

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

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Hanover 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 Hanover 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 Hanover School District, as of June 30, 2018, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

***Hanover School District
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- Schedule of School District Contributions – Pensions,
- Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of the District Contributions – Other Postemployment Benefits,
- 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 Hanover 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.

March 5, 2019

*Plodzik & Sanderson
Professional Association*

HANOVER 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 Hanover 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 No. 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial report.

FINANCIAL HIGHLIGHTS

The School District implemented Governmental 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 \$2,546,865 for the District's local and state plans 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 (\$6,254,123). Net position changed by (\$514,697), or 8.9%, between July 1, 2017 and June 30, 2018. The District's total net position consisted of \$622,550 in capital assets net of debt, \$1,516,381 in restricted net position, and (\$8,393,054) in unrestricted net position. The District's long-term obligations of \$15,821,697 included \$4,885,000 in general obligation bonds, \$345,950 of unamortized bond premium, \$50,227 in capital leases payable, \$2,882,008 in post employment benefits, and \$19,610 in compensated absences. The "Net Pension Liability", of \$7,638,902, represents the district's pro-rated share of the unfunded liability arising out of the New Hampshire Retirement System and is required by GASB 68 to be included on our financials. These liabilities are all reflected as a reduction in net position.

During the year, the District's governmental activities expenses of \$14,433,298 were \$514,697 more than the revenues of \$13,918,601. Expenditures include \$658,531 in unallocated depreciation. Revenues consist of: charges for services; operating grants and contributions; and general revenues (which consist of local and state property tax assessments, state and federal grants, and contributions not restricted to purpose).

OVERVIEW OF FINANCIAL STATEMENTS

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

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

Hanover School District
Management Discussion and Analysis for Fiscal Year 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. 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 state mandated uniform accounting system and chart of accounts for all New Hampshire 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 the annual Department of Education DOE-25 report.

All of the funds of the District are divided into two categories: governmental funds and fiduciary funds. There are three major governmental funds: the General Fund, Grants and Bridgman Trust; and, there are two special revenue funds consolidated as non-major. The non-major funds are the Food Service Fund and Special Gifts Fund. General Fund expenditures are compared to budget in Exhibit D and Schedules 1 & 2. The Fiduciary fund is an agency fund, which is the student activities fund.

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

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. At June 30, 2018, as a result of the recognition of the district's share of the unfunded liability of the New Hampshire Retirement System, unrestricted net position of the District totaled (\$8,393,054). The District uses its 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. A portion of the net position is either net investment in capital assets or restricted as to the purposes they can be used for.

Hanover School District
Management Discussion and Analysis for Fiscal Year 2018

Comparative Statement of Changes in Net Position

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. A statement of Comparative Net Position for the periods ending June 30, 2017, and June 30, 2018 is shown below.

The School District's negative net position is due 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.

Comparative Statement of Changes in Net Position

	<u>2018</u>	(as restated) <u>2017</u>	Increase <u>(Decrease)</u>
Current assets	\$ 2,629,194	\$ 2,384,953	\$ 244,241
Non-current assets	5,903,727	6,567,652	(663,925)
Total assets	8,532,921	8,952,605	(419,684)
Deferred outflows of resources	1,892,859	2,757,067	(864,208)
Current liabilities	268,321	214,997	53,324
Non-current liabilities	15,821,697	17,043,452	(1,221,755)
Total liabilities	16,090,018	17,258,449	(1,168,431)
Deferred inflows of resources	589,885	190,649	399,236
Net Investment in Capital Assets	622,550	1,040,179	(417,629)
Restricted Net Position	1,516,381	1,459,280	57,101
Unrestricted Net Position	(8,393,054)	(8,238,885)	(154,169)
Total Net Position	\$ (6,254,123)	\$ (5,739,426)	\$ (514,697)

Statement of Activities

The Statement of Activities provides an important record of overall expenses and revenues for the fiscal year. The District's total expenses were \$14,433,298, total revenues were \$13,918,601, resulting in a decrease in net position of \$514,697. The largest share of revenue, \$12,635,365 (90.7% of total revenues), was from district tax assessments. The District's expenditures were largely for instruction in the amount of \$10,461,781 or 72.4%, with school administration \$727,519, student transportation \$632,099 and unallocated depreciation \$658,531 totaling another 14.1% of the costs.

