

KEARSARGE REGIONAL SCHOOL DISTRICT

New London, New Hampshire

FINANCIAL STATEMENTS

With Schedule of Expenditures of Federal Awards

June 30, 2017

and

Independent Auditor's Report

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Schedule of Findings and Questioned Costs

KEARSARGE REGIONAL SCHOOL DISTRICT

Table of Contents June 30, 2017

Independent Auditor's Report	4-5
Management's Discussion and Analysis	7-23
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet - Governmental Funds	27
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	28
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	30
Fiduciary Funds:	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds	32
Notes to Basic Financial Statements	34-57
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	59
Schedule of Funding Progress for Other Postemployment Benefits	60
Schedule of the District's Proportionate Share of NHRS Net Pension Liability	61
Schedule of District Contributions	62
Notes to Required Supplementary Information	64-66
Other Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Nonmajor Governmental Funds	69
Federal Awards Supplementary Information	
Independent Auditor's Report on Internal Control Over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with Government Auditing Standards	71-72
Independent Auditor's Report on Compliance for Each Major Federal Program	
and on Internal Control Over Compliance Required by the Uniform Guidance	73-74
Schedule of Expenditures of Federal Awards	76
Notes to Schedule of Expenditures of Federal Awards	78
Schedule of Findings and Questioned Costs	80-82

INDEPENDENT AUDITOR'S REPORT

GRZELAK AND COMPANY, P.C.

Certified Public Accountants

Members – American Institute of CPA's (AICPA)
Member – AICPA Government Audit Quality Center (GAQC)
Member – AICPA Private Company Practice Section (PCPS)
Members – New Hampshire Society of CPA's

P.O. Box 8
Laconia, New Hampshire 03247-0008
Tel (603) 524-6734
GCO-Audit@gcocpas.com

INDEPENDENT AUDITOR'S REPORT

To the School Board
Kearsarge Regional School District
New London, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kearsarge Regional School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Kearsarge Regional 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the aggregate remaining fund information of the Kearsarge Regional School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other postemployment benefits, schedule of the district's proportionate share of net pension liability, and schedule of district contributions on pages 7 through 23 and 59 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally 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 Kearsarge Regional School District's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018, on our consideration of the Kearsarge Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kearsarge Regional School District's internal control over financial reporting and compliance.

Grzelak and Co., P.C.

GRZELAK & COMPANY, P.C., CPA's

Laconia, New Hampshire

January 9, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Superintendent of Schools and the Business Manager, as "management" of the Kearsarge Regional School District (the "District"), a K-12 local education authority located in the County of Merrimack, New Hampshire, submits this section of the District's annual financial report in order to present our discussion and analysis of the District's financial performance during the year ended June 30, 2017.

Our discussion and analysis is in accordance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) for the year ended June 30, 2017. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District's total combined net position, increased between June 30, 2016 and 2017 by \$464,022 to \$3,393,559.

Net position consisted of: \$27,404,389 net investment in capital assets; \$1,892,717 restricted for capital reserves, \$18,497 restricted for the lunch program and \$150,454 for other nonmajor funds for the purposes of each established fund; and, an unrestricted negative balance of (\$26,072,498). This is the result of having long-term commitments that are more than currently available resources; primarily due to the recording of the District's \$28,804,608 net pension liability, \$2,304,141 net OPEB obligation under the provision of (GASB) Statement 45 and \$446,649 long-term liability for early retiree's payments (\$303,974) and related healthcare (\$142,675) under the provisions of Governmental Accounting Standards Board (GASB) Statement 47.

The District's total revenues, consisting of general revenues, charges for services and operating grants and contributions were \$40,287,635. The amount that was paid by taxpayers through property taxes was \$33,511,311; which consisted of \$26,505,673 paid in the form of local property taxes and \$7,005,638 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment. An additional amount of \$2,874,074 was received from the State of New Hampshire under the "adequacy grant" provisions of the State's educational funding system, which in addition to other State funding sources includes state-wide property taxes collected from other local governments.

The District's total expenses were \$39,823,613. Instruction and support services account for 90% of total expenses.

The general fund balance increased \$1,242,862 during the year from a balance of \$4,818,275 at June 30, 2016 to a \$6,061,137 fund balance at June 30, 2017. The budgetary basis actual revenues were more than estimated in the amount of \$1,428,476. Total actual expenditures were less than authorized appropriations by \$2,739,944.

The June 30, 2017 ending general fund balance consisted of \$77,096 of non-spendable prepaid expenditures and inventories, \$1,892,717 restricted for capital reserves; \$75,000 committed at the district meeting; \$872,823 assigned for encumbrances; and an unassigned fund balance in the amount of \$3,143,501.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The food service fund balance increased \$8,581 during the year from a fund balance of \$9,916 at June 30, 2016 to a fund balance of \$18,497 (representing the amount of reserved fund balance for inventory) at June 30, 2017.

The restricted balance for capital reserves increased \$84,187 as a result of investment earnings and \$75,000 from principal additions during the year, from \$1,808,530 at June 30, 2016 to \$1,892,717 at June 30, 2017. In accordance with statutory requirements they are held in custody by the Trustees of Trust Funds of the required local municipal government and are only released for the restricted specific purposes of the individual funds.

At June 30, 2017, the District had invested \$37,926,768 (\$59,287,301 at cost or estimated cost less accumulated depreciation of \$21,360,533) in a broad range of capital assets, including land and land improvements, buildings, furniture and general equipment, vehicles and technology assets. This amount represents a net decrease of \$687,036 or 2% from the prior year.

At June 30, 2017, the District had \$46,549,971 of long-term obligations (\$48,020,518 in total obligations less the current portion of \$1,470,547).

