

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

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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
 BASIC FINANCIAL STATEMENTS 	
Government-wide Financial Statements	
A Statement of Net Position	9
B Statement of Activities.....	10
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet.....	11
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	13
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	15
<i>Fiduciary Funds</i>	
E-1 Statement of Net Position	16
E-2 Statement of Changes in Net Position.....	17
NOTES TO THE BASIC FINANCIAL STATEMENTS	18 - 38
 REQUIRED SUPPLEMENTARY INFORMATION 	
F Schedule of the School District's Proportionate Share of Net Pension Liability	39
G Schedule of School District Contributions - Pensions	40
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY	41
H Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability	42
I Schedule of School District Contributions – Other Postemployment Benefits.....	43
J Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios ..	44
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY	45 - 46

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

TABLE OF CONTENTS

		<u>PAGES</u>
COMBINING AND INDIVIDUAL FUND SCHEDULES		
Governmental Funds		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)	47
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	48
3	Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)	49
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet.....	50
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	51
Fiduciary Funds		
<i>Agency Funds</i>		
6	Student Activities Funds – Combining Schedule of Changes in Student Activities Funds	52



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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in fiscal year 2018 the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

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

- Management's Discussion and Analysis,
- Schedule of the School District's Proportionate Share of Net Pension Liability,

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

- Schedule of School District Contributions – Pensions,
- Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of School District Contributions – Other Postemployment Benefits,
- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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

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

February 26, 2019

*Plodzik & Sanderson
Professional Association*

DRESDEN SCHOOL DISTRICT

Management's Discussion And Analysis (MD&A) of the Annual Financial Report For The Year Ended June 30, 2018

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, 2018. 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 School District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by for the \$947,621 OPEB provided by NHRS and \$4,049,822 for the District's local OPEB plan to retroactively report the increase in the net OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

The District's total net position for the year ending June 30, 2018, was \$13,002,532. Net position increased by \$1,282,782 or 10.9% between July 1, 2017 (restated) and June 30, 2018. The District's total net position consisted of \$26,992,620 in capital assets net of debt, \$93,652 restricted net position, and (\$14,083,740), in unrestricted net position. The District's long-term obligations of \$25,958,935 consisted of \$9,911,212 in general obligation bonds, \$229,234 in unamortized bond premium, \$131,281 capital leases payable, \$117,711 in compensated absences, and \$4,758,268 in other postemployment 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--\$10,811,229--is now included in the statement of Long Term Liabilities.

During the year, the District's combined expenses of \$25,667,842 were \$1,282,782 less than its revenues of \$26,950,624. 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, including this discussion and analysis. 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, 2018

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, and Grants Fund comprise the major governmental funds, while seven Special Revenue Funds are consolidated as non-major governmental funds. The non-major funds are School Food Service Funds (2), Athletics Fund, March Intensive Fund, Greenhouse Funds, Special Gifts Fund, Mindfulness Fund and the Athletic Field Capital Projects Fund. General Fund revenues and expenditures are compared to budget in the Budgetary Comparison Schedules 1 and 2. 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, 2018, the unrestricted net position of the District totaled (\$14,083,740). 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, 2018

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, 2017, and June 30, 2018 are shown below.

Comparative Statement of Changes in Net Position			
	2018	(as restated) 2017	Increase (Decrease)
Current assets	\$ 1,523,267	\$ 1,070,739	\$ 452,528
Non-current assets	37,264,347	38,488,101	(1,223,754)
Total assets	38,787,614	39,558,840	(771,226)
Deferred outflows of resources	2,311,371	3,363,490	(1,052,119)
Current liabilities	1,146,242	1,057,492	88,750
Non-current liabilities	25,958,935	29,232,613	(3,273,678)
Total liabilities	27,105,177	30,290,105	(3,184,928)
Deferred inflows of resources	991,276	912,475	78,801
Net Investment in Capital Assets	26,992,620	26,214,880	777,740
Restricted Net Position	93,652	96,425	(2,773)
Unrestricted Net Position	(14,083,740)	(14,591,555)	507,815
Total Net Position	\$ 13,002,532	\$ 11,719,750	\$ 1,282,782

The School District's negative net position is due in part to the following: as of June 30, 2015, 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.

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 \$25,667,842; total revenues were \$26,950,624, resulting in an increase in net position of \$1,282,782. The largest share of revenue, \$20,582,397 (76% of total revenues), was from assessments from the two member districts. The District's expenditures were largely for instruction (\$15,010,794 or 58.5%) and support services (\$7,157,549 or 27.9%). Depreciation accounted for 5.1% of total expenses.

Dresden School District
Management Discussion and Analysis for the Year Ended June 30, 2018

Program expenses increased by \$58,494 or 0.22% in FY2018. These amounts are displayed in the table below.