Hanover School District
Management Discussion and Analysis for Fiscal Year 2018

Comparative Statement of Changes in Activities

	<u>FY2018</u>	(as restated) <u>FY2017</u>	<u>\$ Chg</u>	<u>% Chg</u>
Instruction	\$ 10,461,781	\$ 10,630,559	\$ (168,778)	-1.59%
Support Services				
Student	332,892	329,540	3,352	1.02%
Instructional Staff	263,508	243,622	19,886	8.16%
General Administration	44,660	84,477	(39,817)	-47.13%
Executive Administration	322,165	383,138	(60,973)	-15.91%
School Administration	727,519	671,924	55,595	8.27%
Operation & Maintenance of Plant	635,629	521,058	114,571	21.99%
Student Transportation	632,099	636,285	(4,186)	-0.66%
Non-Instructional Services	179,008	213,950	(34,942)	-16.33%
Interest on Long-Term Debt	175,506	191,724	(16,218)	-8.46%
Facilities Acquisition & Construction	-	55,931	(55,931)	100.00%
Depreciation - Unallocated	658,531	633,642	24,889	3.93%
Total Governmental Activities	<u>\$ 14,433,298</u>	<u>\$ 14,595,850</u>	<u>\$ (162,552)</u>	<u>53.29%</u>
Program Revenues				
Charges for Services	191,097	172,902	18,195	10.52%
Operating Grants & Contributions	742,588	949,434	(206,846)	-21.79%
General Revenue				
School District Assessment	12,635,365	12,720,307	(84,942)	-0.67%
Miscellaneous	<u>349,551</u>	<u>371,070</u>	<u>(21,519)</u>	<u>-5.80%</u>
 Total Revenues	 13,918,601	 14,213,713	 (295,112)	 -2.08%
Change in Net Position	\$ (514,697)	\$ (382,137)	\$ (132,560)	34.69%
Change Related to Implementation of GASB #75	-	(2,546,865)		
Change Related to Additional AP in Special Gifts Fund	-	(5,607)		
Net Position, beginning, (as restated)	<u>(5,739,426)</u>	<u>(2,804,817)</u>	<u>(2,934,609)</u>	<u>104.63%</u>
Net Position, ending	<u>\$ (6,254,123)</u>	<u>\$ (5,739,426)</u>	<u>\$ (3,067,169)</u>	<u>53.44%</u>

FUND FINANCIAL STATEMENTS

General Fund

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. Schedule 1 shows that budgeted revenues (including fund balance budgeted to offset expenses) totaled \$13,929,986 while actual revenues equaled \$13,579,404, a favorable variance of \$15,173. Revenue from the following sources exceeded projected budget: Catastrophic Aid exceeded by \$19,683, investment earnings exceeded by \$26,793 and miscellaneous by \$20,138, unfortunately Medicaid revenue came in lower than expected by (\$54,258). At \$12,635,365, the district tax assessment is the largest single source of funds for the operation of the district.

Schedule 2 shows that against budgeted expenditures of \$13,929,986, the District expended \$13,619,757 and encumbered \$31,994, under budget by a total of \$314,757. Direct instruction of \$10,000,503 makes up 71.7% of all general fund expenditures while support services totaling \$2,947,387 make up 21.7%. The balance is spent in debt servicing and other governmental transfers. (This schedule does not include unallocated depreciation.)

Schedule 3 shows an unassigned general fund balance in the amount of \$325,649.

**Hanover School District
Management Discussion and Analysis for Fiscal Year 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2018, the District reported capital assets of \$5,903,727 (net of accumulated depreciation), on a range of capital assets, including land and improvements, buildings and improvements, vehicles, and equipment. 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	\$ 35,000	\$ 35,000	0.00%
Being Depreciated:			
Land Improvements	374,547	374,547	0.00%
Building and Building Improvements	10,773,200	10,864,766	-0.84%
Machinery, Equipment, and Vehicles	682,813	740,002	-7.73%
Infrastructure	13,261	13,261	0.00%
Total Capital Assets Being Depreciated	<u>11,843,821</u>	<u>11,992,576</u>	<u>-1.24%</u>
Total All Capital Assets	<u>11,878,821</u>	<u>12,027,576</u>	<u>-1.24%</u>
Less Accumulated Depreciation:			
Land Improvements	(218,689)	(205,981)	6.17%
Building and Building Improvements	(5,217,183)	(4,701,722)	10.96%
Machinery, Equipment, and Vehicles	(532,673)	(546,335)	-2.50%
Infrastructure	(6,549)	(5,886)	11.26%
Total accumulated depreciation	<u>(5,975,094)</u>	<u>(5,459,924)</u>	<u>9.44%</u>
Net Book Value, capital assets being depreciated	<u>5,868,727</u>	<u>6,532,652</u>	<u>-10.16%</u>
Net Book Value, all capital assets	<u>\$ 5,903,727</u>	<u>\$ 6,567,652</u>	<u>-10.11%</u>

Long-Term Debt

As of June 30, 2018 the district had one general obligation bond issue outstanding. This twenty-year bond was issued for a school construction and renovation project undertaken in 2015. The last payment on this bond will come due in February of 2035.

