

**DRESDEN SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**DRESDEN SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
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**JUNE 30, 2017**

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the School Board  
Dresden School District  
Hanover, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Dresden School District as of and for the year ended June 30, 2017, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

### ***Opinions***

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

### ***Other Matters***

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-9), the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 36), the Schedule of District's Proportionate Share of Net Pension Liability (page 37), and the Schedule of District Contributions (page 38) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

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

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 Dresden School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Plodzik & Sanderson  
Professional Association*

January 23, 2018

# **DRESDEN SCHOOL DISTRICT**

## **Management's Discussion And Analysis (MD&A) of the Annual Financial Report For The Year Ended June 30, 2017**

The Superintendent of Schools and Business Administrator of School Administrative Unit (SAU) #70, as management of the Dresden School District (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2017. This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual audit.

### **FINANCIAL HIGHLIGHTS**

The District's total net position for the year ending June 30, 2017, was \$16,717,512. Net position increased by \$659,075 or 4.1% between July 1, 2016 and June 30, 2017. The District's total net position consisted of \$26,214,880 in capital assets net of debt, \$96,425 restricted net position, and (\$9,593,793), in unrestricted net position. The District's long-term obligations of \$24,665,225 consisted of \$11,784,863 in general obligation bonds, \$266,137 in unamortized bond premium, \$222,221 capital leases payable, \$127,334 in compensated absences, and \$453,157 in other post employment benefits. In compliance with GASB 68, the district now reports its prorated share of the unfunded liability of the New Hampshire Retirement System on its financial statements. That amount--\$11,811,513-- is now included in the statement of Long Term Liabilities.

During the year, the District's expenses of \$25,609,348 were \$659,075 less than its revenues of \$26,268,423. Revenues consisted of: charges for services/tuition; operating grants and contributions; capital grants and contributions, and general revenues (which consist of local and state property tax assessments, state and federal grants, and miscellaneous amounts).

### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes and related financial and compliance information. The district's annual financial report consists of four elements: 1) government-wide financial statements; 2) fund financial statements; 3) notes to the financial statements; and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting. The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

**Dresden School District**  
**Management Discussion and Analysis for the Year Ended June 30, 2017**

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The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

***Government-Wide Financial Statements***

The government-wide financial statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as Governmental Activities. Intergovernmental revenues include local, state and federal monies. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund definitions are part of a uniform accounting system and chart of accounts mandated by the state and federal governments for all school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A detailed statement of financial activity is reported annually to the State of New Hampshire through its annual MS-25 and DOE-25 reports.

All of the funds of the District are divided into two categories: governmental funds and fiduciary funds. The General Fund, Grants Fund, and High School Food Service Fund comprise the major governmental funds, while six Special Revenue Funds and one capital project fund are consolidated as non-major governmental funds. The non-major funds are the Richmond School Food Service Fund, Driver Education Fund, Athletics Fund, March Intensive Fund, Greenhouse Funds, Special Gifts Fund and the Athletic Field Capital Projects Fund. General Fund revenues and expenditures are compared to budget in the Budgetary Comparison Statement at Exhibit D. Fiduciary funds are private-purpose trust funds, which are used to benefit outside parties and cannot be used to support any of the district's own programs, and agency funds, which are the student activities funds.

***Notes To The Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

***Change in Net Position***

The government-wide financial statements—the Statement of Net Position (Exhibit A) and Statement of Activities (Exhibit B) provide a comprehensive summary of governmental activities. The Statement of Net Position may serve, over time, as a useful indicator of a government's financial position. As of June 30, 2017, the unrestricted net position of the District totaled \$16,717,512. The largest portion of the District's net position reflects its investment in capital assets (that is, land and improvements, buildings and improvements, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Dresden School District**  
**Management Discussion and Analysis for the Year Ended June 30, 2017**

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The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention, thus the depreciated value of a District asset, as reflected in these reports, does not reflect an asset's useful, market or replacement value. Comparative Net Position for the periods ending June 30, 2016, and June 30, 2017 are shown below.

The School District's negative net position is due to that, as of June 30, 2017, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the School District to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.

**Comparative Statement of Changes in Net Position**

	<u>2017</u>	<u>(As Restated)</u> <u>2016</u>	<u>Increase</u> <u>(Decrease)</u>
Current assets	\$ 1,071,058	\$ 633,807	\$ 437,251
Non-current assets	38,488,101	39,540,687	(1,052,586)
<b>Total assets</b>	<b>39,559,159</b>	<b>40,174,494</b>	<b>(615,335)</b>
Deferred outflows of resources	3,232,853	780,880	2,451,973
Current liabilities	1,057,492	923,788	133,704
Non-current liabilities	24,665,225	23,286,207	1,379,018
<b>Total liabilities</b>	<b>25,722,717</b>	<b>24,209,995</b>	<b>1,512,722</b>
Deferred inflows of resources	351,783	686,942	(335,159)
Net Investment in Capital Assets	26,214,880	25,152,893	1,061,987
Restricted Net Position	96,425	-	96,425
Unrestricted Net Position	(9,593,793)	(9,094,456)	(499,337)
<b>Total Net Position</b>	<b>\$ 16,717,512</b>	<b>\$ 16,058,437</b>	<b>\$ 659,075</b>

**Dresden School District**  
**Management Discussion and Analysis for the Year Ended June 30, 2017**

**Statement of Activities**

The Statement of Activities (Exhibit B) provides an important record of overall expenditures and revenues for the fiscal year; it includes transactions from all funds. The District's total expenses were \$25,609,348; total revenues were \$26,268,423, resulting in an increase in net position of \$659,075. The largest share of revenue, \$19,712,424 (75% of total revenues), was from assessments from the two member districts. The District's expenditures were largely for instruction (\$15,233,238 or 59.4%) and support services (\$7,024,741 or 27.4%). Depreciation accounted for 4.9% of total expenses.

Program expenses increased by \$1,261,654 or 5.18% in FY2017. These amounts are displayed in the table below.