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

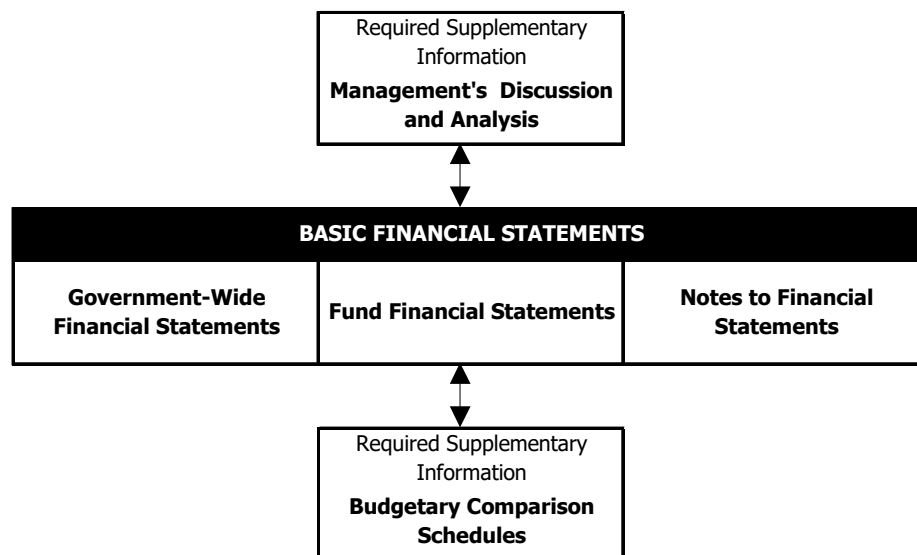
This discussion and analysis is intended to serve as an introduction to the District's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information. The District's financial statements are comprised of six primary sections or components: (1) basic government-wide financial statements, (2) basic fund financial statements, (3) notes to basic financial statements, (4) required supplementary information, (5) notes to required supplementary information, and (6) federal awards.

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.

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. Exhibit A-1 shows how the required parts of this annual report are arranged and related to one another.

Exhibit A-1



MANAGEMENT'S DISCUSSION AND ANALYSIS

Exhibit A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain.

Exhibit A-2

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
SCOPE	Entire government (except fiduciary funds)	All activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
REQUIRED FINANCIAL STATEMENTS	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources
TYPE OF INFORMATION ASSETS AND DEFERRED OUTFLOWS, AND LIABILITIES AND DEFERRED INFLOWS	All assets and deferred outflows, and liabilities and deferred inflows, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and deferred outflows, and liabilities and deferred inflows, both short-term and long-term; the Agency funds do not currently have capital assets although they can
TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

District Wide Financial Statements:

The first two basic statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status and report net position and changes in them. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is one way to measure the District's financial health, or financial position.

- Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating, respectively.
- In order to assess the overall health of the District other nonfinancial factors should also be considered, such as changes in the District's general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid), and federal and state intergovernmental revenues (grant programs); the condition of the District's buildings and other depreciable property (likelihood of emergency repairs or maintenance); current and long-term student population information; and other items subject to significant financial or budgetary uncertainty (out-of-District special education enrollment and the related high cost potential of the mandated services).

The government-wide financial statements of the District are included in the Governmental Activities category. Most of the District's basic services are included here, such as instruction, support services (including general and executive administration), and food services. General revenues, including the school district assessment, state aid, and federal and state grant programs, food service sales and federal reimbursements finance most of these activities.

Fund Financial Statements:

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. State law, regulation or bond covenant requires some funds, while others are established to comply with the requirements of grantors. The District has two kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationships (or differences) between them.

Fiduciary Funds - The District is responsible for other assets that, because of an agency arrangement, can be used only for the intended purposes. These funds are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED FINANCIAL INFORMATION AND ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

Exhibit B-1 shows the composition of the District's total combined net position, which increased between June 30, 2016 and 2017 by \$464,022 or 16% to \$3,393,559.

Exhibit B-1 NET POSITION

	Governmental Activities		
	2016	2017	Change
Assets			
Current and other assets	\$ 8,423,406	\$ 8,376,232	\$ (47,174)
Noncurrent assets	38,613,804	37,926,768	(687,036)
Total assets	47,037,210	46,303,000	(734,210)
Deferred Outflows of Resources			
Deferred outflows of resources	2,594,736	8,103,989	5,509,253
Total deferred outflows of resources	2,594,736	8,103,989	5,509,253
Liabilities			
Current liabilities	5,066,455	3,778,847	(1,287,608)
Noncurrent liabilities	40,189,866	46,549,971	6,360,105
Total liabilities	45,256,321	50,328,818	5,072,497
Deferred Inflows of Resources			
Deferred inflows of resources	1,446,088	684,612	(761,476)
Total deferred inflows of resources	1,446,088	684,612	(761,476)
Net Position			
Net investment in capital assets	26,769,140	27,404,389	635,249
Restricted	1,963,614	2,061,668	98,054
Unrestricted	(25,803,217)	(26,072,498)	(269,281)
Total net position	\$ 2,929,537	\$ 3,393,559	\$ 464,022

A portion of the net position is either invested in capital assets or restricted as to the purposes they can be used for (1) the District's investment in capital assets (land and land improvements, buildings, furniture and equipment, vehicles and technology equipment, net of accumulated depreciation), net of related debt, is the largest component of the total combined net position; and, (2) restricted balances represent capital project, capital reserves and specific fund amounts that are not available for discretionary spending. Noncurrent assets decreased by \$687,036 primarily due to depreciation. Current assets increased by \$47,174.

Net position consisted of: \$27,404,389 net investment in capital assets; \$2,061,498 restricted for grants, food service, capital reserves, and other non-major funds for purposes of each established fund; and, an unrestricted negative balance of (\$26,072,498).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Change in Net Position

The District's total revenues were \$40,287,635 while total expenses were \$39,823,613 resulting in an increase in net position of \$464,022.

Revenues

Exhibit B-2 shows that a significant portion, 92%, of the District's total revenues came from the school district assessment (66%) and State of New Hampshire source intergovernmental revenues (26%) primarily derived from local and state-wide property taxes and other state aid programs. Investment income and operating grants and contributions provided 6% of total revenues, and 1% related to charges for services.

- School district assessment, 66% and 65% for the fiscal years ended June 30, 2017 and 2016, respectively, an increase of 2% \$565,572 over the prior year amount.
- State of New Hampshire source intergovernmental revenues, 26% and 27% for the fiscal years ended June 30, 2017 and 2016. A decrease of (\$78,529) from the prior year amount.
- Operating grants and contributions, 6% and 6% for the fiscal years ended June 30, 2017 and 2016, an increase of 3%, or \$59,999 over the prior year amount.
- Revenues for charges for services, 1% and 1% for the fiscal years ended June 30, 2017 and 2016, respectively, a decrease of 11%, or \$52,125 from the prior year amount.
- Investment income, less than 1% and less than 1% for fiscal years ended June 30, 2017 and 2016, respectively. An increase of \$25,350 over the prior year amount.

