -	\$ 44	\$ 17,511
Accrued salaries and benefits	2,951	-	-	2,951
Intergovernmental payable	27,859	-	-	27,859
Interfund payable	23,279	-	4,318	27,597
Total liabilities	<u>71,556</u>	<u>-</u>	<u>4,362</u>	<u>75,918</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	-	37,364	-	37,364
FUND BALANCES				
Nonspendable	1,914	-	-	1,914
Committed	105,184	-	-	105,184
Unassigned	65,198	-	-	65,198
Total fund balances	<u>172,296</u>	<u>-</u>	<u>-</u>	<u>172,296</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 243,852</u>	<u>\$ 37,364</u>	<u>\$ 4,362</u>	<u>\$ 285,578</u>

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 172,296
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 1,333,830	
Less accumulated depreciation	<u>(487,736)</u>	846,094
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	\$ 325,374	
Deferred inflows of resources related to pensions	(93,741)	
Deferred outflows of resources related to OPEB	8,670	
Deferred inflows of resources related to OPEB	<u>(5,820)</u>	234,483
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (27,597)	
Payables	<u>27,597</u>	-
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Other postemployment benefits	\$ 124,094	
Net pension liability	<u>1,158,968</u>	(1,283,062)
Net position of governmental activities (Exhibit A)		<u><u>\$ (30,189)</u></u>

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

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

	General	Grants	Other Governmental Fund (Food Service)	Total Governmental Funds
REVENUES				
School district assessment	\$ 1,019,655	\$ -	\$ -	\$ 1,019,655
Other local	12,144	8,088	7,680	27,912
State	908,847	-	513	909,360
Federal	52,404	46,919	28,129	127,452
Total revenues	<u>1,993,050</u>	<u>55,007</u>	<u>36,322</u>	<u>2,084,379</u>
EXPENDITURES				
Current:				
Instruction	1,322,878	46,086	-	1,368,964
Support services:				
Student	151,132	-	-	151,132
Instructional staff	37,263	5,506	-	42,769
General administration	15,858	-	-	15,858
Executive administration	111,684	970	-	112,654
School administration	118,784	2,445	-	121,229
Operation and maintenance of plant	110,959	-	-	110,959
Student transportation	126,576	-	-	126,576
Other	8,583	-	-	8,583
Noninstructional services	-	-	58,258	58,258
Total expenditures	<u>2,003,717</u>	<u>55,007</u>	<u>58,258</u>	<u>2,116,982</u>
Deficiency of revenues under expenditures	<u>(10,667)</u>	<u>-</u>	<u>(21,936)</u>	<u>(32,603)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	21,936	21,936
Transfers out	(21,936)	-	-	(21,936)
Total other financing sources (uses)	<u>(21,936)</u>	<u>-</u>	<u>21,936</u>	<u>-</u>
Net change in fund balances	(32,603)	-	-	(32,603)
Fund balances, beginning	204,899	-	-	204,899
Fund balances, ending	<u>\$ 172,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,296</u>

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

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

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (32,603)
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	\$ 6,514	
Depreciation expense	<u>(34,590)</u>	(28,076)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (21,936)	
Transfers out	<u>21,936</u>	-
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Net decrease in other postemployment liability and deferred outflows and inflows of resources related to other postemployment benefits	\$ 11,873	
Net increase in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(47,985)</u>	(36,112)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (96,791)</u></u>

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

EXHIBIT D-1
WARREN 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	\$ 1,019,655	\$ 1,019,655	\$ -
Other local	3,250	11,270	8,020
State	907,888	908,847	959
Federal	33,510	52,404	18,894
Total revenues	<u>1,964,303</u>	<u>1,992,176</u>	<u>27,873</u>
EXPENDITURES			
Current:			
Instruction	1,386,048	1,322,878	63,170
Support services:			
Student	147,515	151,132	(3,617)
Instructional staff	57,225	37,263	19,962
General administration	18,743	15,858	2,885
Executive administration	111,684	111,684	-
School administration	123,397	118,784	4,613
Operation and maintenance of plant	93,540	110,959	(17,419)
Student transportation	128,473	126,576	1,897
Other	3,885	8,583	(4,698)
Total expenditures	<u>2,070,510</u>	<u>2,003,717</u>	<u>66,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(106,207)</u>	<u>(11,541)</u>	<u>94,666</u>
OTHER FINANCING USES			
Transfers out	<u>(38,000)</u>	<u>(36,936)</u>	<u>1,064</u>
Net change in fund balance	<u>\$ (144,207)</u>	<u>(48,477)</u>	<u>\$ 95,730</u>
Increase in nonspendable fund balance		(532)	
Increase in committed fund balance		(15,000)	
Unassigned fund balance, beginning, as restated (see Note 14)		<u>129,207</u>	
Unassigned fund balance, ending		<u>\$ 65,198</u>	