**Comparative Statement of Changes in Activities**

	<u>FY2017</u>	<u>FY2016</u>	<u>\$ Chg</u>	<u>% Chg</u>
Instruction	\$ 15,233,238	\$ 14,315,805	\$ 917,433	6.41%
Support Services				
Student	1,346,377	1,222,160	124,217	10.16%
Instructional Staff	645,272	574,366	70,906	12.35%
General Administration	78,344	87,721	(9,377)	-10.69%
Executive Administration	866,893	860,627	6,266	0.73%
School Administration	1,898,619	1,831,641	66,978	3.66%
Operation & Maintenance of Plant	1,967,718	1,852,671	115,047	6.21%
Student Transportation	221,518	298,713	(77,195)	-25.84%
Non-Instructional Services	524,450	496,158	28,292	5.70%
Interest on Long-Term Debt	1,549,428	1,419,930	129,498	9.12%
Depreciation - Unallocated	1,277,491	1,387,902	(110,411)	-7.96%
<b>Total Governmental Activities</b>	<u><b>25,609,348</b></u>	<u><b>24,347,694</b></u>	<u><b>1,261,654</b></u>	<u><b>109.85%</b></u>
<b>Program Revenues</b>				
Charges for Services	5,322,024	5,002,942	319,082	6.38%
Operating Grants & Contributions	461,601	399,551	62,050	15.53%
Capital Grants & Contributions	444,640	467,272	(22,632)	-4.84%
<b>General Revenue</b>				
School District Assessment	19,712,424	19,394,560	317,864	1.64%
Unrestricted Investment Income	11,435	2,055	9,380	456.45%
Miscellaneous	316,299	483,813	(167,514)	-34.62%
<b>Total Revenues</b>	<u><b>26,268,423</b></u>	<u><b>25,750,193</b></u>	<u><b>518,230</b></u>	<u><b>2.01%</b></u>
<b>Change in Net Position</b>				
Change in Net Position	659,075	1,402,499	(743,424)	-5.13%
Net Position, beginning (as restated)	16,058,437	14,655,938	1,402,499	9.57%
<b>Net Position, ending</b>	<u><u><b>\$ 16,717,512</b></u></u>	<u><u><b>\$ 16,058,437</b></u></u>	<u><u><b>\$ 659,075</b></u></u>	<u><u><b>4.10%</b></u></u>



**Dresden School District**  
**Management Discussion and Analysis for the Year Ended June 30, 2017**

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**FUND FINANCIAL STATEMENTS**

***General Fund***

The Dresden School District governmental funds include the General Fund, Grants Fund, High School Food Service and “Other Governmental” funds. The School District uses separate fund accounting for each of its funds to ensure compliance with finance-related legal requirements. Information from the fund accounting system is essential in managing budgets as the financial year progresses and is useful in assessing financial resource needs for future operation of the schools. The General Fund is what most people think of as “the budget” since it is the focal point of the Annual District Meeting and largely supported by locally raised taxes.

Schedules 1, 2, and 3 detail general fund activity for FY2017. Budgeted revenues (excluding prior year’s fund balance) totaled \$25,025,264, while actual revenues equaled \$25,181,208, a favorable variance of \$155,944 (0.6%). All revenue accounts ended the year very near budget. At \$19,712,424, assessments from the two member districts comprise 78.7% of general fund revenues. Against budgeted expenditures and prior year encumbrances of \$25,375,264, the district expended or encumbered \$24,957,681, leaving \$471,455 (1.8%) unexpended. The most significant budget variances are in “Special Programs”, under budget by \$379,111; “School Administration,” under budget by \$127,723; “Operation & Maintenance of Plant,” under budget by \$98,915; “Transportation,” under budget by \$67,214; and “Transfers Out,” over budget by \$231,882 used to pay off the softball field debt.

The cost of direct instruction makes up 56.9% of all general fund expenditures, while Support Services comprise 27.2% of the budget. The remaining 15.9% includes debt service and other outlays.

***Other Funds***

Activity for the Richmond middle school food service, Athletics, March Intensive, Greenhouse, Special Gifts and Athletic Field Capital Project Funds are shown on Schedules 4 and 5. Reported fund balances are \$6,441; \$665; \$1,727; \$203; \$92,580, and \$14,410, respectively.

**Dresden School District**  
**Management Discussion and Analysis for the Year Ended June 30, 2017**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

On June 30, 2017, the District reported capital assets of \$38,488,101 (net of accumulated depreciation), on a range of capital assets, including land and improvements, buildings and improvements, vehicles, equipment, and construction work in progress. The district annually invests in new furnishings, computers and peripherals, printed media, music, and athletic equipment.

**Statement of Capital Assets**

	<u>June 30, 2017</u>	<u>(As Restated) June 30, 2016</u>	<u>% Change</u>
<b>Not Being Depreciated:</b>			
Land	\$ 1,880,377	\$ 1,880,377	0.00%
Construction in Progress	330,875	488,201	-32.23%
<b>Being Depreciated:</b>			
Land Improvements	9,624,318	9,624,318	0.00%
Building and Building Improvements	41,483,936	41,193,936	0.70%
Machinery, Equipment, and Vehicles	3,952,807	3,765,472	4.98%
Infrastructure	20,239	20,239	0.00%
<b>Total Capital Assets Being Depreciated</b>	<u>55,081,300</u>	<u>54,603,965</u>	<u>0.87%</u>
<b>Total All Capital Assets</b>	<u>57,292,552</u>	<u>56,972,543</u>	<u>0.56%</u>
<b>Less Accumulated Depreciation:</b>			
Land Improvements	(2,545,658)	(2,316,591)	9.89%
Building and Building Improvements	(12,928,706)	(11,943,784)	8.25%
Machinery, Equipment, and Vehicles	(3,321,484)	(3,163,890)	4.98%
Infrastructure	(8,603)	(7,591)	13.33%
<b>Total accumulated depreciation</b>	<u>(18,804,451)</u>	<u>(17,431,856)</u>	<u>7.87%</u>
<b>Net Book Value, capital assets being depreciated</b>	<u>36,276,849</u>	<u>37,172,109</u>	<u>-2.41%</u>
<b>Net Book Value, all capital assets</b>	<u>\$ 38,488,101</u>	<u>\$ 39,540,687</u>	<u>-2.66%</u>

**Dresden School District**  
**Management Discussion and Analysis for the Year Ended June 30, 2017**

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***Long-Term Debt***

The district has four general obligation bond issues outstanding. Two of these were issued for school construction and renovation projects during FY2003 and FY2004. The original principal for each was \$37,775,000 and \$4,000,000 respectively. The District has issued two bonds for athletic field acquisition and construction, one during the 2000-01 fiscal year for \$1,100,000, and the other during the 2006-07 fiscal year for \$2,578,120 (including bond premium). All four issues were for twenty-year terms.