Exhibit B-2 SOURCES OF DISTRICT REVENUES

	<u>2016</u>	<u>%</u>	<u>2017</u>	<u>%</u>	<u>Change</u>	<u>%</u>
Program Revenues						
Charges for services	\$ 479,300	1%	\$ 427,175	1%	\$ (52,125)	-11%
Operating grants and contributions	2,278,947	6%	2,338,946	6%	59,999	3%
General Revenues						
School district assessment	25,940,101	65%	26,505,673	66%	565,572	2%
Local sources	197,469	0%	241,568	1%	44,099	22%
State of New Hampshire sources	10,708,600	27%	10,630,071	26%	(78,529)	-1%
Federal sources	58,540	0%	90,386	0%	31,846	54%
Investment income	28,466	0%	53,816	0%	25,350	89%
	<u>\$ 39,691,423</u>	<u>100%</u>	<u>\$ 40,287,635</u>	<u>100%</u>	<u>\$ 596,212</u>	<u>2%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses

Exhibit B-3 shows that 92% of the District's total expenses were for instructional and support services.

- Instruction expenses, 61% and 62% for the fiscal years ended June 30, 2017 and 2016, respectively, an increase of \$419,596 over the prior year amount.
- Support service expenses, 29% and 30% for the fiscal years ended June 30, 2017 and 2016, respectively, a decrease of (\$10,974) from the prior year amount.
- Food service program expenses, 2% and 2% for the fiscal years ended June 30, 2017 and 2016, respectively, a decrease of (\$40,644) from the prior year amount.
- Unallocated interest expense, 2% and 2% for the fiscal years ended June 30, 2017 and 2016, a decrease of (\$210,625) from the prior year amount.
- Unallocated depreciation, 3% and 4% for the fiscal years ended June 30, 2017 and 2016, respectively, an increase of \$12,606 over the prior year amount.

Exhibit B-3 DISTRICT EXPENSES

	<u>2016</u>	<u>%</u>	<u>2017</u>	<u>%</u>	<u>Change</u>	<u>%</u>
Functions / Programs						
Instruction	\$ 23,695,830	62%	\$ 24,115,426	61%	\$ 419,596	2%
Support services	11,545,997	30%	11,535,023	29%	(10,974)	0%
Food service program	657,971	2%	617,327	2%	(40,644)	-6%
Unallocated						
Interest	864,091	2%	653,466	2%	(210,625)	-24%
Other	(34,990)	0%	1,552,747	4%	1,587,737	-4538%
Depreciation	1,337,018	4%	1,349,624	3%	12,606	1%
	<u>\$ 38,065,917</u>	<u>100%</u>	<u>\$ 39,823,613</u>	<u>100%</u>	<u>\$ 1,757,696</u>	<u>5%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Exhibit B-4 presents the net cost of the District's largest functions based upon the total expense, less charges for services and operating grants and contributions, of each function. The net cost reflects the amount that was funded by general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid).

Exhibit B-4 TOTAL AND NET COST OF SERVICES

	2016		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Functions / Programs				
Instruction	\$ 23,695,830	\$ 21,516,541	\$ 24,115,426	\$ 21,929,394
Support services	11,545,997	11,545,997	11,535,023	11,535,023
Food service program	657,971	79,013	617,327	37,238
Unallocated				
Interest	864,091	864,091	653,466	653,466
Other	(34,990)	(34,990)	1,552,747	1,552,747
Depreciation	1,337,018	1,337,018	1,349,624	1,349,624
	<u>\$ 38,065,917</u>	<u>\$ 35,307,670</u>	<u>\$ 39,823,613</u>	<u>\$ 37,057,492</u>

The total cost of all governmental activities this year was \$39,823,613; the total net cost was \$37,057,492. The primary financing for these activities of the District was as follows:

Property taxes

- The amount that was paid by taxpayers through property taxes was \$33,511,311; which consisted of \$26,505,673 paid in the form of local property taxes and \$7,005,638 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment.
- An additional amount of \$2,874,074 was received from the State of New Hampshire under the "adequacy grant" provisions of the State's educational funding system, which in addition to other State funding sources includes state-wide property taxes collected from other local governments.

Local Sources

- Earnings on investments were received in the amount of \$53,816.
- Other local sources were received in the amount of \$241,568.

MANAGEMENT'S DISCUSSION AND ANALYSIS

State Sources

- School building aid was received in the amount of \$750,359.

Federal Sources

- Other sources amounted to \$90,386.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF BALANCES AND TRANSACTIONS OF THE DISTRICT'S INDIVIDUAL FUNDS

General Fund

The general fund balance increased \$1,242,862 during the year from a balance of \$4,818,275 at June 30, 2016 to a \$6,061,137 fund balance at June 30, 2017. This was attributed to several factors. The budgetary basis revenues actual was more than estimated in the amount of \$504,375. Total actual expenditures were less than authorized appropriations by \$2,739,944. The June 30, 2017 ending fund balance consisted of \$77,096 of non-spendable prepaid expenditures and inventories, \$1,892,717 restricted for capital reserves; \$75,000 committed at the district meeting; \$872,823 assigned for encumbrances; and an unassigned fund balance in the amount of \$3,143,501. In accordance with RSA 198:4-b, the district may vote to retain unassigned general fund balance in an amount not to exceed 2.5 percent of the current fiscal year's net assessment.

Major Funds

Food Service Fund

The food service fund is classified as a special revenue fund and is reported as a major fund in the basic financial statements. The food service fund balance increased \$8,581 during the year from a fund balance of \$9,916 at June 30, 2016 to a fund balance of \$18,497 (representing the amount of reserved fund balance for inventory) at June 30, 2017.

Other Grants Fund

The other grants fund is classified as a special revenue fund and is reported as a major fund in the basic financial statements. It is used to account for various nonfederal grants and donations which are designated for particular purposes.

Nonmajor Funds

Grants Fund

The grants fund is classified as a special revenue fund and is aggregated in the category nonmajor funds in the basic financial statements. The grants fund is used to account for federal grants and is reimbursement based; revenues equal the amount of the qualifying expenditures made.