Long Term Liabilities

	<u>6/30/18</u>	<u>(as restated) 6/30/17</u>	<u>\$ Change</u>
General Obligation Bond	\$ 4,885,000	\$ 5,075,000	\$ (190,000)
Unamortized Bond Premium	345,950	366,300	(20,350)
Capital Leases Payable	50,227	86,173	(35,946)
Compensated Absences	19,610	42,900	(23,290)
Net Other Postemployment Benefits	2,882,008	3,047,146	(165,138)
Net Pension Liability	7,638,902	8,425,933	(787,031)
Total Long-Term Debt Outstanding	<u>\$ 15,821,697</u>	<u>\$ 17,043,452</u>	<u>\$ (1,221,755)</u>

FUTURE BUDGETARY IMPLICATIONS

The residents of Hanover have a long history of 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 state legislation for education long-term funding creates an atmosphere of uncertainty and concern over tax rate growth. School policymakers constantly struggle with the challenges of operating the district's labor-intensive programs. With a state financing system that struggles to equitably fund education on a long-term basis, taxpayers worry over the prospect of rising tax rates. Increases in the costs of health insurance, special education, energy, electricity, and heating fuel, will present significant budgetary challenges. 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:

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

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 21,854
Investments	620,682
Other receivables	241
Intergovernmental receivable	1,981,149
Prepaid items	5,268
Capital assets, not being depreciated	35,000
Capital assets, net of accumulated depreciation	5,868,727
Total assets	8,532,921
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	1,824,742
Amounts related to other postemployment benefits	68,117
Total deferred outflows of resources	1,892,859
LIABILITIES	
Accounts payable	77,841
Accrued salaries and benefits	83,887
Intergovernmental payable	33,115
Accrued interest payable	73,478
Noncurrent obligations:	
Due within one year	252,777
Due in more than one year	15,568,920
Total liabilities	16,090,018
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - funds collected in advance	86,765
Amounts related to pensions	304,119
Amounts related to other postemployment benefits	199,001
Total deferred inflows of resources	589,885
NET POSITION	
Net investment in capital assets	622,550
Restricted	1,516,381
Unrestricted	(8,393,054)
Total net position	\$ (6,254,123)

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

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

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Change in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 10,461,781	\$ 51,676	\$ 659,846	\$ (9,750,259)
Support services:				
Student	332,892	-	-	(332,892)
Instructional staff	263,508	-	-	(263,508)
General administration	44,660	-	-	(44,660)
Executive administration	322,165	-	-	(322,165)
School administration	727,519	-	-	(727,519)
Operation and maintenance of plant	635,629	-	-	(635,629)
Student transportation	632,099	-	-	(632,099)
Noninstructional services	179,008	139,421	-	(39,587)
Interest on long-term debt	175,506	-	82,742	(92,764)
Depreciation - unallocated	658,531	-	-	(658,531)
Total governmental activities	<u>\$ 14,433,298</u>	<u>\$ 191,097</u>	<u>\$ 742,588</u>	<u>(13,499,613)</u>
General revenues:				
School district assessment				12,635,365
Miscellaneous				<u>349,551</u>
Total general revenues				<u>12,984,916</u>
Change in net position				(514,697)
Net position, beginning, as restated (see Note 16)				<u>(5,739,426)</u>
Net position, ending				<u><u>\$ (6,254,123)</u></u>

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

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

	General	Grants	Bridgman Trust	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 21,854	\$ -	\$ -	\$ -	\$ 21,854
Investments	620,682	-	-	-	620,682
Receivables:					
Accounts	83	-	-	158	241
Intergovernmental	485,703	50,484	1,444,962	-	1,981,149
Interfund receivables	-	-	-	97,720	97,720
Prepaid items	5,268	-	-	-	5,268
Total assets	<u>\$ 1,133,590</u>	<u>\$ 50,484</u>	<u>\$ 1,444,962</u>	<u>\$ 97,878</u>	<u>\$ 2,726,914</u>
LIABILITIES					
Accounts payable	\$ 51,382	\$ -	\$ -	\$ 26,459	\$ 77,841
Accrued salaries and benefits	83,887	-	-	-	83,887
Intergovernmental payable	33,115	-	-	-	33,115
Interfund payable	47,236	50,484	-	-	97,720
Total liabilities	<u>215,620</u>	<u>50,484</u>	<u>-</u>	<u>26,459</u>	<u>292,563</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - funds collected in advance	86,765	-	-	-	86,765
FUND BALANCES					
Nonspendable	5,268	-	-	-	5,268
Restricted	-	-	1,444,962	71,419	1,516,381
Committed	468,294	-	-	-	468,294
Assigned	31,994	-	-	-	31,994
Unassigned	325,649	-	-	-	325,649
Total fund balances	<u>831,205</u>	<u>-</u>	<u>1,444,962</u>	<u>71,419</u>	<u>2,347,586</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,133,590</u>	<u>\$ 50,484</u>	<u>\$ 1,444,962</u>	<u>\$ 97,878</u>	<u>\$ 2,726,914</u>

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,347,586
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 11,878,821	
Less accumulated depreciation	<u>(5,975,094)</u>	5,903,727
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 1,824,742	
Deferred inflows of resources related to pensions	(304,119)	
Deferred outflows of resources related to OPEB	68,117	
Deferred inflows of resources related to OPEB	<u>(199,001)</u>	1,389,739
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (97,720)	
Payables	<u>97,720</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(73,478)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 4,885,000	
Unamortized bond premium	345,950	
Capital leases	50,227	
Compensated absences	19,610	
Other postemployment benefits	2,882,008	
Net pension liability	<u>7,638,902</u>	<u>(15,821,697)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (6,254,123)</u></u>