**Long Term Liabilities**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>\$ Change</u>
General Obligation Bonds	\$ 11,784,863	\$ 13,741,760	\$ (1,956,897)
Unamortized Bond Premium	266,137	303,040	(36,903)
Capital Leases Payable	222,221	317,129	(94,908)
Compensated Absences	127,334	109,559	17,775
Net Other Postemployment Benefits	453,157	261,269	191,888
Net Pension Liability	11,811,513	8,553,450	3,258,063
<b>Total Long-Term Debt Outstanding</b>	<b><u>\$ 24,665,225</u></b>	<b><u>\$ 23,286,207</u></b>	<b><u>\$ 1,379,018</u></b>

**FUTURE BUDGETARY IMPLICATIONS**

The residents of Hanover, New Hampshire and Norwich, Vermont have a long history of strong support for the education of their children and for providing sufficient resources for quality education. There is no indication of any change in this support. Nonetheless, funding for education is a matter of concern in view of constantly changing economic conditions. The lack of long-term legislation for education funding in New Hampshire creates an atmosphere of uncertainty and concern over tax rate growth. School policymakers constantly struggle with the challenges of operating the district's programs. With state financing systems in both states that struggle to equitably fund education on a long term basis taxpayers worry over the prospect of rising tax rates. Further budgetary challenges will be presented by unavoidable increases in the costs of health insurance, special education, energy, electricity, heating fuel, and technology. School administrators are constantly mindful of the financial impact of school budgets on the taxpayer. The school board and administration are committed to continually looking for ways to contain cost increases and to keep budgets as low as possible, while at the same time not compromising services to students. Taxpayers have shown patience in that they have not let taxation issues detract from their financial support of their schools.

**Contacting School District's Financial Management**

Questions regarding this report should be directed to Jay Badams, PhD, Superintendent of Schools or to Jamie Teague, Business Administrator, at (603-643-6050) or by mail at:

Dresden School District  
c/o School Administrative Unit #70  
41 Lebanon Street, Suite 2  
Hanover, New Hampshire 03755

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**DRESDEN SCHOOL DISTRICT**  
*Statement of Net Position*  
**June 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 229,790
Investments	751,243
Intergovernmental receivable	35,379
Other receivables	42,706
Prepaid items	11,940
Capital assets, not being depreciated	2,211,252
Capital assets, net of accumulated depreciation	36,276,849
Total assets	39,559,159
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	3,232,853
<b>LIABILITIES</b>	
Accounts payable	55,933
Accrued interest payable	951,057
Accrued salaries and benefits	50,502
Noncurrent obligations:	
Due within one year	2,005,494
Due in more than one year	22,659,731
Total liabilities	25,722,717
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - grants and donations	3,288
Amounts related to pensions	348,495
Total deferred inflows of resources	351,783
<b>NET POSITION</b>	
Net investment in capital assets	26,214,880
Restricted	96,425
Unrestricted	(9,593,793)
Total net position	\$ 16,717,512

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

**EXHIBIT B**  
**DRESDEN SCHOOL DISTRICT**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 15,233,238	\$ 4,800,854	\$ 461,601	\$ -	\$ (9,970,783)
Support services:					
Student	1,346,377	-	-	-	(1,346,377)
Instructional staff	645,272	-	-	-	(645,272)
General administration	78,344	-	-	-	(78,344)
Executive administration	866,893	-	-	-	(866,893)
School administration	1,898,619	-	-	-	(1,898,619)
Operation and maintenance of plant	1,967,718	34,614	-	-	(1,933,104)
Student transportation	221,518	16,695	-	-	(204,823)
Noninstructional services	524,450	469,861	-	-	(54,589)
Interest on long-term debt	1,549,428	-	-	444,640	(1,104,788)
Depreciation - unallocated	1,277,491	-	-	-	(1,277,491)
Total governmental activities	<u>\$ 25,609,348</u>	<u>\$ 5,322,024</u>	<u>\$ 461,601</u>	<u>\$ 444,640</u>	<u>(19,381,083)</u>
General revenues:					
School district assessment					19,712,424
Interest					11,435
Miscellaneous					316,299
Total general revenues					<u>20,040,158</u>
Change in net position					659,075
Net position, beginning, as restated (see Note 16)					16,058,437
Net position, ending					<u>\$ 16,717,512</u>

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

**EXHIBIT C-1**  
**DRESDEN SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**

	General	Grants	High School Food Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 92,291	\$ -	\$ 27,585	\$ 109,914	\$ 229,790
Investments	751,243	-	-	-	751,243
Receivables:					
Accounts	36,594	-	-	6,112	42,706
Intergovernmental	2,591	32,788	-	-	35,379
Interfund receivables	32,788	-	-	-	32,788
Prepaid items	11,940	-	-	-	11,940
Total assets	<u>\$ 927,447</u>	<u>\$ 32,788</u>	<u>\$ 27,585</u>	<u>\$ 116,026</u>	<u>\$ 1,103,846</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 26,093	\$ -	\$ 23,943	\$ 5,897	\$ 55,933
Accrued salaries and benefits	49,958	-	-	544	50,502
Interfund payable	-	32,788	-	-	32,788
Total liabilities	<u>76,051</u>	<u>32,788</u>	<u>23,943</u>	<u>6,441</u>	<u>139,223</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - grants and donations	3,288	-	-	-	3,288
<b>FUND BALANCES</b>					
Nonspendable	11,940	-	-	-	11,940
Restricted	-	-	3,642	92,783	96,425
Committed	56,126	-	-	1,727	57,853
Assigned	29,529	-	-	15,075	44,604
Unassigned	750,513	-	-	-	750,513
Total fund balances	<u>848,108</u>	<u>-</u>	<u>3,642</u>	<u>109,585</u>	<u>961,335</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 927,447</u>	<u>\$ 32,788</u>	<u>\$ 27,585</u>	<u>\$ 116,026</u>	<u>\$ 1,103,846</u>