Comparative Statement of Changes in Activities				
(as restated)				
	FY2018	FY2017	\$ Chg	% Chg
Instruction	\$ 15,010,794	\$ 15,233,238	\$ (222,444)	-1.46%
Support Services				
Student	1,411,220	1,346,377	64,843	4.82%
Instructional Staff	622,506	645,272	(22,766)	-3.53%
General Administration	69,026	78,344	(9,318)	-11.89%
Executive Administration	849,749	866,893	(17,144)	-1.98%
School Administration	1,996,727	1,898,619	98,108	5.17%
Operation & Maintenance of Plant	1,992,757	1,967,718	25,039	1.27%
Student Transportation	215,564	221,518	(5,954)	-2.69%
Non-Instructional Services	521,556	524,450	(2,894)	-0.55%
Interest on Long-Term Debt	1,649,510	1,549,428	100,082	6.46%
Depreciation - Unallocated	1,328,433	1,277,491	50,942	3.99%
Total Governmental Activities	\$ 25,667,842	\$ 25,609,348	\$ 58,494	-0.40%
 Program Revenues				
Charges for Services	5,067,810	5,322,024	(254,214)	-4.78%
Operating Grants & Contributions	506,315	461,601	44,714	9.69%
Capital Grants & Contributions	425,010	444,640	(19,630)	-4.41%
 General Revenue				
School District Assessment	20,582,397	19,712,424	869,973	4.41%
Unrestricted Investment Income	29,535	11,435	18,100	158.29%
Miscellaneous	339,557	316,299	23,258	7.35%
Total Revenues	26,950,624	26,268,423	682,201	2.60%
Change in Net Position	\$ 1,282,782	\$ 659,075	\$ 623,707	94.63%
Change Related to Implementation of GASB #75	-	(4,997,443)		
Change Related to Additional AP in Special Gifts Fund	-	(319)		
Net Position, beginning, (as restated)	11,719,750	16,058,437	(4,338,687)	-27.02%
Net Position, ending	\$ 13,002,532	\$ 11,719,750	\$ (3,714,980)	-31.70%

FUND FINANCIAL STATEMENTS

General Fund

The Dresden School District governmental funds include the General Fund, Grants Fund, 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 FY2018. Budgeted revenues (excluding prior year’s fund balance) totaled \$25,585,536, while actual revenues equaled \$25,785,203, a favorable variance of \$199,667 (0.8%). All revenue accounts ended the year very near budget. At \$20,582,397, assessments from the two member districts comprise 79.8% of general fund revenues. Against budgeted expenditures and prior year encumbrances of \$26,004,777 and \$29,529, the district expended or encumbered \$25,629,630, leaving \$404,676 (1.5%) unexpended. The most significant budget variances are in “Special Programs”, under budget by \$239,465; “Support Services: Instructional Staff,” under budget by \$122,183; “Operation & Maintenance of Plant,” under budget by \$115,652; “Transportation,” under budget by \$78,095; and “Facilities,” over budget by \$155,051 used to finance necessary building and grounds repairs.

Dresden School District
Management Discussion and Analysis for the Year Ended June 30, 2018

The cost of direct instruction makes up 57.5% of all general fund expenditures, while Support Services comprise 27.9% of the budget. The remaining 14.6% includes debt service and other outlays.

Other Funds

Activity for the Richmond middle school food service, Athletics, March Intensive, Greenhouse, Special Gifts, Mindfulness and Athletic Field Capital Project Funds are shown on Schedules 4 and 5. Reported fund balances are \$1,513; \$4,496; \$1,028; \$11,382; \$203; \$87,440; (\$370), and \$13,187, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2018, the District reported capital assets of \$37,264,347 (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			
	June 30, 2018	June 30, 2017	Change
Not Being Depreciated:			
Land	\$ 1,880,377	\$ 1,880,377	0.00%
Construction in Progress	339,435	330,875	0.00%
Being Depreciated:			
Land Improvements	9,624,318	9,624,318	0.00%
Building and Building Improvements	41,517,518	41,483,936	0.08%
Machinery, Equipment, and Vehicles	3,388,629	3,952,807	-14.27%
Infrastructure	20,239	20,239	0.00%
Total Capital Assets Being Depreciated	<u>54,550,704</u>	<u>55,081,300</u>	<u>-0.96%</u>
Total All Capital Assets	<u>56,770,516</u>	<u>57,292,552</u>	<u>-0.91%</u>
Less Accumulated Depreciation:			
Land Improvements	(2,774,726)	(2,545,658)	9.00%
Building and Building Improvements	(13,959,643)	(12,928,706)	7.97%
Machinery, Equipment, and Vehicles	(2,762,186)	(3,321,484)	-16.84%
Infrastructure	(9,614)	(8,603)	11.75%
Total accumulated depreciation	<u>(19,506,169)</u>	<u>(18,804,451)</u>	<u>3.73%</u>
Net Book Value, capital assets being depreciated	<u>35,044,535</u>	<u>36,276,849</u>	<u>-3.40%</u>
Net Book Value, all capital assets	<u>\$ 37,264,347</u>	<u>\$ 38,488,101</u>	<u>-3.18%</u>

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.

Dresden School District
Management Discussion and Analysis for the Year Ended June 30, 2018

Long Term Liabilities

	(as restated)		
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>\$ Change</u>
General Obligation Bond	\$ 9,911,212	\$ 11,784,863	\$ (1,873,651)
Unamortized Bond Premium	229,234	266,137	(36,903)
Capital Leases Payable	131,281	222,221	(90,940)
Compensated Absences	117,711	127,334	(9,623)
Net Other Postemployment Benefits	4,758,268	5,020,545	(262,277)
Net Pension Liability	10,811,229	11,811,513	(1,000,284)
Total Long-Term Debt Outstanding	<u>\$ 25,958,935</u>	<u>\$ 29,232,613</u>	<u>\$ (3,273,678)</u>

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

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 527,659
Investments	804,191
Receivables:	
Accounts	22,516
Intergovernmental	155,510
Prepaid items	13,391
Capital assets, not being depreciated	2,219,812
Capital assets, net of accumulated depreciation	35,044,535
Total assets	38,787,614
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	2,231,884
Amounts related to other postemployment benefits	79,487
Total deferred outflows of resources	2,311,371
LIABILITIES	
Accounts payable	82,323
Accrued interest payable	1,018,300
Accrued salaries and benefits	45,619
Noncurrent obligations:	
Due within one year	1,873,049
Due in more than one year	24,085,886
Total liabilities	27,105,177
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	494,112
Amounts related to other postemployment benefits	497,164
Total deferred inflows of resources	991,276
NET POSITION	
Net investment in capital assets	26,992,620
Restricted	93,652
Unrestricted	(14,083,740)
Total net position	\$ 13,002,532