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

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

	General	Grants	Bridgman Trust	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$ 12,635,365	\$ -	\$ -	\$ -	\$ 12,635,365
Other local	287,295	-	71,264	182,089	540,648
State	511,706	-	-	-	511,706
Federal	114,005	116,877	-	-	230,882
Total revenues	<u>13,548,371</u>	<u>116,877</u>	<u>71,264</u>	<u>182,089</u>	<u>13,918,601</u>
EXPENDITURES					
Current:					
Instruction	10,000,503	116,877	5,765	45,285	10,168,430
Support services:					
Student	323,320	-	-	-	323,320
Instructional staff	259,756	-	-	-	259,756
General administration	44,660	-	-	-	44,660
Executive administration	365,065	-	-	-	365,065
School administration	706,556	-	-	-	706,556
Operation and maintenance of plant	615,931	-	-	-	615,931
Student transportation	632,099	-	-	-	632,099
Noninstructional services	-	-	-	177,938	177,938
Debt service:					
Principal	190,000	-	-	-	190,000
Interest	206,719	-	-	-	206,719
Facilities acquisition and construction	50,588	-	-	-	50,588
Total expenditures	<u>13,395,197</u>	<u>116,877</u>	<u>5,765</u>	<u>223,223</u>	<u>13,741,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>153,174</u>	<u>-</u>	<u>65,499</u>	<u>(41,134)</u>	<u>177,539</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	36,217	-	-	74,560	110,777
Transfers out	(74,560)	-	(36,217)	-	(110,777)
Total other financing sources (uses)	<u>(38,343)</u>	<u>-</u>	<u>(36,217)</u>	<u>74,560</u>	<u>-</u>
Net change in fund balances	114,831	-	29,282	33,426	177,539
Fund balances, beginning, as restated (see Note 16)	716,374	-	1,415,680	37,993	2,170,047
Fund balances, ending	<u>\$ 831,205</u>	<u>\$ -</u>	<u>\$ 1,444,962</u>	<u>\$ 71,419</u>	<u>\$ 2,347,586</u>

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

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

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 177,539
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 13,364	
Depreciation expense	<u>(633,218)</u>	(619,854)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase/decrease net position.		(44,071)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (110,777)	
Transfers out	<u>110,777</u>	-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayment of bond	\$ 190,000	
Amortization of bond premium	20,350	
Principal repayment of capital leases	<u>35,946</u>	246,296
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.		
Decrease in accrued interest expense	\$ 10,863	
Decrease in compensated absences payable	23,290	
Decrease in other postemployment benefits	165,138	
Decrease in deferred outflows and inflows of resources related to other postemployment benefits	(249,383)	
Decrease in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(224,515)</u>	<u>(274,607)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (514,697)</u></u>

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

EXHIBIT D
HANOVER 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	\$ 12,635,365	\$ 12,635,365	\$ -
Other local	228,500	282,111	53,611
State	492,024	511,706	19,682
Federal	168,342	114,005	(54,337)
Total revenues	<u>13,524,231</u>	<u>13,543,187</u>	<u>18,956</u>
EXPENDITURES			
Current:			
Instruction	10,273,544	9,991,703	281,841
Support services:			
Student	339,123	323,320	15,803
Instructional staff	291,359	263,353	28,006
General administration	99,376	45,104	54,272
Executive administration	365,065	365,065	-
School administration	643,150	702,720	(59,570)
Operation and maintenance of plant	627,888	622,870	5,018
Student transportation	629,162	629,227	(65)
Debt service:			
Principal	190,000	190,000	-
Interest	206,719	206,719	-
Facilities acquisition and construction	60,600	50,588	10,012
Total expenditures	<u>13,725,986</u>	<u>13,390,669</u>	<u>335,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(201,755)</u>	<u>152,518</u>	<u>354,273</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	40,000	36,217	(3,783)
Transfers out	(204,000)	(224,560)	(20,560)
Total other financing sources (uses)	<u>(164,000)</u>	<u>(188,343)</u>	<u>(24,343)</u>
Net change in fund balance	<u>\$ (365,755)</u>	<u>(35,825)</u>	<u>\$ 329,930</u>
Increase in nonspendable fund balance		(4,280)	
Unassigned fund balance, beginning		365,754	
Unassigned fund balance, ending		<u>\$ 325,649</u>	

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

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

	<u>Agency</u>
ASSETS	
Accounts receivable	<u>\$ 6,149</u>
LIABILITIES	
Due to student groups	<u>\$ 6,149</u>

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

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

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HANOVER 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 Hanover 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-C for further information on this pronouncement.

1-A Reporting Entity

The Hanover School District is a municipal corporation governed by an elected 7-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

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

1-B Government-wide and Fund Financial Statements

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

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

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

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

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

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2018

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

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

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

The School District reports the following major governmental funds:

General Fund – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, 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, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Bridgman Trust Fund – accounts for the activity related to the Bridgman endowment.