Roof Bond Fund

The roof bond fund is classified as a capital project fund and is aggregated in the category nonmajor funds in the basic financial statements. The fund balance was \$106,451.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Project Climb Fund

The project climb fund is classified as a permanent trust fund and is aggregated in the category nonmajor funds in the basic financial statements. The fund is held by the town trustees of trust funds. The fund balance was \$44,003.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended June 30, 2017 the District did not revise its statutory budgetary line items; rather, the District's budgetary control was managed on an aggregate total budget-to-actual basis; total estimated revenues and appropriations versus actual revenues and expenditures.

Final budget amounts included \$342,467 in encumbrances carried forward for the prior year.

Actual Versus Final Budget Comparison

The amounts of actual inflows (resources) and outflows (charges to appropriations) varied from the final budget for the following significant items:

Actual inflows (resources) were more than the budgetary revenue estimates by \$1,428,476.

In general, revenues from the following sources exceeded original estimates:

- Fund balance by \$924,101,
- Other local revenues by \$116,911,
- Catastrophic Aid by \$112,699 and
- Medicaid reimbursements by \$169,792.

The original budget for the general fund in the amount of \$39,910,183 consists of the total appropriation voted of \$41,415,734 less amounts representing offsets for other funds; \$698,751 for the food service fund, \$806,800 for other special revenue funds.

The final budget consists of \$39,910,183 original budget plus \$342,467 encumbered and reserved funds from the year ended June 30, 2016.

Actual total outflows in the amount of \$37,512,706 were lower than the budgeted total appropriation of \$40,252,650 by a positive variance of \$2,739,944.

In general, budgetary line items throughout the functions / program categories resulted in positive or negative variances that were due to the efforts of management to not exceed the bottom line budget (adjusted for any increase in unanticipated revenues) as a result of (outflows with positive or negative variances over \$100,000):

- Instruction services were less than appropriations by \$1,547,967.
- Operation and maintenance services were less than appropriations by \$511,201.
- Student transportation costs were less than appropriations by \$510,081.

None of the currently known reasons for the budgetary variations are expected to have a significant effect on future services or liquidity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$37,926,768 (\$59,287,301 at cost or estimated cost less accumulated depreciation of \$21,360,533) in a broad range of capital assets, including land and land improvements, buildings, furniture, general equipment, vehicles and technology assets as summarized in Exhibit C-1.

This amount represents a net decrease of \$687,036 or 1.78% from the prior year. This year's major additions are also summarized in Exhibit C-1.

Exhibit C-1 NET CAPITAL ASSETS AND MAJOR ADDITIONS

Net Capital Assets	2016	2017	Change
Land and improvements	\$ 976,891	\$ 976,891	0.00%
Construction In Progress	-	126,384	-100.00%
Buildings	49,618,056	49,780,355	0.33%
Furniture, equipment & vehicle	3,989,046	4,069,951	2.03%
Technology equipment	4,229,091	4,333,720	2.47%
Capital assets, at cost	58,813,084	59,287,301	0.81%
Accumulated Depreciation	(20,199,280)	(21,360,533)	-5.75%
Capital assets, net	\$ 38,613,804	\$ 37,926,768	-1.78%
Increase in Capital Assets, Net		\$ (687,036)	
Changes			
Increase in buildings		\$ 162,299	
Change in construction in progress		126,384	
Increase in furniture and equipment		80,905	
Increase in technology equipment		293,860	
Depreciation		(1,349,624)	
Gain (Loss) on disposals		(860)	
		\$ (687,036)	

More detailed information about the District's capital assets is presented in the notes to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

At June 30, 2017, the District had \$46,549,971 of long-term obligations (\$48,020,518 in total obligations less the current portion of \$1,470,547) as summarized in Exhibit C-2.

This amount represents a net increase of 15.83% over the prior year.

Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2016	2017	Change
General obligation bonds	\$ 17,727,522	\$ 16,280,019	-8.17%
Unamortized bond premiums	141,142	127,699	-9.52%
Compensated absences	54,567	57,402	5.20%
Early retirement obligations - payments	401,396	303,974	-24.27%
Early retirement obligations - healthcare	191,975	142,675	-25.68%
Net OPEB obligation	1,965,709	2,304,141	17.22%
Net pension liability	21,176,537	28,804,608	36.02%
	41,658,848	48,020,518	15.27%
Less current portion	(1,468,982)	(1,470,547)	0.11%
	<u>\$ 40,189,866</u>	<u>\$ 46,549,971</u>	<u>15.83%</u>
Decrease, Net		<u>\$ 6,360,105</u>	
Changes			
Principal payments on general obligation bonds		\$ (1,322,285)	
Capital Appreciation Bond accrued interest change		(125,218)	
Amortization of bond premiums		(13,443)	
Change in compensated absences		2,835	
Change in retirement obligations - payments		(97,422)	
Change in retirement obligations - health		(49,300)	
Change in net OPEB obligation		338,432	
Change in net pension liability		7,628,071	
Change in current portion		(1,565)	
		<u>\$ 6,360,105</u>	

State law (RSA 195:6II) limits the amount of general obligation debt that the District may incur at any one time to 10% of the locally assessed valuation (of the towns in which the District is located) as equalized by the Commissioner of the New Hampshire Department of Revenue Administration. For the year ended June 30, 2017 the estimated legal debt limit is approximately \$286,379,831 on equalized valuation of \$2,963,798,308.

More detailed information about the District's long-term liabilities is presented in the notes to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

District management and the School Board considered many factors when submitting the fiscal year 2017-2018 budget to the Municipal Budget Committees and the District voters. One of the major factors continues to be the impact of yearly changes in revenues under the State's system of funding education on the school district assessment to be assessed to each of the seven towns in the District. The Equitable Education Grant increased from \$2,853,719 for 2015-2016 to \$2,874,074 for 2016-2017. The State Education tax increased from \$6,900,650 for 2015-2016 to \$7,005,638 for 2016-2017.