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, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Change in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 15,010,794	\$ 4,532,875	\$ 506,315	\$ -	\$ (9,971,604)
Support services:					
Student	1,411,220	-	-	-	(1,411,220)
Instructional staff	622,506	-	-	-	(622,506)
General administration	69,026	-	-	-	(69,026)
Executive administration	849,749	-	-	-	(849,749)
School administration	1,996,727	-	-	-	(1,996,727)
Operation and maintenance of plant	1,992,757	42,951	-	-	(1,949,806)
Student transportation	215,564	17,985	-	-	(197,579)
Noninstructional services	521,556	473,999	-	-	(47,557)
Interest on long-term debt	1,649,510	-	-	425,010	(1,224,500)
Depreciation - unallocated	1,328,433	-	-	-	(1,328,433)
Total governmental activities	<u>\$ 25,667,842</u>	<u>\$ 5,067,810</u>	<u>\$ 506,315</u>	<u>\$ 425,010</u>	<u>(19,668,707)</u>
General revenues:					
School district assessment					20,582,397
Interest					29,535
Miscellaneous					339,557
Total general revenues					<u>20,951,489</u>
Change in net position					1,282,782
Net position, beginning, as restated (see Note 15)					<u>11,719,750</u>
Net position, ending					<u>\$ 13,002,532</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, 2018

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 405,161	\$ -	\$ 122,498	\$ 527,659
Investments	804,191	-	-	804,191
Receivables:				
Accounts	22,516	-	-	22,516
Intergovernmental	42,276	106,163	7,071	155,510
Interfund receivables	106,975	-	-	106,975
Prepaid items	13,391	-	-	13,391
Total assets	<u>\$ 1,394,510</u>	<u>\$ 106,163</u>	<u>\$ 129,569</u>	<u>\$ 1,630,242</u>
LIABILITIES				
Accounts payable	\$ 72,445	\$ 1,232	\$ 8,646	\$ 82,323
Accrued salaries and benefits	45,619	-	-	45,619
Interfund payable	-	104,931	2,044	106,975
Total liabilities	<u>118,064</u>	<u>106,163</u>	<u>10,690</u>	<u>234,917</u>
FUND BALANCES (DEFICIT)				
Nonspendable	13,391	-	-	13,391
Restricted	-	-	93,652	93,652
Committed	56,126	-	11,382	67,508
Assigned	272,765	-	14,215	286,980
Unassigned (deficit)	934,164	-	(370)	933,794
Total fund balances	<u>1,276,446</u>	<u>-</u>	<u>118,879</u>	<u>1,395,325</u>
Total liabilities and fund balances	<u>\$ 1,394,510</u>	<u>\$ 106,163</u>	<u>\$ 129,569</u>	<u>\$ 1,630,242</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, 2018

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,395,325
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	\$ 56,770,516	
Less accumulated depreciation	<u>(19,506,169)</u>	37,264,347
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	\$ 2,231,884	
Deferred inflows of resources related to pensions	(494,112)	
Deferred outflows of resources related to other postemployment benefits	79,487	
Deferred inflows of resources related to other postemployment benefits	<u>(497,164)</u>	1,320,095
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (106,975)	
Payables	<u>106,975</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(1,018,300)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ (9,911,212)	
Unamortized bond premium	(229,234)	
Capital leases	(131,281)	
Compensated absences	(117,711)	
Net pension liability	(10,811,229)	
Other postemployment benefits	<u>(4,758,268)</u>	<u>(25,958,935)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 13,002,532</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, 2018

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 20,582,397	\$ -	\$ -	\$ 20,582,397
Other local	4,749,990	-	887,446	5,637,436
State	452,816	-	-	452,816
Federal	-	277,975	-	277,975
Total revenues	<u>25,785,203</u>	<u>277,975</u>	<u>887,446</u>	<u>26,950,624</u>
EXPENDITURES				
Current:				
Instruction	14,597,176	277,975	414,515	15,289,666
Support services:				
Student	1,399,573	-	-	1,399,573
Instructional staff	621,651	-	-	621,651
General administration	69,026	-	-	69,026
Executive administration	849,749	-	-	849,749
School administration	1,974,597	-	-	1,974,597
Operation and maintenance of plant	1,948,967	-	-	1,948,967
Student transportation	224,403	-	1,605	226,008
Noninstructional services	-	-	520,959	520,959
Debt service:				
Principal	1,873,651	-	-	1,873,651
Interest	1,619,170	-	-	1,619,170
Facilities acquisition and construction	122,075	-	1,223	123,298
Total expenditures	<u>25,300,038</u>	<u>277,975</u>	<u>938,302</u>	<u>26,516,315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>485,165</u>	<u>-</u>	<u>(50,856)</u>	<u>434,309</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	56,827	56,827
Transfers out	(56,827)	-	-	(56,827)
Total other financing sources (uses)	<u>(56,827)</u>	<u>-</u>	<u>56,827</u>	<u>-</u>
Net change in fund balances	428,338	-	5,971	434,309
Fund balances, beginning, as restated (see Note 15)	848,108	-	112,908	961,016
Fund balances, ending	<u>\$ 1,276,446</u>	<u>\$ -</u>	<u>\$ 118,879</u>	<u>\$ 1,395,325</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, 2018