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

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position. These funds account for resources held by the School District for the benefit of other parties, and include the 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.

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;

HANOVER 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. All of the School District’s holdings in New Hampshire Public Deposit Investment Pool (NHPDIP) 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.

HANOVER 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 an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. drainage, cabling, and similar items) and are reported in governmental activities.

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

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

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

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

Capital Asset Class:	<u>Years</u>
Land improvements	20-30
Buildings and building improvements	5-50
Machinery, equipment, and other	5-40
Infrastructure	20

1-I Interfund Activities

Interfund activities are reported as follows:

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

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

1-J Accounts Payable

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

1-K Deferred Outflows/Inflows of Resources

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

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) 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.

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

1-L Long-term Obligations

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

1-M Compensated Absences

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

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

1-N Defined Benefit Pension Plan

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

The schedules 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 and payable 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 debt attributable to the acquisition, construction, or improvement of those assets.

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

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 with can be removed or modified.

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

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

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

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

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 government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

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. These estimates include assessing the collectability of accounts receivable and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District’s operations. At its annual meeting, the School District adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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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, \$365,755 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 13,579,404
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	5,184
Per Exhibit C-3 (GAAP Basis)	<u>\$ 13,584,588</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 13,615,229
Adjustments:	
Basis difference:	
Encumbrances, beginning	36,522
Encumbrances, ending	(31,994)
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust fund	<u>(150,000)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 13,469,757</u>

2-C Accounting Change/Restatement

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

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Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources as follows:

	Local OPEB	State OPEB	Total OPEB
Change in total OPEB liability under current standards, July 1	\$ (1,683,667)	\$ (981,697)	\$ (2,665,364)
Initial balance of deferred outflows of resources	-	118,499	118,499
Initial balance of deferred inflows of resources	-	-	-
Cumulative restatement related to GASB No. 75 implementation (see Note 16)	<u>\$ (1,683,667)</u>	<u>\$ (863,198)</u>	<u>\$ (2,546,865)</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District’s agent in the School District’s name. The FDIC currently insures the first \$250,000 of the School District’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District’s deposits was \$21,854 and the bank balances totaled \$381,463. Petty cash totaled \$100.

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 has the following recurring fair value measurements as of June 30, 2018:

Investments type:	Valuation Measurement	
	<u>Method</u>	<u>Fair Value</u>
NH Public Deposit Investment Pool	Level 2	<u>\$ 620,682</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The School District has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have custodial credit risk policies for investments.

NOTE 5 – RECEIVABLES

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

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NOTE 6 – CAPITAL ASSETS

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

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Being depreciated:				
Land improvements	374,547	-	-	374,547
Buildings and building improvements	10,864,766	13,364	(104,930)	10,773,200
Machinery, equipment, and other	740,002	-	(57,189)	682,813
Infrastructure	13,261	-	-	13,261
Total capital assets being depreciated	<u>11,992,576</u>	<u>13,364</u>	<u>(162,119)</u>	<u>11,843,821</u>
Total capital assets	<u>12,027,576</u>	<u>13,364</u>	<u>(162,119)</u>	<u>11,878,821</u>
Less accumulated depreciation:				
Land improvements	(205,981)	(12,708)	-	(218,689)
Buildings and building improvements	(4,701,722)	(576,320)	60,859	(5,217,183)
Machinery, equipment, and other	(546,335)	(43,527)	57,189	(532,673)
Infrastructure	(5,886)	(663)	-	(6,549)
Total accumulated depreciation	<u>(5,459,924)</u>	<u>(633,218)</u>	<u>118,048</u>	<u>(5,975,094)</u>
Net book value, capital assets being depreciated	<u>6,532,652</u>	<u>(619,854)</u>	<u>(44,071)</u>	<u>5,868,727</u>
Net book value, all capital assets	<u>\$ 6,567,652</u>	<u>\$ (619,854)</u>	<u>\$ (44,071)</u>	<u>\$ 5,903,727</u>

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

Instruction	\$ 18,758
Unallocated	<u>614,460</u>
Total depreciation expense	<u>\$ 633,218</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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor	General	\$ 47,236
	Grants	<u>50,484</u>
		<u>\$ 97,720</u>

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

	<u>Transfers In:</u>
	Nonmajor
	<u>Funds</u>
Transfers out:	
General fund	\$ 74,560
Bridgman trust fund	<u>36,217</u>
Total	<u>\$ 110,777</u>

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

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NOTE 8 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	<u>General Fund</u>
Fiscal year 2019 School District assessment received in advance	\$80,000
Federal grant revenue collected in advance of eligible expenditures being made	<u>6,765</u>
Total deferred inflows of resources	<u><u>\$86,765</u></u>

NOTE 9 – CAPITAL LEASE OBLIGATIONS

The School District has entered into certain 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.