Exhibit D-1 STATE TAX AND ADEQUACY GRANTS

	Equitable Education Grant 2016-2017	State Education Tax 2016-2017
Town of Bradford	\$ 560,619	\$ 467,384
Town of New London	\$ -	\$ 2,602,690
Town of Newbury	\$ 3,881	\$ 1,815,117
Town of Springfield	\$ 464,978	\$ 446,383
Town of Sutton	\$ 547,129	\$ 619,775
Town of Warner	\$ 1,069,219	\$ 619,125
Town of Wilmot	\$ 228,248	\$ 435,164
	<u>\$ 2,874,074</u>	<u>\$ 7,005,638</u>

The school district assessment is allocated to each of town under a formula calculation which is based on the relative percent to the total of two components; (1) 40% by the equalized valuation percentage, and (2) 60% by the average daily membership (ADM) percentage. Exhibit D-2 shows the school district assessment for each of the towns in the District used by the State to set the local school district property tax rate for the fiscal years 2015-2016 and 2016-2017.

Exhibit D-2 SCHOOL DISTRICT ASSESSMENT

	Fiscal Year (Actual) 2015-2016	Fiscal Year (Budget) 2016-2017	Change
Town of Bradford	\$ 2,541,065	\$ 2,500,153	-2%
Town of New London	6,787,482	6,792,691	0%
Town of Newbury	4,820,740	4,973,074	3%
Town of Springfield	2,556,608	2,658,227	4%
Town of Sutton	3,696,482	3,687,763	0%
Town of Warner	3,492,785	3,822,667	9%
Town of Wilmot	2,044,939	2,071,098	1%
	<u>\$ 25,940,101</u>	<u>\$ 26,505,673</u>	<u>2%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

HEALTH INSURANCE PREMIUM HOLIDAYS – CURRENT AND FUTURE IMPACT

The school district is a member of the New Hampshire School Health Care Coalition ("SchoolCare") which, with the approval of the Secretary of State, Bureau of Securities entered into in April 2012, changed the method of returning surplus through "Rate Stabilization" to "Premium Holiday" in order to provide greater transparency and to share such returns with currently health care premium contributors. In order to receive such premium holiday's, the school district must be a participating member at the time of the effective date of the premium holiday by SchoolCare.

As a result of this change, for the fiscal year ending June 30, 2013, the school district received \$227,138 in December of 2012 as a credit to monthly health insurance premiums billed to the school district. This amount resulted in a decrease in the actual amount health insurance expended for the fiscal year; health insurance was originally budgeted without anticipation of this premium holiday.

In December of 2013, SchoolCare's premium holiday for the fiscal year ending June 30, 2014 was declared in the amount of \$227,138. This amount will result in a decrease in the actual amount health insurance expended for the fiscal year; however, health insurance was budgeted with anticipation of this premium holiday (utilizing the "Effective Rate").

In November of 2013, SchoolCare's premium holiday for the fiscal year ending June 30, 2015 was declared in the original amount of \$392,064. This amount will result in a decrease in the actual amount health insurance expended for the fiscal year; however, health insurance was budgeted with anticipation of this premium holiday (utilizing the "Effective Rate"). In April of 2014, SchoolCare declared that the premium holiday would increase to \$759,556; however, the amounts budgeted under the effective rate were based upon the original amount declared and did not include this increase in the premium holiday (and reduction in health insurance expenditures). The credit of \$759,556 was in July, 2014.

In November of 2014, SchoolCare's premium holiday for the fiscal year ending June 30, 2016 was declared in the amount of \$123,159 which was posted as a credit in July of 2015. This amount resulted in a decrease in the actual amount health insurance expended for the fiscal year; however, health insurance was budgeted with anticipation of this premium holiday (utilizing the "Effective Rate").

In December of 2015, SchoolCare's premium holiday for the fiscal year ending June 30, 2017 was declared in the amount of \$40,915 which was posted as a credit in July of 2016. This amount will result in a decrease in the actual amount health insurance expended for the fiscal year; however, health insurance was budgeted with anticipation of this premium holiday (utilizing the "Effective Rate").

In November of 2016, SchoolCare's premium holiday for the fiscal year ending June 30, 2018 was declared in the amount of \$159,261 which will be posted as a credit in July of 2017. This amount will result in a decrease in the actual amount health insurance expended for the fiscal year; however, health insurance was budgeted with anticipation of this premium holiday (utilizing the "Effective Rate").

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

Questions regarding this report should be directed to Mr. Larry LeBoeuf, Business Administrator, at (603-526-2051) or by mail at:

Kearsarge Regional School District
Attn: Larry LeBoeuf
114 Cougar Court
New London, New Hampshire 03257

BASIC FINANCIAL STATEMENTS

KEARSARGE REGIONAL SCHOOL DISTRICT

Statement of Net Position June 30, 2017

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,402,888
Investments	3,319,883
Receivables, net	2,295,238
Due from other governments	257,632
Internal balances due to/from other funds	4,998
Inventories	78,217
Prepaid	17,376
Capital assets:	
Land, improvements, and construction in progress	976,891
Other capital assets, net of accumulated depreciation	36,949,877
Total assets	46,303,000
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	8,103,989
Total deferred outflows of resources	8,103,989
LIABILITIES	
Accounts payable	364,141
Accrued expenses	1,551,485
Deferred revenue	392,674
Current portion of long-term liabilities	1,470,547
Bonds payable	9,252,786
CAB accrued interest payable	5,757,640
Unamortized bond premiums	127,699
Compensated absences	57,402
Early retirement obligation	103,020
Early retirement health benefits	142,675
Post employment benefit obligation	2,304,141
Net pension liability	28,804,608
Total liabilities	50,328,818
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	684,612
Total deferred inflows of resources	684,612
NET POSITION	
Net investment in capital assets	27,404,389
Restricted for:	
Capital reserves	1,892,717
Lunch program	18,497
Other nonmajor purposes	150,454
Unrestricted	(26,072,498)
Total net position	\$ 3,393,559

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Statement of Activities Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental
				Governmental Activities
Governmental activities:				
Instruction				
Regular instruction	\$ 16,121,063	\$ 59,213	\$ -	\$ (16,061,850)
Special education instruction	6,461,615	3,101	2,085,767	(4,372,747)
Vocational instruction	76,280	-	37,951	(38,329)
Other instruction	1,456,468	-	-	(1,456,468)
Support services				
Student support services	1,647,101	-	-	(1,647,101)
Instructional staff services	640,401	-	-	(640,401)
General administration	302,282	-	-	(302,282)
Executive administration	1,363,778	-	-	(1,363,778)
School administrative services	2,180,288	-	-	(2,180,288)
Operation and maintenance	3,051,297	-	-	(3,051,297)
Student transportation	2,349,876	-	-	(2,349,876)
Food service program	617,327	364,861	215,228	(37,238)
Interest expense	653,466	-	-	(653,466)
Other uses / expenses	1,552,747	-	-	(1,552,747)
Depreciation (unallocated)	1,349,624	-	-	(1,349,624)
Total governmental activities	39,823,613	427,175	2,338,946	(37,057,492)