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 434,309
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	\$ 228,145	
Depreciation expense	<u>(1,426,371)</u>	(1,198,226)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position.		(25,528)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (56,827)	
Transfers out	<u>56,827</u>	-
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position.		
Principal repayment of bond	\$ 1,873,651	
Amortization of bond premium	36,903	
Principal repayment of capital leases	<u>90,940</u>	2,001,494
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	\$ (67,243)	
Decrease in compensated absences payable	9,623	
Changes in net pension liability and deferred outflows and inflows of resources related to pensions	(146,302)	
Changes in other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>274,655</u>	
		<u>70,733</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 1,282,782</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, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 20,602,900	\$ 20,582,397	\$ (20,503)
Other local	4,522,376	4,749,990	227,614
State	460,260	452,816	(7,444)
Total revenues	<u>25,585,536</u>	<u>25,785,203</u>	<u>199,667</u>
EXPENDITURES			
Current:			
Instruction	14,812,847	14,596,915	215,932
Support services:			
Student	1,445,231	1,395,564	49,667
Instructional staff	747,553	625,370	122,183
General administration	62,746	97,027	(34,281)
Executive administration	849,749	849,749	-
School administration	1,973,902	1,974,896	(994)
Operation and maintenance of plant	2,055,730	1,940,078	115,652
Student transportation	302,498	224,403	78,095
Debt service:			
Principal	1,873,651	1,873,651	-
Interest	1,619,170	1,619,170	-
Facilities acquisition and construction	191,400	346,451	(155,051)
Total expenditures	<u>25,934,477</u>	<u>25,543,274</u>	<u>391,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(348,941)</u>	<u>241,929</u>	<u>590,870</u>
OTHER FINANCING USES			
Transfers out	<u>(70,300)</u>	<u>(56,827)</u>	<u>13,473</u>
Net change in fund balance	<u>\$ (419,241)</u>	185,102	<u>\$ 604,343</u>
Increase in nonspendable fund balance		(1,451)	
Unassigned fund balance, beginning		<u>750,513</u>	
Unassigned fund balance, ending		<u>\$ 934,164</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, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 176,215
Investments	-	55,643
Intergovernmental receivable	32,317	-
Total assets	<u>32,317</u>	<u>\$ 231,858</u>
LIABILITIES		
Due to student groups	-	<u>231,858</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 32,317</u>	<u>\$ -</u>

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, 2018

	Private Purpose Trust
Additions:	
Interest	\$ 1,017
Deductions:	
Scholarships	(340)
Management fees	(134)
Change in fair value	(523)
Total deductions	(997)
Change in net position	20
Net position, beginning	32,297
Net position, ending	\$ 32,317

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, 2018

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

DETAILED NOTES ON ALL FUNDS

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Dresden School District, in Hanover, New Hampshire (the School District), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

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

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. 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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds and are presented in the other governmental column of the fund financial statements.

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

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

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

Nonmajor Funds – The School District also reports eight nonmajor governmental funds.

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

1-D Cash and Cash Equivalents

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits 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;
- The public deposit investment pool established pursuant to RSA 383:22;

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

- 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, 2018.

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, *Certain External Investment Pools and Pool Participants*, 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, 2018

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 initial useful lives extending beyond a single reporting period. Capital assets include property, plant, equipment, and infrastructure assets and are reported in the governmental activities.

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

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

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

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

	<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). Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-J Accounts Payable

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

1-K Deferred Outflows/Inflows of Resources

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

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-L Long-term Obligations

In the government-wide financial statements, 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.

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

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 related payroll withholdings is accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

1-N Defined Benefit Pension Plan

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

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

1-O Postemployment Benefits Other Than Pensions (OPEB)

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

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

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the School District's actuarial report. For this purpose, benefit payments are recognized when due and are paid in accordance with benefit terms.

1-P Net Position/Fund Balances

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

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

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

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

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

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

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

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

In accordance with RSA 198:4-bII, *Contingency Fund*, the School District voted to retain general fund unassigned fund balance of \$343,373 to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

1-Q Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. 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 2018, \$419,241 of the beginning general fund unassigned fund balance was applied for this purpose.

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

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 25,600,101
Adjustments:	
Basis difference:	
Encumbrances, beginning	29,529
Encumbrances, ending	<u>(272,765)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 25,356,865</u>

2-C Deficit Fund Balance

The nonmajor Mindfulness fund had a fund balance deficit of \$(370) at June 30, 2018. This deficit is a result of current year operations as well as a prior year deficit. The School District plans to receive additional revenue to cover this deficit in 2018-19.

2-D Accounting Change/Restatement

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

	<u>Local OPEB</u>	<u>State OPEB</u>	<u>Total OPEB</u>
Change in total OPEB liability under current standards, July 1	\$ (3,489,130)	\$ (1,078,258)	\$ (4,567,388)
Initial balance of deferred outflows of resources	-	130,637	130,637
Initial balance of deferred inflows of resources	<u>(560,692)</u>	-	<u>(560,692)</u>
Cumulative restatement related to GASB No. 75 implementation (see Note 15)	<u>\$ (4,049,822)</u>	<u>\$ (947,621)</u>	<u>\$ (4,997,443)</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). The FDIC currently insures \$250,000 of the School District’s deposits at each financial institution, per case custodian. As of year-end, the carrying amount of the School District’s deposits was \$703,074 and the bank balances totaled \$758,155. Petty cash totaled \$800.