	<u>Standard Interest Rate</u>	<u>Present Value of Remaining Payments as of June 30, 2018</u>
Capital lease obligations:		
Ray School boiler	3.99%	\$ 25,109
Computer equipment	4.19%	<u>25,118</u>
Total capital lease obligations		<u><u>\$ 50,227</u></u>

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

	<u>Governmental Activities</u>
Equipment:	
Computer equipment	\$ 75,398
Less: accumulated depreciation	<u>(22,620)</u>
Total capital lease equipment	<u><u>\$ 98,018</u></u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 39,481
2020	<u>12,852</u>
Total requirements	52,333
Less: interest	<u>(2,106)</u>
Present value of remaining payments	<u><u>\$ 50,227</u></u>

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

NOTE 10 – LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2017 (as restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Bond payable:					
General obligation bond	\$ 5,075,000	\$ -	\$ (190,000)	\$ 4,885,000	\$ 195,000
Premium	<u>366,300</u>	<u>-</u>	<u>(20,350)</u>	<u>345,950</u>	<u>20,350</u>
Total bond payable	5,441,300	-	(210,350)	5,230,950	215,350

(Continued)

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Long-term liabilities continued:

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Capital leases	86,173	-	(35,946)	50,227	37,427
Compensated absences	42,900	19,610	(42,900)	19,610	-
Net other postemployment benefits	3,047,146	-	(165,138)	2,882,008	-
Pension related liability	8,425,933	-	(787,031)	7,638,902	-
Total long-term liabilities	<u>\$17,043,452</u>	<u>\$ 19,610</u>	<u>\$(1,241,365)</u>	<u>\$ 15,821,697</u>	<u>\$ 252,777</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2018
General obligation bond payable:					
School renovation/addition	\$ 5,391,000	2014	2035	3.035%	<u>\$ 4,885,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 195,000	\$ 197,028	\$ 392,028
2020	205,000	187,084	392,084
2021	215,000	176,628	391,628
2022	230,000	165,664	395,664
2024-2028	240,000	153,934	393,934
2029-2033	1,385,000	574,084	1,959,084
2034-2035	1,675,000	285,045	1,960,045
Totals	<u>740,000</u>	<u>37,353</u>	<u>777,353</u>
	<u>\$ 4,885,000</u>	<u>\$ 1,776,820</u>	<u>\$ 6,661,820</u>

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

NOTE 11 – DEFINED BENEFIT PENSION PLAN

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

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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 \$703,168, 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 \$7,638,902 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 0.15532560% which was a decrease of 0.00312823% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$929,396. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$ 337,106	\$ 109,613
Net difference between projected and actual investment earnings on pension plan investments	-	97,285
Changes in assumptions	767,047	-
Differences between expected and actual experience	17,321	97,221
Contributions subsequent to the measurement date	703,268	-
Total	<u>\$ 1,824,742</u>	<u>\$ 304,119</u>

The \$703,268 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:

<u>Fiscal Year Ending June 30,</u>	
2018	\$ 259,702
2019	424,938
2020	281,738
2021	(149,023)
Thereafter	-
Totals	<u>\$ 817,355</u>

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

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

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

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

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

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	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	<u>100.00%</u>	

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.

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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	<u>\$10,063,870</u>	<u>\$ 7,638,902</u>	<u>\$ 5,651,737</u>

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

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

12-A New Hampshire Retirement System (NHRS)

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

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

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

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

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2017, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$68,117, 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 \$917,051 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

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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 0.20056493% which was a decrease of 0.00222097% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$60,353. 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	\$ -	\$ 3,231
Net difference between projected and actual investment earnings on OPEB plan investments	-	2,894
Changes in assumptions	-	-
Differences between expected and actual experience	-	-
Contributions subsequent to the measurement date	68,117	-
Total	\$ 68,117	\$ 6,125

The \$68,117 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2018	\$ (3,954)
2019	(723)
2020	(723)
2021	(725)
Thereafter	-
Totals	\$ (6,125)

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.

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Following is a table presenting target allocations and long-term rates of return for 2017:

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

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:

<u>Actuarial Valuation Date</u>	<u>1% Decrease 6.25%</u>	<u>Current Single Rate Assumption 7.25%</u>	<u>1% Increase 8.25%</u>
June 30, 2017	\$ 998,024	\$ 917,051	\$ 846,894

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

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

12-B Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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.

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 Health 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	2
Active employees	<u>114</u>
Total participants covered by OPEB plan	<u><u>116</u></u>

Total OPEB Liability – The School District’s total OPEB liability of \$1,964,957 was measured as of July 1, 2017 and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$1,964,957 in the July 1, 2017 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	8.00%
Decrement	1.00%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2022

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 RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

Changes in the Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB liability beginning of year, as restated	\$ 2,065,449
Changes for the year:	
Service cost	116,480
Interest	76,812
Changes in benefit terms	-
Assumption changes and difference between actual and expected experience	(220,430)
Change in actuarial cost method	-
Benefit payments	(73,354)
Total OPEB liability end of year	<u><u>\$ 1,964,957</u></u>

Sensitivity of the School District’s OPEB Liability to Changes in the Discount Rate – The July 1, 2016 actuarial valuation was prepared using a discount rate of 3.87%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$1,821,990 or by 7.28%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$2,117,443 or by 7.76%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 3.87%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 2,117,443</u>	<u>\$ 1,964,957</u>	<u>\$ 1,821,990</u>

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2016 actuarial valuation was prepared using an initial trend rate of 9.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$2,154,157 or by 9.63%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$1,798,538 or by 8.47%.