General revenues:

School district assessment \$ 26,505,673

Grants and contributions not restricted to specific purposes:

Local sources	241,568
State of New Hampshire sources	10,630,071
Federal sources	90,386
Investment Income	53,816
Total general revenues	<u>37,521,514</u>

Change in net position 464,022

Net position - beginning 2,929,537

Net position - ending \$ 3,393,559

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2017

	General Fund	Food Service Fund	Other Grants	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,402,888	\$ -	\$ -	\$ -	\$ 2,402,888
Investments	2,718,168	449,532	-	152,183	3,319,883
Held by trustees	1,892,717	-	-	44,003	1,936,720
Receivables, net	273,935	13,362	71,221	-	358,518
Due from other governments	-	33,765	-	223,867	257,632
Due from other funds	426,831	-	286,429	-	713,260
Inventories	59,720	18,497	-	-	78,217
Prepays	17,376	-	-	-	17,376
Total assets	<u>\$ 7,791,635</u>	<u>\$ 515,156</u>	<u>\$ 357,650</u>	<u>\$ 420,053</u>	<u>\$ 9,084,494</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 351,955	\$ 544	\$ 11,642	\$ -	\$ 364,141
Accrued expenses	1,348,136	-	-	41,193	1,389,329
Due to other funds	-	479,856	-	228,406	708,262
Deferred revenue	30,407	16,259	346,008	-	392,674
Total liabilities	<u>1,730,498</u>	<u>496,659</u>	<u>357,650</u>	<u>269,599</u>	<u>2,854,406</u>
Fund balances:					
Nonspendable	77,096	18,497	-	-	95,593
Restricted	1,892,717	-	-	150,454	2,043,171
Committed	75,000	-	-	-	75,000
Assigned	872,823	-	-	-	872,823
Unassigned	3,143,501	-	-	-	3,143,501
Total fund balance	<u>6,061,137</u>	<u>18,497</u>	<u>-</u>	<u>150,454</u>	<u>6,230,088</u>
Total liabilities and fund balances	<u>\$ 7,791,635</u>	<u>\$ 515,156</u>	<u>\$ 357,650</u>	<u>\$ 420,053</u>	<u>\$ 9,084,494</u>

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2017

Total Fund Balances - Governmental Funds \$ 6,230,088

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost	\$ 59,287,301	
Less accumulated depreciation	<u>(21,360,533)</u>	37,926,768

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(10,522,379)	
CAB interest payable	(5,757,640)	
Unamortized bond premium	(127,699)	
Compensated absences	(57,402)	
Special early termination benefits	(303,974)	
Special early termination health benefits	(142,675)	
OPEB obligation	(2,304,141)	
Net pension liability	<u>(28,804,608)</u>	(48,020,518)

Deferred inflows and outflows of resources are not current financial sources and uses and therefore are not reported in the governmental funds.

Deferred inflows of resources	(684,612)	
Deferred outflows of resources	<u>8,103,989</u>	7,419,377

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.

(162,156)

Total Net Position - Governmental Activities \$ 3,393,559

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2017

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Other Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
School district assessment	\$ 26,505,673	\$ -	\$ -	\$ -	\$ 26,505,673
Local sources	200,983	374,989	69,529	16,286	661,787
State of New Hampshire sources	11,425,832	7,195	-	-	11,433,027
Federal sources	498,588	240,686	-	895,344	1,634,618
Investment income	<u>49,492</u>	<u>3,038</u>	<u>-</u>	<u>-</u>	<u>52,530</u>
Total revenues	<u>38,680,568</u>	<u>625,908</u>	<u>69,529</u>	<u>911,630</u>	<u>40,287,635</u>
Expenditures					
Current:					
Instruction	23,436,969	-	69,529	895,344	24,401,842
Support services	2,283,946	-	-	11,000	2,294,946
General administration	302,282	-	-	-	302,282
Executive administration	9,314,827	-	-	-	9,314,827
Food service program	-	617,327	-	-	617,327
Debt service:					
Principal	1,322,285	-	-	-	1,322,285
Interest	<u>777,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>777,397</u>
Total expenditures	<u>37,437,706</u>	<u>617,327</u>	<u>69,529</u>	<u>906,344</u>	<u>39,030,906</u>
Excess (deficiency) of revenues over expenditures	1,242,862	8,581	-	5,286	1,256,729
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,242,862	8,581	-	5,286	1,256,729
Fund balances - beginning of year	<u>4,818,275</u>	<u>9,916</u>	<u>-</u>	<u>145,168</u>	<u>4,973,359</u>
Fund balances - end of year	<u>\$ 6,061,137</u>	<u>\$ 18,497</u>	<u>\$ -</u>	<u>\$ 150,454</u>	<u>\$ 6,230,088</u>

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

Total Net Change in Fund Balances - Governmental Funds \$ 1,256,729

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 663,448	
Depreciation expense	(1,349,624)	
Loss on disposal of assets	<u>(860)</u>	(687,036)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal on bonds	1,322,285	
Principal on capital leases	<u>-</u>	1,322,285

Interest on long-term liabilities in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Accrued interest (increase) decrease		(14,730)
--------------------------------------	--	----------

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

CAB interest (increase) decrease	125,218	
Unamortized bond premium (increase) decrease	13,443	
Compensated absences (increase) decrease	(2,835)	
Early retirement (increase) decrease	97,422	
Early retirement health benefit (increase) decrease	49,300	
OPEB obligation (increase) decrease	(338,432)	
Net pension liability	<u>(7,628,071)</u>	(7,683,955)

The change in deferred inflows and outflows from the *Schedule of Pension Amounts by Employer* related to the New Hampshire Retirement System Cost-Sharing Employer Defined Benefit Pension Plan are reported against pension expense in the governmental activities.