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

*EXHIBIT C-2*  
**DRESDEN SCHOOL DISTRICT**  
*Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position*  
*June 30, 2017*

Total fund balances of governmental funds (Exhibit C-1)		\$ 961,335
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 57,292,552	
Less accumulated depreciation	<u>(18,804,451)</u>	38,488,101
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 3,232,853	
Deferred inflows of resources related to pensions	<u>(348,495)</u>	2,884,358
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (32,788)	
Payables	<u>32,788</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(951,057)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 11,784,863	
Unamortized bond premium	266,137	
Capital leases	222,221	
Compensated absences	127,334	
Other postemployment benefits	453,157	
Net pension liability	<u>11,811,513</u>	<u>(24,665,225)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 16,717,512</u></u>

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



**EXHIBIT C-3**  
**DRESDEN SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*For the Fiscal Year Ended June 30, 2017*

	General	Grants	High School Food Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
School district assessment	\$ 19,712,424	\$ -	\$ -	\$ -	\$ 19,712,424
Other local	4,991,220	-	256,582	614,553	5,862,355
State	477,564	-	-	-	477,564
Federal	-	216,080	-	-	216,080
Total revenues	<u>25,181,208</u>	<u>216,080</u>	<u>256,582</u>	<u>614,553</u>	<u>26,268,423</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	14,208,016	216,080	-	413,074	14,837,170
Support services:					
Student	1,302,316	-	-	-	1,302,316
Instructional staff	647,867	-	-	-	647,867
General administration	78,344	-	-	-	78,344
Executive administration	866,893	-	-	-	866,893
School administration	1,780,521	-	-	-	1,780,521
Operation and maintenance of plant	1,903,468	-	-	-	1,903,468
Student transportation	219,362	-	-	2,156	221,518
Noninstructional services	-	-	289,144	232,849	521,993
Debt service:					
Principal	1,956,897	-	-	-	1,956,897
Interest	1,522,913	-	-	-	1,522,913
Facilities acquisition and construction	155,173	-	-	99,173	254,346
Total expenditures	<u>24,641,770</u>	<u>216,080</u>	<u>289,144</u>	<u>747,252</u>	<u>25,894,246</u>
Excess (deficiency) of revenues over (under) expenditures	<u>539,438</u>	<u>-</u>	<u>(32,562)</u>	<u>(132,699)</u>	<u>374,177</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	36,204	250,178	286,382
Transfers out	(286,382)	-	-	-	(286,382)
Total other financing sources (uses)	<u>(286,382)</u>	<u>-</u>	<u>36,204</u>	<u>250,178</u>	<u>-</u>
Net change in fund balances	253,056	-	3,642	117,479	374,177
Fund balances (deficit), beginning	595,052	-	-	(7,894)	587,158
Fund balances, ending	<u>\$ 848,108</u>	<u>\$ -</u>	<u>\$ 3,642</u>	<u>\$ 109,585</u>	<u>\$ 961,335</u>

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

*EXHIBIT C-4*  
**DRESDEN SCHOOL DISTRICT**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2017*

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 374,177
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 576,509	
Depreciation expense	<u>(1,372,595)</u>	(796,086)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase/decrease net position.		(256,500)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (286,382)	
Transfers out	<u>286,382</u>	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal repayment of bond	\$ 1,956,897	
Amortization of bond premium	36,903	
Principal repayment of capital leases	<u>94,908</u>	2,088,708
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (63,418)	
Increase in compensated absences payable	(17,775)	
Increase in other postemployment benefits	(191,888)	
Increase in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(478,143)</u>	<u>(751,224)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 659,075</u></u>

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

**EXHIBIT D**  
**DRESDEN 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, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School district assessment	\$ 19,712,424	\$ 19,712,424	\$ -
Other local	4,812,718	4,991,220	178,502
State	497,522	477,564	(19,958)
Federal	2,600	-	(2,600)
Total revenues	<u>25,025,264</u>	<u>25,181,208</u>	<u>155,944</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	14,612,966	14,200,531	412,435
Support services:			
Student	1,266,986	1,306,532	(39,546)
Instructional staff	667,612	647,867	19,745
General administration	112,746	82,778	29,968
Executive administration	866,893	866,893	-
School administration	1,908,244	1,780,521	127,723
Operation and maintenance of plant	2,020,747	1,921,832	98,915
Student transportation	286,576	219,362	67,214
Debt service:			
Principal	1,956,897	1,956,897	-
Interest	1,509,547	1,522,913	(13,366)
Facilities acquisition and construction	111,550	111,301	249
Total expenditures	<u>25,320,764</u>	<u>24,617,427</u>	<u>703,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(295,500)</u>	<u>563,781</u>	<u>859,281</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(54,500)</u>	<u>(286,382)</u>	<u>(231,882)</u>
Net change in fund balance	<u>\$ (350,000)</u>	<u>277,399</u>	<u>\$ 627,399</u>
Decrease in nonspendable fund balance		221,023	
Unassigned fund balance, beginning		252,091	
Unassigned fund balance, ending		<u>\$ 750,513</u>	

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

*EXHIBIT E-1*  
**DRESDEN SCHOOL DISTRICT**  
*Fiduciary Funds*  
**Statement of Net Position**  
*June 30, 2017*

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 150,416
Investments	-	54,918
Intergovernmental receivable	32,297	-
Total assets	32,297	\$ 205,334
<b>LIABILITIES</b>		
Due to student groups	-	\$ 205,334
<b>NET POSITION</b>		
Held in trust for specific purposes	\$ 32,297	

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

*EXHIBIT E-2*  
**DRESDEN SCHOOL DISTRICT**  
*Fiduciary Funds*  
**Statement of Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2017**

	Private Purpose Trust
Additions:	
Interest	\$ 894
Net increase in fair value	2,245
Total revenue	3,139
Deductions:	
Scholarships	210
Management fees	159
Total deductions	369
Change in net position	2,770
Net position, beginning	29,527
Net position, ending	\$ 32,297

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

**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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

The financial statements of the Dresden School District, in Hanover, New Hampshire (the School District), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2017 the School District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

**1-A Reporting Entity**

The Dresden School District is a municipal corporation governed by an elected 12-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 or capital requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

**Fund Financial Statements** - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

**Measurement Focus and Basis of Accounting** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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

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

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

The School District reports the following major governmental funds:

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

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

**High School Food Service Fund** – accounts for the operation of the School District’s high school food service program.