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline 9.00%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 1,798,538</u>	<u>\$ 1,964,957</u>	<u>\$ 2,154,157</u>

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 \$172,327. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$ -	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	-
Changes in assumptions	-	14,145
Differences between expected and actual experience	-	178,731
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 192,876</u>

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

<u>Fiscal Year Ending June 30,</u>	
2019	\$ (27,554)
2020	(27,554)
2021	(27,554)
2022	(27,554)
2023	(27,554)
Thereafter	<u>(55,106)</u>
Totals	<u>\$ (192,876)</u>

NOTE 13 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2018 are as follows:

Current:	
Instruction:	
Regular programs	\$ 5,591
Special programs	<u>3,864</u>
Total instruction	<u>9,455</u>
Support services:	
Instructional staff	7,666
General administration	944
Operation and maintenance of plant	<u>13,929</u>
Total support services	<u>22,539</u>
Total encumbrances	<u>\$ 31,994</u>

HANOVER SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Net investment in capital assets:	
Net book value of all capital assets	\$ 5,903,727
Less:	
General obligation bond payable	(4,885,000)
Unamortized bond premiums	(345,950)
Capital leases payable	(50,227)
Total net investment in capital assets	622,550
Restricted for:	
Bridgmen trust fund	1,444,962
Grants and donations	71,419
Total restricted net position	1,516,381
Unrestricted	(8,393,054)
Total net position	\$ (6,254,123)

NOTE 15 – GOVERNMENTAL FUND BALANCES

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

	General Fund	Bridgman Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 5,268	\$ -	\$ -	\$ 5,268
Restricted:				
Bridgman trust	-	1,444,962	-	1,444,962
Grants and donations	-	-	71,419	71,419
Total restricted fund balance	-	1,444,962	71,419	1,516,381
Committed:				
Expendable trust	468,294	-	-	468,294
Assigned:				
Encumbrances	31,994	-	-	31,994
Unassigned	325,649	-	-	325,649
Total governmental fund balances	\$ 831,205	\$ 1,444,962	\$ 71,419	\$ 2,347,586

NOTE 16 – 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-C	\$ (2,546,865)	\$ -
To restate for unrecorded payable	(5,607)	(5,607)
Net position/fund balance, as previously reported	(3,186,954)	43,600
Net position/fund balance, as restated	\$ (5,739,426)	\$ 37,993

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

NOTE 17 – RISK MANAGEMENT

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

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

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

NOTE 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 March 5, 2019, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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

	June 30,				
	2014	2015	2016	2017	2018
School District's proportion of the net pension liability	.14%	.15%	.15%	.16%	.16%
School District's proportionate share of the net pension liability	\$ 6,019,103	\$ 5,514,569	\$ 6,071,158	\$ 8,425,933	\$ 7,638,902
School District's covered payroll	\$ 3,857,666	\$ 4,018,417	\$ 4,186,032	\$ 4,463,654	\$ 4,547,479
School District's proportionate share of the net pension liability as a percentage of its covered payroll	156.03%	137.23%	145.03%	188.77%	167.98%
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
HANOVER 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	\$ 347,757	\$ 476,625	\$ 514,146	\$ 567,390	\$ 569,025
Contributions in relation to the contractually required contributions	<u>347,757</u>	<u>476,625</u>	<u>514,146</u>	<u>567,390</u>	<u>569,025</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School District's covered payroll	<u>\$ 3,857,666</u>	<u>\$ 4,018,417</u>	<u>\$ 4,186,032</u>	<u>\$ 4,463,654</u>	<u>\$ 4,547,479</u>
Contributions as a percentage of covered payroll	9.01%	11.86%	12.28%	12.71%	12.51%

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

EXHIBIT H
HANOVER 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	0.20%	0.20%
School District's proportionate share of the net OPEB liability (asset)	\$ 981,697	\$ 917,051
School District's covered payroll	\$ 4,463,654	\$ 4,547,479
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	21.99%	20.17%
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
HANOVER 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	\$ 117,831	\$ 118,875
Contributions in relation to the contractually required contribution	117,831	118,875
Contribution deficiency (excess)	\$ -	\$ -
School District's covered payroll	\$ 4,463,654	\$ 4,547,479
Contributions as a percentage of covered payroll	2.64%	2.61%

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

EXHIBIT J
HANOVER 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

	<u>June 30,</u> <u>2018</u>
OPEB liability, beginning of year	\$ 2,065,449
Changes for the year:	
Service cost	116,480
Interest	76,812
Changes to benefit terms	-
Assumption changes and difference between actual and expected experience	(220,430)
Change in actuarial cost method	-
Benefit payments	<u>(73,354)</u>
OPEB liability, end of year	<u>\$ 1,964,957</u>
Covered payroll	<u>\$ 6,611,477</u>
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.