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

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 527,659
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>176,215</u>
Total cash and cash equivalents	<u><u>\$ 703,874</u></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 \$859,834 consist of balances in the New Hampshire Public Deposit Investment Pool.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	804,191
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>55,643</u>
Total investments	<u><u>\$ 859,834</u></u>

NOTE 5 – RECEIVABLES

Receivables at June 30, 2018, consisted of accounts and intergovernmental amounts arising from tuition billings, grants, the school lunch program, reimbursable salaries, and expendable trust funds held by the Trustees of Trust Funds for the School District, among others. Receivables are recorded on the School District’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 6 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 1,880,377	\$ -	\$ -	\$ 1,880,377
Construction in progress	330,875	8,560	-	339,435
Total capital assets not being depreciated	<u>2,211,252</u>	<u>8,560</u>	<u>-</u>	<u>2,219,812</u>
Being depreciated:				
Land improvements	9,624,318	-	-	9,624,318
Buildings and building improvements	41,483,936	33,582	-	41,517,518
Machinery, equipment, and vehicles	3,952,807	186,003	(750,181)	3,388,629
Infrastructure	20,239	-	-	20,239
Total capital assets being depreciated	<u>55,081,300</u>	<u>219,585</u>	<u>(750,181)</u>	<u>54,550,704</u>
Total capital assets	<u>57,292,552</u>	<u>228,145</u>	<u>(750,181)</u>	<u>56,770,516</u>
Less accumulated depreciation:				
Land improvements	(2,545,658)	(229,068)	-	(2,774,726)
Buildings and building improvements	(12,928,706)	(1,030,937)	-	(13,959,643)
Machinery, equipment, and vehicles	(3,321,484)	(165,355)	724,653	(2,762,186)
Infrastructure	(8,603)	(1,011)	-	(9,614)
Total accumulated depreciation	<u>(18,804,451)</u>	<u>(1,426,371)</u>	<u>724,653</u>	<u>(19,506,169)</u>
Net book value, capital assets being depreciated	<u>36,276,849</u>	<u>(1,206,786)</u>	<u>(25,528)</u>	<u>35,044,535</u>
Net book value, all capital assets	<u><u>\$ 38,488,101</u></u>	<u><u>\$ (1,198,226)</u></u>	<u><u>\$ (25,528)</u></u>	<u><u>\$ 37,264,347</u></u>

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

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

Instruction	\$ 93,461
Support services:	
Operation and maintenance of plant	1,643
Unallocated	<u>1,331,267</u>
Total depreciation expense	<u><u>\$ 1,426,371</u></u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 104,931
	Nonmajor	<u>2,044</u>
		<u><u>\$ 106,975</u></u>

The interfund transfer in the amount of \$56,827 from the general fund to the aggregate nonmajor funds during the year ended June 30, 2018 consisted of \$49,327 to cover operating deficits in the two nonmajor food service funds and \$7,500 for operations of the nonmajor March Intensive fund.

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 – 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, 2018
Capital lease obligations:		
Chevy Micro Bird	3.24%	\$ 21,912
Lighting project	4.43%	<u>109,369</u>
Total capital lease obligations		<u><u>\$ 131,281</u></u>

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

	Governmental Activities
Equipment:	
Chevy Micro Bird	\$ 53,963
Lighting project	<u>256,500</u>
Total equipment	310,463
Less: accumulated depreciation	<u>(57,748)</u>
Total capital lease equipment	<u><u>\$ 252,715</u></u>

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

The annual requirements to amortize the capital leases payable as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2019	\$ 51,224
2020	51,223
2021	39,733
Total requirements	142,180
Less: interest	(10,899)
Present value of remaining payments	<u>\$ 131,281</u>

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

NOTE 9 – LONG-TERM LIABILITIES

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

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bonds payable:					
General obligation bonds	\$11,784,863	\$ -	\$(1,873,651)	\$ 9,911,212	\$ 1,790,476
Premium	266,137	-	(36,903)	229,234	36,903
Total bonds payable	12,051,000	-	(1,910,554)	10,140,446	1,827,379
Capital leases	222,221	-	(90,940)	131,281	45,670
Compensated absences	127,334	4,589	(14,212)	117,711	-
Pension related liability	11,811,513	-	(1,000,284)	10,811,229	-
Net other postemployment benefits	5,020,545	-	(262,277)	4,758,268	-
Total long-term liabilities	<u>\$29,232,613</u>	<u>\$ 4,589</u>	<u>\$(3,278,267)</u>	<u>\$ 25,958,935</u>	<u>\$ 1,873,049</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2018
General obligation bonds payable:					
Land acquisition	\$ 1,100,000	2001	2022	4.71%	\$ 220,000
School improvements	\$37,775,000	2003	2024	4.62%	7,792,622
School construction	\$ 4,000,000	2004	2025	4.47%	1,019,967
School improvements	\$ 2,526,000	2007	2027	4.08%	878,623
					<u>\$ 9,911,212</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,446,594	2,005,218	3,451,812
2024-2027	1,757,650	2,571,492	4,329,142
Totals	<u>\$ 9,911,212</u>	<u>\$ 11,894,167</u>	<u>\$ 21,805,379</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.

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

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2018 were as follows:

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

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

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

Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the School District contributed 15.70% for teachers and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$965,505, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the School District reported a liability of \$10,811,229 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on a projection of the School District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the School District’s proportion was 0.22%, which was the same as its proportion measured as of June 30, 2016.