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

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

### ***1-D Cash and Cash Equivalents***

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

### ***1-E Investments***

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the School District to invest in the following type of obligations:

- Obligations of the United States government;



**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

- The public deposit investment pool established pursuant to RSA 383:22;
- Savings bank deposits; and
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the School District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

**Fair Value Measurement of Investments** – In accordance with GASB Statement No. 72 Fair Value Measurement and Application, except for investments measured using the net asset value (NAV) as a practical expedient to estimate fair value, the School District categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

**Level 1** – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the School District has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

**Level 2** – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. Holdings in U.S. government obligations and corporate bonds would be examples of Level 2 investments.

**Level 3** – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments. The School District held no Level 3 investments as of June 30, 2017.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level of the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the School District and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified as Level 1. Corporate fixed income securities and certain government securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair value for shares in registered mutual funds and exchange traded funds are based on published share prices and classified in Level 1.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79 the School District held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized in Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the School District in accordance with the NHPDIP's information statement.

### ***1-F 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-G Prepaid Items***

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

**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

***1-H Capital Assets***

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

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

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

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

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

	<u>Years</u>
Land improvements	20 - 40
Buildings and building improvements	10 - 40
Machinery, equipment, and vehicles	5 - 15
Infrastructure	20

***1-I Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***Interfund Transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-J Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2017.

***1-K Deferred Outflows/Inflows of Resources***

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

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

***1-L Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums are deferred and amortized over the life of the bond using the straight line method. Bonds payable are reported net of the applicable bond premium.

**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

***1-M Compensated Absences***

The School District's policy allows certain employees to earn varying amounts of vacation pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued vacation leave earned up to 20 days, as set forth by personnel policy.

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

***1-N Defined Benefit Pension Plan***

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

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

***1-O Net Position/Fund Balances***

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

**Net Investment in Capital Assets** – This classification includes the School District's capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted Net Position** – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitation on their use. The School District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

**Unrestricted Net Position** – This classification typically includes unrestricted liquid assets.

**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 extend of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

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

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

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

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When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In accordance with RSA 198:4-bII, the School District voted to retain general fund unassigned fund balance of \$350,513 to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

***1-P Use of Estimates***

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives and impairment of tangible and intangible 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 fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2017, \$350,000 of the beginning general fund unassigned fund balance was applied for this purpose.

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

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

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

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

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 24,903,809
Adjustments:	
Basis difference:	
Encumbrances, beginning	53,872
Encumbrances, ending	<u>(29,529)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 24,928,152</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 \$380,206 and the bank balances totaled \$822,868. Petty cash totaled \$800.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 229,790
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>150,416</u>
Total cash and cash equivalents	<u>\$ 380,206</u>

**NOTE 4 – INVESTMENTS**

Note 1-E describes statutory requirements covering the investment of the School District funds. The School District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the School District's mission, the School District determines that the disclosures related to these investments only need to be disaggregated by major type. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District's investments of \$806,161 consist of balances in the New Hampshire Public Deposit Investment Pool.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	751,243
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>54,918</u>
Total investments	<u>\$ 806,161</u>

**NOTE 5 – RECEIVABLES**

Receivables at June 30, 2017, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, restricted grants, and other miscellaneous sources. 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.

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**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 consisted of the following:

	Balance, beginning (as restated)	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 1,880,377	\$ -	\$ -	\$ 1,880,377
Construction in progress	488,201	99,174	(256,500)	330,875
Total capital assets not being depreciated	<u>2,368,578</u>	<u>99,174</u>	<u>(256,500)</u>	<u>2,211,252</u>
Being depreciated:				
Land improvements	9,624,318	-	-	9,624,318
Buildings and building improvements	41,193,936	290,000	-	41,483,936
Machinery, equipment, and vehicles	3,765,472	187,335	-	3,952,807
Infrastructure	20,239	-	-	20,239
Total capital assets being depreciated	<u>54,603,965</u>	<u>477,335</u>	<u>-</u>	<u>55,081,300</u>
Total capital assets	<u>56,972,543</u>	<u>576,509</u>	<u>(256,500)</u>	<u>57,292,552</u>
Less accumulated depreciation:				
Land improvements	(2,316,591)	(229,067)	-	(2,545,658)
Buildings and building improvements	(11,943,784)	(984,922)	-	(12,928,706)
Machinery, equipment, and vehicles	(3,163,890)	(157,594)	-	(3,321,484)
Infrastructure	(7,591)	(1,012)	-	(8,603)
Total accumulated depreciation	<u>(17,431,856)</u>	<u>(1,372,595)</u>	<u>-</u>	<u>(18,804,451)</u>
Net book value, capital assets being depreciated	<u>37,172,109</u>	<u>(895,260)</u>	<u>-</u>	<u>36,276,849</u>
Net book value, all capital assets	<u>\$ 39,540,687</u>	<u>\$ (796,086)</u>	<u>\$ (256,500)</u>	<u>\$ 38,488,101</u>

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

Instruction	\$ 93,461
Support services:	
Operation and maintenance of plant	1,643
Unallocated	1,277,491
Total depreciation expense	<u>\$ 1,372,595</u>

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2017 are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	<u>\$ 32,788</u>

Interfund transfers during the year ended June 30, 2017 are as follows:

	Transfers In:		
	High School Food Service Fund	Nonmajor Fund	Total
Transfers out:			
General fund	<u>\$ 36,204</u>	<u>\$ 250,178</u>	<u>\$ 286,382</u>

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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 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows and inflows of resources of \$3,232,853 and \$348,495 respectively in the government wide activities June 30, 2017 consists of deferred amounts related to pensions, see Note 11 for further information.