HANOVER 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.

COMBINING AND INDIVIDUAL FUND SCHEDULES

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

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 12,635,365	\$ 12,635,365	\$ -
Other local sources:			
Tuition	2,500	9,180	6,680
Investment earnings	12,000	38,793	26,793
Miscellaneous	214,000	234,138	20,138
Total from other local sources	<u>228,500</u>	<u>282,111</u>	<u>53,611</u>
State sources:			
School building aid	82,743	82,742	(1)
Catastrophic aid	409,281	428,964	19,683
Total from state sources	<u>492,024</u>	<u>511,706</u>	<u>19,682</u>
Federal sources:			
Medicaid	165,000	110,742	(54,258)
Federal forest reserve	3,342	3,263	(79)
Total from federal sources	<u>168,342</u>	<u>114,005</u>	<u>(54,337)</u>
Other financing sources:			
Transfers in	40,000	36,217	(3,783)
Total revenues and other financing sources	13,564,231	<u>\$ 13,579,404</u>	<u>\$ 15,173</u>
Use of fund balance to reduce school district assessment	365,755		
Total revenues, other financing sources, and use of fund balance	<u>\$ 13,929,986</u>		

SCHEDULE 2
HANOVER 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	\$ 231	\$ 6,674,566	\$ 6,573,025	\$ 5,591	\$ 96,181
Special programs	18,024	3,598,978	3,427,478	3,864	185,660
Total instruction	<u>18,255</u>	<u>10,273,544</u>	<u>10,000,503</u>	<u>9,455</u>	<u>281,841</u>
Support services:					
Student	-	339,123	323,320	-	15,803
Instructional staff	4,069	291,359	259,756	7,666	28,006
General administration	500	99,376	44,660	944	54,272
Executive administration	-	365,065	365,065	-	-
School administration	3,836	643,150	706,556	-	(59,570)
Operation and maintenance of plant	6,990	627,888	615,931	13,929	5,018
Student transportation	2,872	629,162	632,099	-	(65)
Total support services	<u>18,267</u>	<u>2,995,123</u>	<u>2,947,387</u>	<u>22,539</u>	<u>43,464</u>
Debt service:					
Principal of long-term debt	-	190,000	190,000	-	-
Interest on long-term debt	-	206,719	206,719	-	-
Total debt service	<u>-</u>	<u>396,719</u>	<u>396,719</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>-</u>	<u>60,600</u>	<u>50,588</u>	<u>-</u>	<u>10,012</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>204,000</u>	<u>224,560</u>	<u>-</u>	<u>(20,560)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 36,522</u>	<u>\$ 13,929,986</u>	<u>\$ 13,619,757</u>	<u>\$ 31,994</u>	<u>\$ 314,757</u>

SCHEDULE 3
HANOVER 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		\$ 365,754
Changes:		
Unassigned fund balance used to reduce school district assessment		(365,755)
2017-2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 15,173	
Unexpended balance of appropriations (Schedule 2)	<u>314,757</u>	
2017-2018 Budget surplus		329,930
Increase in nonspendable fund balance		<u>(4,280)</u>
Unassigned fund balance, ending		<u><u>\$ 325,649</u></u>

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

	Special Revenue Funds		
	Food Service	Special Gifts	Total
ASSETS			
Accounts receivable	\$ 158	\$ -	\$ 158
Interfund receivable	17,031	80,689	97,720
Total assets	<u>\$ 17,189</u>	<u>\$ 80,689</u>	<u>\$ 97,878</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ 17,189</u>	<u>\$ 9,270</u>	<u>\$ 26,459</u>
Fund balances:			
Restricted	<u>-</u>	<u>71,419</u>	<u>71,419</u>
Total liabilities and fund balances	<u>\$ 17,189</u>	<u>\$ 80,689</u>	<u>\$ 97,878</u>

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

	Special Revenue Funds		Total
	Food Service	Special Gifts	
Revenues:			
Local	\$ 139,595	\$ 42,494	\$ 182,089
Expenditures:			
Current:			
Instruction	-	45,285	45,285
Noninstructional services	177,938	-	177,938
Total expenditures	177,938	45,285	223,223
Deficiency of revenues under expenditures	(38,343)	(2,791)	(41,134)
Other financing sources:			
Transfers in	38,343	36,217	74,560
Net change in fund balances	-	33,426	33,426
Fund balances, beginning, as restated (see Note 16)	-	37,993	37,993
Fund balances, ending	\$ -	\$ 71,419	\$ 71,419

SCHEDULE 6
HANOVER SCHOOL DISTRICT
Ray School Student Activities Fund
Schedule of Changes in Student Activities Fund
For the Fiscal Year Ended June 30, 2018

Balance, beginning	Additions	Deductions	Balance, ending
<u>\$ 7,179</u>	<u>\$ 1,699</u>	<u>\$ (2,729)</u>	<u>\$ 6,149</u>