Deferred inflows (increase) decrease	761,476	
Deferred outflows increase (decrease)	<u>5,509,253</u>	<u>6,270,729</u>

Change in Net Position of Governmental Activities \$ 464,022

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Statement of Net Position Fiduciary Funds June 30, 2017

	Scholarship Trusts	Total Private Purpose Trusts	Student Activities	Total Agency Funds	Total Fiduciary Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 187,556	\$ 187,556	\$ 187,556
Receivables, net	34,108	34,108	-	-	34,108
Due from other funds	-	-	-	-	-
Total assets	<u>34,108</u>	<u>34,108</u>	<u>187,556</u>	<u>187,556</u>	<u>221,664</u>
Liabilities					
Due to other funds	4,998	4,998	-	-	4,998
Due to student groups	-	-	187,556	187,556	187,556
Total liabilities	<u>4,998</u>	<u>4,998</u>	<u>187,556</u>	<u>187,556</u>	<u>192,554</u>
Net Position					
Held in trust for private purposes	29,110	29,110	-	-	29,110
Total net position	<u>\$ 29,110</u>	<u>\$ 29,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,110</u>

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

KEARSARGE REGIONAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds Year Ended June 30, 2017

	Scholarship Trusts	Total Private Purpose Trust Funds
Additions:		
Local sources	\$ 8,138	\$ 8,138
Total additions	<u>8,138</u>	<u>8,138</u>
Deductions:		
Support services	<u>12,981</u>	<u>12,981</u>
Total deductions	<u>12,981</u>	<u>12,981</u>
Operating income (loss)	<u>(4,843)</u>	<u>(4,843)</u>
Change in net position	(4,843)	(4,843)
Net position beginning of year	<u>33,953</u>	<u>33,953</u>
Net position end of year	<u>\$ 29,110</u>	<u>\$ 29,110</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kearsarge Regional School District (the "District" or "Government") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. The significant accounting policies established in GAAP and used by the District are discussed below.

A. THE REPORTING ENTITY

The District is a primary (special-purpose) local government governed by an elected board. As required by GAAP, these financial statements are required to present the District and its component units (if any).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government. Fiscal independency is the ability to complete certain essential fiscal events without substantive approval by a primary government: (a) determine its budget without another government's having the authority to approve and modify that budget; (b) levy taxes or set rates or charges without approval by another government; and (c) issue bonded debt without approval by another government.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The District does not have any business type primary activities.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions / programs. The functions / programs are also supported by general revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. The net costs (by function) are normally covered by general revenue. The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Funds are classified into three major categories: governmental, proprietary and fiduciary.

Fund financial statements focus on major funds of the primary government in contrast to the governmental and business type (if any) activities reported in the government-wide financial statements. Major funds represent the government's most important funds and are determined based on a minimum criteria set forth in GASBS No. 34 (numerical formula using total assets, liabilities, revenues, or expenditures/expenses of either fund category or activity combined). Major individual governmental funds are reported in separate columns in the fund financial statements with a combined column for all other nonmajor funds. The general fund is required to be reported as major fund. The following fund types are used by the District:

1. **Governmental Funds** – The focus of governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund is the general operating fund of the District and is used to account for all resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (such as federal and state grants, local and private grants and the food service program) that are legally restricted to expenditures for specific purposes.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. **Fiduciary Funds** – The reporting focus of fiduciary funds is on net position and, for private purpose trust funds, changes in net position. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements. The following is a description of the fiduciary funds of the District:

Private Purpose Trust Funds are used to report trust arrangements under which the principal and interest benefits individuals, private organizations, or other governments. The assets are essentially held in trust for someone outside the reporting entity.

Agency Funds are used to report assets held in a custodial capacity for individuals or organizations outside of the reporting entity. The assets for these funds equal the liabilities and there is no operating activity to report.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Two different measurement focuses are used under the new financial reporting model, the flow of current financial resources and the flow of economic resources. The determination of when transactions are recognized is referred to as the basis of accounting. Like measurement focus, there are two different bases of accounting used; the accrual basis and the modified accrual basis.

Government-Wide Financial Statements

The government-wide financial statements use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, generally, all revenues, expenses, gains, losses, assets, and liabilities should be recognized when the economic exchange takes place. The government-wide financial statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the entire government. These financial statements do not report fund information. Instead they focus on two specific types of activities performed by the government, "governmental activities" and, when applicable, "business type activities". Governmental and proprietary fund types are included in the governmental and, when applicable, business type activities reported in the government-wide financial statements and therefore utilize the measurement focus and basis of accounting applicable to these statements. Fiduciary funds are not reported in the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and asset are recognized when they susceptible to accrual; i.e., both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally within sixty days after year-end. Expenditures and liabilities are recognized in the accounting period in which the fund liability is incurred and due, with certain modifications. Debt service and capital lease payments are recognized when the payment is due and compensated absences, claims and judgments, and special termination benefits are recognized to the extent that the liabilities are "normally expected to be liquidated with expendable available financial resources". Fiduciary fund financial statements use the economic resources measurement focus and the full accrual basis of accounting.

E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash and Cash Equivalents and Investments

The District has defined cash and cash equivalents to include cash on hand, demand deposits as well as short-term investments with a maturity date of within three months of the date acquired by the District.

Investments are stated at fair value (quoted market price or the best available estimate).

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to at market or near market rates, are treated as revenues and expenditures / expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

Inventories

For statutory required supplementary information, inventories are accounted for utilizing the purchase method. Under this method, inventories are recorded as expenditures when purchased. For government-wide financial statements, inventories are carried at cost using the first-in, first-out method.

Capital Assets

For government-wide financial statements, capital assets purchased or acquired, in accordance with the District's capitalization policy, are reported at historical cost or estimated historical cost. The capitalization threshold represents the amount that capital assets acquired must be capitalized. The District, however, may capitalize individual or aggregate assets under the threshold. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the assets estimated useful lives.

ASSET	Capitalization Threshold	Estimated Useful Lives
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-50
Machinery, equipment and other	\$ 5,000	5-20

For fund financial statements, capital assets purchased for governmental operations are accounted for as capital expenditures of the governmental fund at the time of purchase.