**NOTE 9 – CAPITAL LEASE OBLIGATIONS**

The School District has entered into capital lease agreements under which the related equipment will become the property of the School District when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2017
Capital lease obligations:		
Apple computers	3.59%	\$ 47,088
Chevy Micro Bird	3.24%	32,356
Lighting project	4.43%	142,777
Total capital lease obligations		<u>\$ 222,221</u>

Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
Apple computers	\$ 141,323
Chevy Micro Bird	53,963
Total equipment	<u>195,286</u>
Less: accumulated depreciation	72,833
Total capital lease equipment	<u>\$ 122,453</u>

The annual requirements to amortize the capital leases payable as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2018	\$ 100,002
2019	51,224
2020	51,223
2021	39,733
Total requirements	<u>242,182</u>
Less: interest	19,961
Present value of remaining payments	<u>\$ 222,221</u>

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

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**NOTE 10 – LONG-TERM LIABILITIES**

Changes in the School District’s long-term liabilities consisted of the following for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 13,741,760	\$ -	\$ (1,956,897)	\$ 11,784,863	\$ 1,873,651
Premium	303,040	-	(36,903)	266,137	36,903
Total bonds payable	14,044,800	-	(1,993,800)	12,051,000	1,910,554
Capital leases	317,129	-	(94,908)	222,221	90,940
Compensated absences	109,559	17,775	-	127,334	4,000
Net other postemployment benefits	261,269	191,888	-	453,157	-
Pension related liability	8,553,450	3,258,063	-	11,811,513	-
Total long-term liabilities	<u>\$ 23,286,207</u>	<u>\$ 209,663</u>	<u>\$ (2,088,708)</u>	<u>\$ 24,665,225</u>	<u>\$ 2,005,494</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2017
General obligation bonds payable:					
Land acquisition	\$ 1,100,000	2001	2022	4.71%	\$ 275,000
School improvements	\$ 37,775,000	2003	2024	4.62%	9,317,029
School construction	\$ 4,000,000	2004	2025	4.47%	1,192,313
School improvements	\$ 2,526,000	2007	2027	4.08%	1,000,521
					<u>\$ 11,784,863</u>

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,873,651	\$ 1,641,997	\$ 3,515,648
2019	1,790,476	1,719,855	3,510,331
2020	1,711,910	1,794,653	3,506,563
2021	1,638,752	1,868,298	3,507,050
2022	1,565,830	1,934,651	3,500,481
2023-2027	3,204,244	4,576,710	7,780,954
Totals	<u>\$ 11,784,863</u>	<u>\$ 13,536,164</u>	<u>\$ 25,321,027</u>

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

**Bonds/Notes Authorized and Unissued** – Bonds and notes authorized and unissued as of June 30, 2017 were as follows:

Per District Meeting Vote of	Purpose	Unissued Amount
March 4, 2014	Fieldwork at Dresden fields	<u>\$ 225,000</u>

**NOTE 11 – DEFINED BENEFIT PENSION PLAN**

**Plan Description:** The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension*



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*Plans – an amendment of GASB Statement No. 25.* The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publically 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 2017, the School District contributed 15.67% for teachers and 11.17% for other employees. The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$818,464, \$923,030, and \$947,341, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:** At June 30, 2017 the School District reported a liability of \$11,811,513 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2016, the School District's proportion was 0.22212133% which was an increase of 0.00620838% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$1,292,956. At June 30, 2017, 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
	<u>\$</u>	<u>\$</u>
Changes in proportion	\$ 207,096	\$ 199,345
Net difference between projected and actual investment earnings on pension plan investments	738,989	-
Changes in assumptions	1,453,622	-
Differences between expected and actual experience	32,824	149,150
Contributions subsequent to the measurement date	800,322	-
Total	<u>\$ 3,232,853</u>	<u>\$ 348,495</u>

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The \$800,322 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, 2017. 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,	
2017	\$ 397,556
2018	397,556
2019	667,752
2020	590,003
2021	31,169
Thereafter	-
Totals	<u>\$ 2,084,036</u>

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

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

**Long-term Rates of Return:** The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.75%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.64%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.71%
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

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**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, 2016	<u>\$ 15,176,990</u>	<u>\$ 11,811,513</u>	<u>\$ 9,020,384</u>

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description and Annual OPEB Cost -** The School District provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provision of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the School District's contractual agreements.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2017:

Annual required contribution/OPEB cost	\$ 317,572
Interest on net OPEB obligation	17,754
Adjustment to annual required contribution	<u>(16,995)</u>
Annual OPEB cost (expense)	318,331
Contributions made	<u>(126,443)</u>
Increase in net OPEB obligation	191,888
Net OPEB obligation - beginning of year	261,269
Net OPEB obligation - end of year	<u>\$ 453,157</u>

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The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Expected Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2017	\$ 317,572	\$ 126,443	39.82%	\$ 453,157
June 30, 2016	\$ 309,602	\$ 279,824	90.38%	\$ 261,269
June 30, 2015	\$ 351,970	\$ 103,133	29.30%	\$ 231,189

As of July 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$3,239,129, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,239,129. The covered payroll (annual payroll of active employees covered by the plan) was \$11,741,415 during fiscal year 2017, and the ratio of the UAAL to the covered payroll was 27.59%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return per annum. The projected annual healthcare cost trend is 8% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2017 was 30 years.