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

EXHIBIT D-2
WARREN 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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Local	\$ -	\$ 31,932	\$ 8,088	\$ (23,844)
Federal	<u>154,310</u>	<u>96,583</u>	<u>46,919</u>	<u>(49,664)</u>
Total revenues	<u>154,310</u>	<u>128,515</u>	<u>55,007</u>	<u>(73,508)</u>
EXPENDITURES				
Current:				
Instruction	154,310	101,263	46,086	55,177
Support services:				
Student	-	13	-	13
Instructional staff	-	23,749	5,506	18,243
Executive administration	-	970	970	-
School administration	<u>-</u>	<u>2,520</u>	<u>2,445</u>	<u>75</u>
Total expenditures	<u>154,310</u>	<u>128,515</u>	<u>55,007</u>	<u>73,508</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ -</u>	

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

EXHIBIT E
WARREN SCHOOL DISTRICT
Fiduciary Fund
Statement of Net Position
June 30, 2018

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 25,931</u>
LIABILITIES	
Due to student groups	<u>\$ 25,931</u>

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

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

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

DETAILED NOTES ON ALL FUNDS

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

WARREN 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 Warren School District, in Warren, 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-M for further information on this pronouncement.

1-A Reporting Entity

The Warren School District is a municipal corporation governed by an elected 3-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

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

1-B Government-wide and Fund Financial Statements

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

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

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

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

In the governmental fund financial statements, expenditures are reported by character: current, debt service or facilities acquisition and construction. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds or notes. Capital outlay includes expenditures for equipment, real property, or infrastructure. The School District had no debt service or facilities acquisition and construction expenditures.

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.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The School District had none of these expenditures for the current year.

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

The School District reports the following major governmental funds:

General Fund – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction and support services. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the expendable trust funds are consolidated in the general fund.

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

Nonmajor Fund – The School District also reports one nonmajor governmental fund, the food service fund.

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position. The School District’s fiduciary fund is an agency fund, which is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary fund is 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.

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.

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.

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

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. roads, sidewalks, drainage, and similar items) and are reported in governmental activities.

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

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

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

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

Capital Asset Class:	<u>Years</u>
Land improvements	20
Buildings and building improvements	20-150
Machinery, equipment, and vehicles	4-20

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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-K Long-term Obligations

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

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

1-L 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-M 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-N Net Position/Fund Balances

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

Net Investment in Capital Assets – This classification includes the School District's capital assets, net of accumulated depreciation.

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.

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

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

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

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.

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

1-O 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, \$129,207 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, \$15,000 was appropriated to fund the School District’s capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

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

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

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 1,992,176
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust fund	874
Per Exhibit C-3 (GAAP Basis)	<u>\$ 1,993,050</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 2,040,653
Adjustments:	
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust fund	<u>(15,000)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,025,653</u>

2-C Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional

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

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 OPEB
Change in total OPEB liability under current standards, July 1	\$(149,449)
Initial balance of deferred outflows of resources	16,332
Cumulative restatement related to GASB No. 75 implementation (see Note 14)	<u><u>\$(133,117)</u></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 \$175,329 and the bank balances totaled \$236,998. Petty cash totaled \$250.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 149,648
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E)	<u>25,931</u>
Total cash and cash equivalents	<u><u>\$ 175,579</u></u>

Repurchase Agreement – Included in the School District’s cash equivalents at June 30, 2018 is a short-term investment in a repurchase agreement issued by a local banking institution. Under this agreement, the School District will be repaid principal plus interest on a specified date which is subsequent to year-end. The agreement is guaranteed/collateralized with securities held by the banking institution which equal the amount of the agreement. To the extent that the banking institution may default on its commitment to this obligation, the School District is at risk of economic loss. Management considers this exposure to be minimal. At June 30, 2018, the School District held an investment in the following repurchase agreements:

Amount	Interest Rate %	Maturity Date	Collateral Pledged	
			Underlying Securities	Market Value
\$ 133,462	9.29%	August 1, 2036	FNMA	\$ 1,436,577
\$ 51,580	2.42%	January 1, 2036	SBA 2016-20A1	\$ 2,131,113

Custodial Credit Risk – The School District’s repurchase agreements are all with banking institutions; therefore, are subject to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, the School District’s deposits may not be recovered.

Interest Rate Risk – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the School District’s investments.