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

For the year ended June 30, 2018, the School District recognized pension expense of \$1,116,818. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 156,275	\$ 218,830
Net difference between projected and actual investment earnings on pension plan investments	-	137,686
Changes in assumptions	1,085,590	-
Differences between expected and actual experience	24,514	137,596
Contributions subsequent to the measurement date	965,505	-
Total	\$ 2,231,884	\$ 494,112

The \$965,505 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2018	\$ 169,009
2019	436,454
2020	359,887
2021	(193,083)
Totals	\$ 772,267

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

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

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

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

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

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

Following is a table presenting target allocations and long-term rates of return for 2017:

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

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$14,243,252	\$ 10,811,229	\$ 7,998,822

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The School District reports two separate OPEB liabilities, as follows:

11-A New Hampshire Retirement System (NHRS)

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

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

Benefits Provided – Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal years 2017 and 2016 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2017, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$79,487, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the School District reported a liability of \$1,007,788 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB liability was based on a projection of the School District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the School District’s proportion was 0.22% which was the same as its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$74,590. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 3,378
Net difference between projected and actual investment earnings on OPEB plan investments	-	3,180
Contributions subsequent to the measurement date	79,487	-
Total	\$ 79,487	\$ 6,558

The \$79,487 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2018	\$ (4,173)
2019	(795)
2020	(795)
2021	(795)
Totals	<u>\$ (6,558)</u>

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

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

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

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

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

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

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

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 1,096,773	\$ 1,007,788	\$ 930,689

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

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

11-B Retiree Health Benefit Program

Plan Description – GASB Statement No. 75 requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The School District provides postemployment healthcare benefits for certain eligible retirees. The School District provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

Employees Covered by Benefit Terms – At July 1, 2016 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Active employees	352
Total participants covered by OPEB plan	<u>359</u>

Total OPEB Liability – The School District’s total OPEB liability of \$3,750,480 was measured as of June 30, 2018, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$3,750,480 in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.87%
Healthcare Cost Trend Rates:	
Current Year Trend	9.00%
Second Year Trend	7.50%
Decrement	.25-1.00%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2029
Salary Increases:	3.25%

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

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of July 1, 2016.

Mortality rates were based on the SOA RPH-2017 Dataset Mortality Table fully generational using Scale MP-2017.

Changes in the Total OPEB Liability

	June 30, 2018
Total OPEB liability beginning of year, as restated	\$ 3,942,287
Changes for the year:	
Service cost	222,323
Interest	146,609
Assumption changes and difference between actual and expected experience	(420,730)
Benefit payments	(140,009)
Total OPEB liability end of year	\$ 3,750,480

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The June 30, 2018 actuarial valuation was prepared using a discount rate of 3.87%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$4,041,530 or by 7.76%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$3,477,602 or by 7.28%.

	Discount Rate		
	1% Decrease	Baseline 3.87%	1% Increase
Total OPEB Liability	\$ 4,041,530	\$ 3,750,480	\$ 3,477,602

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The June 30, 2018 actuarial valuation was prepared using an initial baseline trend rate of 9.00% in Year 1, decreasing in decrements to an ultimate rate of 5.00%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$3,432,839 or by 8.47%. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$4,111,602 or by 9.63%.

	Healthcare Cost Trend Rates		
	1% Decrease 10.00% Year 1 Decreasing to 6.00%	Baseline 9.00% Year 1 Decreasing to 5.00%	1% Increase 8.00% Year 1 Decreasing to 6.00%
Total OPEB Liability	\$ 3,432,839	\$ 3,750,480	\$ 4,111,602

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the School District recognized OPEB expense of \$288,615. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 35,979
Differences between expected and actual experience	-	454,627
Total	\$ -	\$ 490,606

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2019	\$ (70,086)
2020	(70,086)
2021	(70,086)
2022	(70,086)
2023	(70,086)
Thereafter	<u>(140,176)</u>
Totals	<u><u>\$ (490,606)</u></u>

NOTE 12 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2018 are as follows:

Current:	
Instruction:	
Regular programs	\$ 1,974
Special programs	210
Other	<u>70</u>
Total instruction	<u>2,254</u>
Support services:	
Student	207
Instructional staff	3,719
General administration	32,435
School administration	299
Operation and maintenance of plant	<u>9,475</u>
Total support services	<u>46,135</u>
Facilities acquisition and construction	<u>224,376</u>
Total encumbrances	<u><u>\$272,765</u></u>

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Net investment in capital assets:	
Net book value of all capital assets	\$ 37,264,347
Less:	
General obligation bonds payable	(9,911,212)
Unamortized bond premiums	(229,234)
Capital leases payable	<u>(131,281)</u>
Total net investment in capital assets	<u>26,992,620</u>
Restricted:	
Food service	6,009
Greenhouse	203
Special gifts	<u>87,440</u>
Total restricted	<u>93,652</u>
Unrestricted	<u>(14,083,740)</u>
Total net position	<u><u>\$ 13,002,532</u></u>

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

NOTE 14 – GOVERNMENTAL FUND BALANCES

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid	\$ 13,391	\$ -	\$ 13,391
Restricted:			
Richmond food service	-	1,513	1,513
High School food service	-	4,496	4,496
Greenhouse	-	203	203
Special gifts	-	87,440	87,440
Total restricted fund balance	<u>-</u>	<u>93,652</u>	<u>93,652</u>
Committed:			
Expendable trust	56,126	-	56,126
March intensive	-	11,382	11,382
Total committed fund balance	<u>56,126</u>	<u>11,382</u>	<u>67,508</u>
Assigned:			
Encumbrances	272,765	-	272,765
Athletics	-	1,028	1,028
Athletic fields	-	13,187	13,187
Total assigned fund balance	<u>272,765</u>	<u>14,215</u>	<u>286,980</u>
Unassigned (deficit):			
Unassigned - retained (RSA 198:4-bII)	343,373	-	343,373
Unassigned	590,791	-	590,791
Mindfulness (deficit)	-	(370)	(370)
Total unassigned (deficit)	<u>934,164</u>	<u>(370)</u>	<u>933,794</u>
Total governmental fund balances	<u>\$ 1,276,446</u>	<u>\$ 118,879</u>	<u>\$ 1,395,325</u>

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements	Other Governmental Funds
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-D	\$ (4,997,443)	\$ -
To reclassify Mindfulness fund as a special revenue fund instead of being reported as an agency fund	(319)	(319)
Net position/fund balance, as previously reported	<u>16,717,512</u>	<u>113,227</u>
Net position/fund balance, as restated	<u>\$ 11,719,750</u>	<u>\$ 112,908</u>

In addition, the Mindfulness Fund, which was previously reported as a fiduciary fund, has been reclassified as a special revenue fund as of July 1, 2017, with a reported beginning fund deficit of (\$319).