**NOTE 13 – ENCUMBRANCES**

Encumbrances outstanding at June 30, 2017 are as follows:

Current:	
Instruction:	
Regular programs	\$ 1,340
Special programs	725
Other	450
Total instruction	2,515
Support services:	
Student	4,216
General administration	4,434
Operation and maintenance of plant	18,364
Total support services	27,014
Total encumbrances	\$ 29,529

**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2017 include the following:

Net investment in capital assets:	
Net book value of all capital assets	\$ 38,488,101
Less:	
General obligation bonds payable	(11,784,863)
Unamortized bond premiums	(266,137)
Capital leases payable	(222,221)
Total net investment in capital assets	26,214,880
Restricted:	
Food service	3,642
Greenhouse	203
Special gifts	92,580
Total restricted	96,425
Unrestricted	(9,593,793)
Total net position	\$ 16,717,512

**NOTE 15 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2017 consist of the following:

	General Fund	High School Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Prepaid	\$ 11,940	\$ -	\$ -	\$ 11,940
<b>Restricted:</b>				
Food service	-	3,642	-	3,642
Greenhouse	-	-	203	203
Special gifts	-	-	92,580	92,580
Total restricted fund balance	-	3,642	92,783	96,425
<b>Committed:</b>				
Expendable trust	56,126	-	-	56,126
March intensive	-	-	1,727	1,727
Total committed fund balance	56,126	-	1,727	57,853
<b>Assigned:</b>				
Encumbrances	29,529	-	-	29,529
Athletics	-	-	665	665
Athletic fields	-	-	14,410	14,410
Total assigned fund balance	29,529	-	15,075	44,604
<b>Unassigned:</b>				
Unassigned - retained (RSA 198:4-bII)	350,513	-	-	350,513
Unassigned	400,000	-	-	400,000
Total unassigned	750,513	-	-	750,513
Total governmental fund balances	\$ 848,108	\$ 3,642	\$ 109,585	\$ 961,335

**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

Net position at July 1, 2016 was restated for the following:

	Government-wide Statements
To adjust capital assets and accumulated depreciation for additional amounts not previously reported	\$ 25,865
Net position, as previously reported	16,032,572
Net position, as restated	\$ 16,058,437

**NOTE 17 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2017, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance program for member School Districts and cities.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2017 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Dresden School District billed and paid for the year ended June 30, 2017 was \$48,568 for workers' compensation and \$65,231 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

**NOTE 18 – CONTINGENT LIABILITIES**

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

**NOTE 19 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 23, 2018, the date the June 30, 2017 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT F**  
**DRESDEN SCHOOL DISTRICT**  
*Schedule of Funding Progress for Other Postemployment Benefit Plan*  
*For the Fiscal Year Ended June 30, 2017*

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
June 30, 2017	July 1, 2016	\$ -	\$ 3,239,129	\$ 3,239,129	0.00%	\$ 11,741,415	27.59%
June 30, 2016	July 1, 2015	\$ -	\$ 3,265,003	\$ 3,265,003	0.00%	\$ 11,530,404	28.32%
June 30, 2015	July 1, 2014	\$ -	\$ 3,716,938	\$ 3,716,938	0.00%	\$ 11,140,486	33.36%
June 30, 2014	July 1, 2013	\$ -	\$ 3,187,115	\$ 3,187,115	0.00%	\$ 10,984,910	29.01%
June 30, 2013	July 1, 2012	\$ -	\$ 3,233,483	\$ 3,233,483	0.00%	\$ 10,613,440	30.47%
June 30, 2012	July 1, 2011	\$ -	\$ 4,198,270	\$ 4,198,270	0.00%	\$ 11,235,574	37.37%
June 30, 2011	July 1, 2010	\$ -	\$ 4,165,662	\$ 4,165,662	0.00%	\$ 10,856,594	38.37%

The notes to the required supplementary information is an integral part of this schedule.



**EXHIBIT G**  
**DRESDEN 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, 2017*

Fiscal Year End	Valuation Date	District's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	June 30, 2016	0.22212133%	\$ 11,811,513	\$ 6,484,024	182.16%	58.30%
June 30, 2016	June 30, 2015	0.21591295%	\$ 8,553,450	\$ 6,080,282	140.68%	65.47%
June 30, 2015	June 30, 2014	0.22252266%	\$ 8,352,579	\$ 6,328,373	131.99%	59.81%
June 30, 2014	June 30, 2013	0.22368480%	\$ 9,626,912	\$ 6,311,448	152.53%	66.32%

The notes to the required supplementary information is an integral part of this schedule.

**EXHIBIT H**  
**DRESDEN SCHOOL DISTRICT**  
*Schedule of School District Contributions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2017*

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	June 30, 2016	\$ 795,370	\$ 795,370	\$ -	\$ 6,484,024	12.27%
June 30, 2016	June 30, 2015	\$ 724,362	\$ 724,362	\$ -	\$ 6,080,282	11.91%
June 30, 2015	June 30, 2014	\$ 721,915	\$ 721,915	\$ -	\$ 6,328,373	11.41%
June 30, 2014	June 30, 2013	\$ 556,200	\$ 556,200	\$ -	\$ 6,311,448	8.81%

The notes to the required supplementary information is an integral part of this schedule.

**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

***Schedule of Funding Progress for Other Postemployment Benefits (OPEB)***

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit F represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2017, and the six preceding years.

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

**Actuarial Assumptions:**

Payroll Growth	3.5% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Census Data	Census data was provided by the District in October 2017. We have reviewed it for reasonableness and no material modifications were made to the census data.
Health Care Coverage	
Election Rate	Active employees with current coverage: <ul style="list-style-type: none"> <li>• 100% for Administrators, Administrative Assistants, and Teachers</li> <li>• 50% for all other employees</li> </ul> Active employees with no coverage: 100% <p style="margin-left: 40px;">Inactive employees with current coverage: 100%</p> <p style="margin-left: 40px;">Inactive employees with no coverage: 0%</p>
Spousal Coverage	80% of male and 65% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives. Inactive spousal coverage and age is based on actual data.
Mortality	SOA RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016
Health Care	
Trend Rates	Annual health care trend rates by plan are as shown below:

<u>FYE</u>	<u>Health</u>	<u>VEHI</u>
2018	8.00%	8.00%
2019	7.50%	7.00%
2020	7.00%	6.00%
2021	6.75%	5.00%
2022	6.50%	5.00%
2023	6.25%	5.00%
2024	6.00%	5.00%
2025	5.75%	5.00%
2026	5.50%	5.00%
2027	5.25%	5.00%
2028+	5.00%	5.00%

NHRS Subsidy is assumed to remain the same in the future.