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 Warren, Trustees of Trust Funds for the School District. Receivables are recorded on the School District’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

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

NOTE 5 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 3,463	\$ -	\$ 3,463
Being depreciated:			
Land improvements	13,350	-	13,350
Buildings and building improvements	1,200,367	-	1,200,367
Machinery, equipment, and vehicles	110,136	6,514	116,650
Total capital assets being depreciated	1,323,853	6,514	1,330,367
Total capital assets	1,327,316	6,514	1,333,830
Less accumulated depreciation:			
Land improvements	(3,394)	(668)	(4,062)
Buildings and building improvements	(385,418)	(29,178)	(414,596)
Machinery, equipment, and vehicles	(64,334)	(4,744)	(69,078)
Total accumulated depreciation	(453,146)	(34,590)	(487,736)
Net book value, capital assets being depreciated	870,707	(28,076)	842,631
Net book value, all capital assets	\$ 874,170	\$ (28,076)	\$ 846,094

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	\$ 1,194
Support services:	
Operation and maintenance of plant	32,845
Noninstructional services	551
Total depreciation expense	\$ 34,590

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
Grants	General	\$ 23,279
	Food Service	4,318
		\$ 27,597

The interfund transfer in the amount of \$21,936 during the year ended June 30, 2018 from the general fund to the food service fund was to cover operating losses.

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

NOTE 7 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$27,859 at June 30, 2018 consisted of amounts due to the Haverhill Cooperative School District.

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

NOTE 8 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred inflows of resources reported in both the governmental activities and governmental funds of \$37,364 consist of local grants received in advance of eligible expenditures being incurred.

See Notes 10 and 11 for further information on pension and OPEB related deferrals.

NOTE 9 – LONG-TERM LIABILITIES

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

	Balance July 1, 2017 (as restated)	Reductions	Balance June 30, 2018	Due Within One Year
Net other postemployment benefits	\$ 149,449	\$ (25,355)	\$ 124,094	\$ -
Pension related liability	1,343,926	(184,958)	1,158,968	-
Total long-term liabilities	<u>\$ 1,493,375</u>	<u>\$ (210,313)</u>	<u>\$ 1,283,062</u>	<u>\$ -</u>

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers 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.

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 \$95,167, which was paid in full.

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

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 \$1,158,968 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 0.02356587% which was a decrease of 0.00170732% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$143,254. 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	\$ 111,203	\$ 64,231
Net difference between projected and actual investment earnings on pension plan investments	-	14,760
Changes in assumptions	116,376	-
Differences between expected and actual experience	2,628	14,750
Contributions subsequent to the measurement date	95,167	-
Total	\$ 325,374	\$ 93,741

The \$95,167 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	\$ 41,648
2019	71,020
2020	55,366
2021	(31,568)
Totals	\$ 136,466

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

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

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

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

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

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

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:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 1,526,882	\$ 1,158,968	\$ 857,477

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

11-A New Hampshire Retirement System (NHRS)

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

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

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 \$8,670, 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 \$124,094 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 0.02714017% which was a decrease of 0.00373094% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of (\$3,449). 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	\$ -	\$ 5,428
Net difference between projected and actual investment earnings on OPEB plan investments	-	392
Contributions subsequent to the measurement date	8,670	-
Total	\$ 8,670	\$ 5,820

The \$8,670 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.

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

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	\$ (5,526)
2019	(98)
2020	(98)
2021	(98)
Totals	<u>\$ (5,820)</u>

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

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

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

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

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

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

WARREN 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	\$ 135,051	\$ 124,094	\$ 114,601

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

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

11-B Retiree Health Benefit Program

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

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The School District has not fully implemented GASB Statement No. 75 at June 30, 2018, or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the School District. The amounts that should be recorded as the net OPEB liability and the OPEB expense is unknown.

NOTE 12 – 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	\$ 846,094
Unrestricted	<u>(876,283)</u>
Total net position	<u><u>\$ (30,189)</u></u>

None of the net position is restricted by enabling legislation.

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

NOTE 13 – GOVERNMENTAL FUND BALANCES

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

	General Fund
Nonspendable:	
Prepaid	\$ 1,914
Committed:	
Expendable trust	75,184
Voted appropriation - March 2018	30,000
Total committed fund balance	<u>105,184</u>
Unassigned	<u>65,198</u>
Total governmental fund balances	<u><u>\$ 172,296</u></u>

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements	General Fund (Budgetary Basis Schedule 3)
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (133,117)	\$ -
To restate beginning fund balance to budgetary basis previously presented on a non-budgetary basis	-	(61,052)
Net position/fund balance, as previously reported	<u>199,719</u>	<u>190,259</u>
Net position/fund balance, as restated	<u><u>\$ 66,602</u></u>	<u><u>\$ 129,207</u></u>