NOTE 16 – RISK MANAGEMENT

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

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

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

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

NOTE 17 – DONATION

The School District received numerous donations throughout the year in support of its special programs. The more significant donations are approved by the School Board at their regular meetings. The nonmajor Special Gifts fund received donations totaling over \$146,000. Of this amount, \$55,000 was donated specifically for the purchase/replacement of four baby grand pianos and one grand piano. Additionally, the nonmajor March Intensive fund received donations of approximately \$19,000 in support of student programs.

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 February 26, 2019, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

EXHIBIT F
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, 2018

	2014	2015	June 30, 2016	2017	2018
School District's proportion of the net pension liability	0.22%	0.22%	0.22%	0.22%	0.22%
School District's proportionate share of the net pension liability	\$ 9,626,912	\$ 8,352,579	\$ 8,553,450	\$ 11,811,513	\$ 10,811,229
School District's covered payroll	\$ 6,311,448	\$ 6,328,373	\$ 6,080,282	\$ 6,484,024	\$ 6,912,743
School District's proportionate share of the net pension liability as a percentage of its covered payroll	152.53%	131.99%	140.68%	182.16%	156.40%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%

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

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

	June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 556,200	\$ 721,915	\$ 724,362	\$ 795,370	\$ 805,333
Contributions in relation to the contractually required contributions	<u>(556,200)</u>	<u>(721,915)</u>	<u>(724,362)</u>	<u>(795,370)</u>	<u>(805,333)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School District's covered payroll	<u>\$ 6,311,448</u>	<u>\$ 6,328,373</u>	<u>\$ 6,080,282</u>	<u>\$ 6,484,024</u>	<u>\$ 6,912,743</u>
Contributions as a percentage of covered payroll	8.81%	11.41%	11.91%	12.27%	11.65%

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

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

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

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

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

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

Other Information:

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

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

	June 30,	
	2017	2018
School District's proportion of the net OPEB liability	0.22%	0.22%
School District's proportionate share of the net OPEB liability (asset)	\$ 1,078,258	\$ 1,007,788
School District's covered payroll	\$ 6,484,024	\$ 6,912,743
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.63%	14.58%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%

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

EXHIBIT I
DRESDEN SCHOOL DISTRICT
Schedule of School District Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2017	2018
Contractually required contribution	\$ 129,421	\$ 130,637
Contributions in relation to the contractually required contribution	(129,421)	(130,637)
Contribution deficiency (excess)	\$ -	\$ -
School District's covered payroll	\$ 6,484,024	\$ 6,912,743
Contributions as a percentage of covered payroll	2.00%	1.89%

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

EXHIBIT J
DRESDEN SCHOOL DISTRICT
Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018

	June 30, 2018
OPEB liability, beginning of year	\$ 3,942,287
Changes for the year:	
Service cost	222,323
Interest	146,609
Changes to benefit terms	-
Assumption changes and difference between actual and expected experience	(420,730)
Change in actuarial cost method	-
Benefit payments	(140,009)
OPEB liability, end of year	\$ 3,750,480
Covered payroll	\$ 12,619,213
Total OPEB liability as a percentage of covered payroll	29.72%

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

DRESDEN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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

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

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

Methods and Assumptions:

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

Schedule of Changes in School District’s Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the School District’s other postemployment benefits at June 30, 2018. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

Methods and Assumptions:

Discount Rate	3.87% as of June 30, 2018
Payroll Growth	3.25% for wage inflation plus merit/productivity growth, which are based on the General rates and Teachers rates used in the New Hampshire Retirement System actuarial valuations as of June 30, 2017.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Salary

DRESDEN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Health Care Coverage Election Rate	Active employees with current coverage: <ul style="list-style-type: none">• 100% for Administrators, Administrative Assistants, and Teachers• 50% for all other employees Active employees with no coverage: 100% Inactive employees with current coverage: 100% Inactive employees with no coverage: 0%
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-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.