**DRESDEN SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

***Schedule of the School District's Proportionate Share of Net Pension Liability & Schedule of School District Contributions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the School District's pension plan at June 30, 2017, and the three preceding years.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 years beginning July 1, 2016 ( 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	2.85% 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 2016 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**DRESDEN SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2017*

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 19,712,424	\$ 19,712,424	\$ -
Other local sources:			
Tuition	4,521,168	4,670,800	149,632
Investment earnings	800	11,435	10,635
Student activities	145,000	113,825	(31,175)
Miscellaneous	145,750	195,160	49,410
Total from other local sources	<u>4,812,718</u>	<u>4,991,220</u>	<u>178,502</u>
State sources:			
School building aid	467,272	444,640	(22,632)
Vocational aid	30,250	32,924	2,674
Total from state sources	<u>497,522</u>	<u>477,564</u>	<u>(19,958)</u>
Federal sources:			
Other	2,600	-	(2,600)
Total revenues	25,025,264	<u>\$ 25,181,208</u>	<u>\$ 155,944</u>
Use of fund balance to reduce school district assessment	350,000		
Total revenues and use of fund balance	<u>\$ 25,375,264</u>		

**SCHEDULE 2**  
**DRESDEN SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2017*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 10,000	\$ 10,487,408	\$ 10,499,322	\$ 1,340	\$ (3,254)
Special programs	-	3,208,226	2,828,390	725	379,111
Vocational programs	-	80,000	53,335	-	26,665
Other	-	837,332	826,969	450	9,913
Total instruction	<u>10,000</u>	<u>14,612,966</u>	<u>14,208,016</u>	<u>2,515</u>	<u>412,435</u>
Support services:					
Student	-	1,266,986	1,302,316	4,216	(39,546)
Instructional staff	-	667,612	647,867	-	19,745
General administration	-	112,746	78,344	4,434	29,968
Executive administration	-	866,893	866,893	-	-
School administration	-	1,908,244	1,780,521	-	127,723
Operation and maintenance of plant	-	2,020,747	1,903,468	18,364	98,915
Student transportation	-	286,576	219,362	-	67,214
Total support services	<u>-</u>	<u>7,129,804</u>	<u>6,798,771</u>	<u>27,014</u>	<u>304,019</u>
Debt service:					
Principal of long-term debt	-	1,956,897	1,956,897	-	-
Interest on long-term debt	-	1,509,547	1,522,913	-	(13,366)
Total debt service	<u>-</u>	<u>3,466,444</u>	<u>3,479,810</u>	<u>-</u>	<u>(13,366)</u>
Facilities acquisition and construction	<u>43,872</u>	<u>111,550</u>	<u>155,173</u>	<u>-</u>	<u>249</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>54,500</u>	<u>286,382</u>	<u>-</u>	<u>(231,882)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 53,872</u>	<u>\$ 25,375,264</u>	<u>\$ 24,928,152</u>	<u>\$ 29,529</u>	<u>\$ 471,455</u>

**SCHEDULE 3**  
**DRESDEN SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2017*

Unassigned fund balance, beginning		\$ 252,091
Changes:		
Unassigned fund balance used to reduce school district assessment		(350,000)
2016-2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 155,944	
Unexpended balance of appropriations (Schedule 2)	<u>471,455</u>	
2016-2017 Budget surplus		627,399
Decrease in nonspendable fund balance		<u>221,023</u>
Unassigned fund balance, ending		750,513
<i>Adjustment to reconcile to unassigned fund balance returned to reduce School District assessment</i>		
Portion of unassigned fund balance retained per RSA 198:4-bII		<u>(350,513)</u>
Unassigned fund balance to reduce school district assessment, ending		<u><u>\$ 400,000</u></u>



**SCHEDULE 4**  
**DRESDEN SCHOOL DISTRICT**  
*Nonmajor Governmental Funds*  
*Combining Balance Sheet*  
*June 30, 2017*

	Special Revenue Funds						Capital Project Fund	
	Richmond Food Service	Driver Education	Athletics	March Intensive	Greenhouse	Special Gifts	Athletics Fields	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 329	-	\$ 665	\$ 1,727	\$ 203	\$ 92,580	\$ 14,410	\$ 109,914
Accounts receivable	6,112	-	-	-	-	-	-	6,112
Total assets	<u>\$ 6,441</u>	<u>-</u>	<u>\$ 665</u>	<u>\$ 1,727</u>	<u>\$ 203</u>	<u>\$ 92,580</u>	<u>\$ 14,410</u>	<u>\$ 116,026</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 5,897	-	-	-	-	-	-	\$ 5,897
Accrued salaries and benefits	544	-	-	-	-	-	-	544
Total liabilities	<u>6,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,441</u>
Fund balances:								
Restricted	-	-	-	-	203	92,580	-	92,783
Committed	-	-	-	1,727	-	-	-	1,727
Assigned	-	-	665	-	-	-	14,410	15,075
Total fund balances	<u>-</u>	<u>-</u>	<u>665</u>	<u>1,727</u>	<u>203</u>	<u>92,580</u>	<u>14,410</u>	<u>109,585</u>
Total liabilities and fund balances	<u>\$ 6,441</u>	<u>\$ -</u>	<u>\$ 665</u>	<u>\$ 1,727</u>	<u>\$ 203</u>	<u>\$ 92,580</u>	<u>\$ 14,410</u>	<u>\$ 116,026</u>



**SCHEDULE 6**  
**DRESDEN SCHOOL DISTRICT**  
*Student Activities Funds*  
**Combining Schedule of Changes in Student Activities Funds**  
**For the Fiscal Year Ended June 30, 2017**

	Balance, beginning	Additions	Deductions	Balance, (deficit) ending
Schools:				
Hanover High School	\$ 156,775	\$ 219,487	\$ 215,371	\$ 160,891
Hanover High School Athletics	23,534	44,504	44,192	23,846
Francis C. Richmond School	21,141	48,591	48,816	20,916
Mindfulness Fund	849	11,600	12,768	(319)
Totals	<u>\$ 202,299</u>	<u>\$ 324,182</u>	<u>\$ 321,147</u>	<u>\$ 205,334</u>