NOTE 15 – 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 is a are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2017 to June 30, 2018 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 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 5, 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
WARREN 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	0.02%	0.02%	0.02%	0.03%	0.02%
School District's proportionate share of the net pension liability	\$ 901,114	\$ 772,506	\$ 858,260	\$ 1,343,926	\$ 1,158,968
School District's covered payroll	\$ 582,515	\$ 568,332	\$ 617,478	\$ 774,873	\$ 653,177
School District's proportionate share of the net pension liability as a percentage of its covered payroll	154.69%	135.93%	138.99%	173.44%	177.44%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%

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

EXHIBIT G
WARREN 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	\$ 52,062	\$ 66,768	\$ 72,683	\$ 90,498	\$ 86,332
Contributions in relation to the contractually required contributions	<u>52,062</u>	<u>66,768</u>	<u>72,683</u>	<u>90,498</u>	<u>86,332</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School District's covered payroll	<u>\$ 582,515</u>	<u>\$ 568,332</u>	<u>\$ 617,478</u>	<u>\$ 774,873</u>	<u>\$ 653,177</u>
Contributions as a percentage of covered payroll	8.94%	11.75%	11.77%	11.68%	13.22%

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

WARREN 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
WARREN 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	0.03%	0.03%
School District's proportionate share of the net OPEB liability	\$ 149,449	\$ 124,094
School District's covered payroll	\$ 774,873	\$ 653,177
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	19.29%	19.00%
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
WARREN 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	\$ 17,938	\$ 16,086
Contributions in relation to the contractually required contribution	<u>17,938</u>	<u>16,086</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 774,873</u>	<u>\$ 653,177</u>
Contributions as a percentage of covered payroll	2.31%	2.46%

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

WARREN 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.

INDIVIDUAL FUND SCHEDULES

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

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 1,019,655	\$ 1,019,655	\$ -
Other local sources:			
Tuition	-	360	360
Investment earnings	150	241	91
Miscellaneous	3,100	10,669	7,569
Total from other local sources	<u>3,250</u>	<u>11,270</u>	<u>8,020</u>
State sources:			
Adequacy aid (grant)	749,025	749,025	-
Adequacy aid (tax)	142,350	142,350	-
Vocational aid	16,513	15,357	(1,156)
Other state aid	-	2,115	2,115
Total from state sources	<u>907,888</u>	<u>908,847</u>	<u>959</u>
Federal sources:			
Medicaid	25,000	43,954	18,954
Federal forest reserve	8,510	8,450	(60)
Total from federal sources	<u>33,510</u>	<u>52,404</u>	<u>18,894</u>
Total revenues	1,964,303	<u>\$ 1,992,176</u>	<u>\$ 27,873</u>
Use of fund balance to reduce school district assessment	129,207		
Use of fund balance - appropriated	15,000		
Total revenues and use of fund balance	<u>\$ 2,108,510</u>		

SCHEDULE 2
WARREN 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	\$ 1,123,852	\$ 990,637	\$ 133,215
Special programs	218,937	277,402	(58,465)
Vocational programs	17,875	39,625	(21,750)
Other	25,384	15,214	10,170
Total instruction	<u>1,386,048</u>	<u>1,322,878</u>	<u>63,170</u>
Support services:			
Student	147,515	151,132	(3,617)
Instructional staff	57,225	37,263	19,962
General administration	18,743	15,858	2,885
Executive administration	111,684	111,684	-
School administration	123,397	118,784	4,613
Operation and maintenance of plant	93,540	110,959	(17,419)
Student transportation	128,473	126,576	1,897
Other	3,885	8,583	(4,698)
Total support services	<u>684,462</u>	<u>680,839</u>	<u>3,623</u>
Other financing uses:			
Transfers out	<u>38,000</u>	<u>36,936</u>	<u>1,064</u>
Total appropriations, expenditures, and other financing uses	<u>\$ 2,108,510</u>	<u>\$ 2,040,653</u>	<u>\$ 67,857</u>

SCHEDULE 3
WARREN 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, restated (see Note 14)		\$ 129,207
Changes:		
Unassigned fund balance used to reduce school district assessment		(129,207)
Unassigned fund balance appropriated for use in 2018-2019		(15,000)
2017-2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 27,873	
Unexpended balance of appropriations (Schedule 2)	<u>67,857</u>	
2017-2018 Budget surplus		95,730
Increase in nonspendable fund balance		(532)
Increase in committed fund balance		<u>(15,000)</u>
Unassigned fund balance, ending		<u><u>\$ 65,198</u></u>

SCHEDULE 4
WARREN SCHOOL DISTRICT
Warren Village School Student Activities Fund
Schedule of Changes in Student Activities Fund
For the Fiscal Year Ended June 30, 2018

Balance, beginning	Additions	Deductions	Balance, ending
<u>\$ 22,139</u>	<u>\$ 18,095</u>	<u>\$ 14,303</u>	<u>\$ 25,931</u>