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, 2018

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 20,602,900	\$ 20,582,397	\$ (20,503)
Other local sources:			
Tuition	4,245,376	4,424,369	178,993
Investment earnings	7,000	29,535	22,535
Student activities	120,000	98,685	(21,315)
Miscellaneous	150,000	197,401	47,401
Total from other local sources	<u>4,522,376</u>	<u>4,749,990</u>	<u>227,614</u>
State sources:			
School building aid	425,010	425,010	-
Vocational aid	35,250	27,806	(7,444)
Total from state sources	<u>460,260</u>	<u>452,816</u>	<u>(7,444)</u>
Total revenues	25,585,536	<u>\$ 25,785,203</u>	<u>\$ 199,667</u>
Use of fund balance to reduce school district assessment	<u>419,241</u>		
Total revenues and use of fund balance	<u>\$ 26,004,777</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, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 1,340	\$ 10,799,326	\$ 10,797,716	\$ 1,974	\$ 976
Special programs	725	3,051,929	2,812,979	210	239,465
Vocational programs	-	85,000	76,157	-	8,843
Other	450	876,592	910,324	70	(33,352)
Total instruction	<u>2,515</u>	<u>14,812,847</u>	<u>14,597,176</u>	<u>2,254</u>	<u>215,932</u>
Support services:					
Student	4,216	1,445,231	1,399,573	207	49,667
Instructional staff	-	747,553	621,651	3,719	122,183
General administration	4,434	62,746	69,026	32,435	(34,281)
Executive administration	-	849,749	849,749	-	-
School administration	-	1,973,902	1,974,597	299	(994)
Operation and maintenance of plant	18,364	2,055,730	1,948,967	9,475	115,652
Student transportation	-	302,498	224,403	-	78,095
Total support services	<u>27,014</u>	<u>7,437,409</u>	<u>7,087,966</u>	<u>46,135</u>	<u>330,322</u>
Debt service:					
Principal of long-term debt	-	1,873,651	1,873,651	-	-
Interest on long-term debt	-	1,619,170	1,619,170	-	-
Total debt service	<u>-</u>	<u>3,492,821</u>	<u>3,492,821</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>-</u>	<u>191,400</u>	<u>122,075</u>	<u>224,376</u>	<u>(155,051)</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>70,300</u>	<u>56,827</u>	<u>-</u>	<u>13,473</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 29,529</u>	<u>\$ 26,004,777</u>	<u>\$ 25,356,865</u>	<u>\$ 272,765</u>	<u>\$ 404,676</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, 2018

Unassigned fund balance, beginning		\$ 750,513
Changes:		
Unassigned fund balance used to reduce school district assessment		(419,241)
2017-2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 199,667	
Unexpended balance of appropriations (Schedule 2)	<u>404,676</u>	
2017-2018 Budget surplus		604,343
Increase in nonspendable fund balance		<u>(1,451)</u>
Unassigned fund balance, ending		<u><u>\$ 934,164</u></u>

SCHEDULE 4
DRESDEN SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds							Capital Project Fund	Total
	Richmond Food Service	High School Food Service	Athletics	March Intensive	Greenhouse	Special Gifts	Mindfulness	Athletics Fields	
ASSETS									
Cash and cash equivalents	\$ 8,929	\$ -	\$ 1,028	\$ 11,711	\$ 203	\$ 87,440	\$ -	\$ 13,187	\$ 122,498
Intergovernmental receivable	-	7,071	-	-	-	-	-	-	7,071
Total assets	\$ 8,929	\$ 7,071	\$ 1,028	\$ 11,711	\$ 203	\$ 87,440	\$ -	\$ 13,187	\$ 129,569
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 7,416	\$ 901	\$ -	\$ 329	\$ -	\$ -	\$ -	\$ -	\$ 8,646
Interfund payable	-	1,674	-	-	-	-	370	-	2,044
Total liabilities	7,416	2,575	-	329	-	-	370	-	10,690
Fund balances (deficit):									
Restricted	1,513	4,496	-	-	203	87,440	-	-	93,652
Committed	-	-	-	11,382	-	-	-	-	11,382
Assigned	-	-	1,028	-	-	-	-	13,187	14,215
Unassigned (deficit)	-	-	-	-	-	-	(370)	-	(370)
Total fund balances (deficit)	1,513	4,496	1,028	11,382	203	87,440	(370)	13,187	118,879
Total liabilities and fund balances	\$ 8,929	\$ 7,071	\$ 1,028	\$ 11,711	\$ 203	\$ 87,440	\$ -	\$ 13,187	\$ 129,569

SCHEDULE 5
DRESDEN SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds							Capital Project Fund	Total
	Richmond Food Service	High School Food Service	Athletics	March Intensive	Greenhouse	Special Gifts	Mindfulness	Athletics Fields	
Revenues:									
Local	\$ 219,118	\$ 254,881	\$ 13,583	\$ 217,349	\$ -	\$ 170,016	\$ 12,499	\$ -	\$ 887,446
Expenditures:									
Current:									
Instruction	-	-	11,615	215,194	-	175,156	12,550	-	414,515
Support services:									
Student transportation	-	-	1,605	-	-	-	-	-	1,605
Noninstructional services	238,213	282,746	-	-	-	-	-	-	520,959
Facilities acquisition and construction	-	-	-	-	-	-	-	1,223	1,223
Total expenditures	238,213	282,746	13,220	215,194	-	175,156	12,550	1,223	938,302
Excess (deficiency) of revenues over (under) expenditures	(19,095)	(27,865)	363	2,155	-	(5,140)	(51)	(1,223)	(50,856)
Other financing sources:									
Transfers in	20,608	28,719	-	7,500	-	-	-	-	56,827
Net change in fund balances	1,513	854	363	9,655	-	(5,140)	(51)	(1,223)	5,971
Fund balances (deficit), beginning, as restated (see Note 15)	-	3,642	665	1,727	203	92,580	(319)	14,410	112,908
Fund balances (deficit), ending	\$ 1,513	\$ 4,496	\$ 1,028	\$ 11,382	\$ 203	\$ 87,440	\$ (370)	\$ 13,187	\$ 118,879

SCHEDULE 6
DRESDEN SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2018

	Balance, beginning (as restated)	Additions	Deductions	Balance, ending
Schools:				
Hanover High School	\$ 160,891	\$ 304,447	\$ 286,835	\$ 178,503
Hanover High School Athletics	23,846	56,194	48,726	31,314
Francis C. Richmond School	20,916	41,440	40,315	22,041
Totals	<u>\$ 205,653</u>	<u>\$ 402,081</u>	<u>\$ 375,876</u>	<u>\$ 231,858</u>