Compensated Absences

The District accrued accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Long-term Obligations

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt generally consists of bonds payable (related bond premiums are amortized), capital leases, accrued compensated absences and early retirement termination benefits (which include annual cash payments and "District-share" of post-employment health and dental insurance). Governmental funds reported in the fund financial statements are concerned with current financial resources only and do not report long-term debt. Instead, debt proceeds are reported as other financing sources when received and payments of principal and interest are reported as expenditures when due. Statutory required supplementary information report on the current year lease payments with funding clauses per New Hampshire statutes as expenditures. For government-wide financial statements, leases that meet the requirements for capital lease assets and the related capital lease obligations are recorded.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

Pensions

The District implemented Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*. As a result, the District is required to report its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the New Hampshire Retirement System, (NHRS) a Cost-Sharing Multiple Employer Defined Benefit Pension Plan.

Governmental Fund Equity and Fund Balance Policy

The district has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement established new fund balance classifications and reporting requirements as follows:

Nonspendable – Are fund balances that cannot be spent because they are either; not in spendable form, such as inventories or prepaid amounts, or are legally or contractually required to be maintained intact, such as the principal of a permanent fund.

Restricted – Are amounts that can only be used for specific purposes because of enabling legislation or externally imposed constraints, such as grant requirements or laws or regulations.

Committed – Are amounts that can be used for specific purposes because of a formal action by the entities highest level of decision-making authority. This would include contractual obligations if existing resources have been committed. Formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

Assigned – Are amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, or by an official whom authority has been given. This is the residual fund balance classification of all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative “unassigned” general fund balance.

Unassigned – Is the residual classification for the general fund. The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In instances where both restricted and unrestricted fund balances are available to fund expenditures, the restricted fund balances will be exhausted first, followed by committed, assigned and unassigned fund balances.

Revenues

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the period in which the resources are measurable and available. Revenue resulting from non-exchange transactions, in which the District receives value without directly giving equal value in return, generally includes grants and donations and is recognized when applicable grantor requirements, including purpose, eligibility, timing, and matching have been met. General revenues on the Statement of Activities include the school district assessment (levied by the appropriate local governments as property taxes) and aid from various State of New Hampshire sources that are not program revenues (charges for services, or related to operating or capital grant programs).

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Legal Debt Limit

Per state statute, the District may not incur debt at any one time in excess of 10% of its locally assessed valuation (for all municipalities in the District) as last equalized by the Commissioner of the New Hampshire Department of Revenue Administration. For the year ended June 30, 2017, the District had not exceeded its legal debt limit of approximately \$296,379,831 on \$2,963,798,308 of equalized valuation.

Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees and natural disasters. There have no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Primex³ - The District is a participating member in the *Workers' Compensation* and *Liability/Property* (commercial auto and commercial property and liability, including general liability; errors and omissions; buildings and contents; employee dishonesty; electronic equipment and equipment breakdown; commercial umbrella and public officials and Treasurer Bond) programs of the New Hampshire Public Risk Management Exchange ("*Primex³*").

Primex³ is a risk management nonprofit public entity formed in 1979 pursuant to RSA 292 which operates multiple pooled risk management programs (*Workers' Compensation* established in 1979 and *Property/Liability* established in 1988). The *Primex³* member risk pool retains Loss Funds of \$500,000 of each *Workers' Compensation* loss (up to \$2,000,000), \$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 year, not to exceed the member's annual contribution. At this time, *Primex³* foresees no likelihood of an assessment for this or any prior year.

SchoolCare - The District is a member in the New Hampshire School Health Coalition ("*SchoolCare*"). *SchoolCare* is a labor and management nonprofit corporation formed on February 28, 1995 pursuant to NH RSA 292. *SchoolCare* is a health and dental public entity pooled risk management program governed under RSA 5-B and contracts the administration of the health and dental benefits to Cigna HealthCare and is monitored by the *SchoolCare* Board for service, quality and cost.

Annual benefit premiums are fixed and are determined based upon rate and cost history; surplus over reserve funds are returned to participating members under a "Premium Holiday" in which the District is provided a credit on a specific monthly premium billing.

KEARSARGE REGIONAL SCHOOL DISTRICT

**Notes to Basic Financial Statements
June 30, 2017**

Claims, Judgments and Contingent Liabilities

Grant Programs

The District participates in numerous state, federal and private funded programs, which are governed by various laws, regulations, contracts and agreements of the grantor. Costs charged to these programs are subject to audit or review by the grantor; therefore, to the extent that the District has not complied with laws, regulations, contracts and agreements of the grantor, refunds of money for any disallowed claims, including amounts already collected, may constitute a contingent liability of the District.

At June 30, 2017, the District believes that there are no significant contingent liabilities relating to compliance with the laws, regulations, contracts and agreements governing these programs; therefore, no provision has been recorded in the financial statements for such contingencies.

Litigation

The District is subject to various claims, and sometimes lawsuits, which arise in the normal course of operations. Management of the District believes that the outcome of these contingencies will not have a materially adverse effect on the financial statements and accordingly, no provision for loss has been recorded.

Fund Deficits, Restrictions and Encumbrances

General Fund

The \$6,061,137 fund balance in the general fund is comprised of \$77,096 of non-spendable fund balance, \$1,892,717 of amounts restricted for capital reserves, \$75,000 committed at the district meeting, an assigned fund balance subject to encumbered obligations in the amount of \$872,823 and an unassigned fund balance in the amount of \$3,143,501.

Food Service

The year end nonspendable fund balance of \$18,497 is for inventories.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and equivalents	\$ 2,402,888
Investments	3,319,883
Fiduciary funds:	
Cash and investments	187,556
	<u>\$ 5,910,327</u>

Deposits and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ -
Deposits with financial institutions	2,590,444
Investments	3,319,883
	<u>\$ 5,910,327</u>

Credit Risk - Deposits

The District maintains deposits in accordance with RSA 197:23-a which states that the district treasurer shall deposit the moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in solvent banks in the state, except that funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the regional federal reserve bank collateral security for such deposits United States government obligations, United States 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.

Credit Risk - Investments

The District maintains investments in accordance with RSA 197:23-a which states that whenever the treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the school board, invest the same in obligations of the United States government, in participation units in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under the laws of the state of New Hampshire or in certificates of deposits 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 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 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. At least yearly, the school board shall review and adopt an investment policy for the investment of public funds in conformance with the provisions of applicable statutes.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

Investments made by the District as of June 30, 2017 are summarized below:

	<u>Balance</u>	<u>Rating</u>	<u>Rating Agencies</u>
U.S. government securities	\$ -		
Certificates of deposit	-		
NH Public Deposit Investment Pool	3,319,883	Not Rated	
	<u>\$ 3,319,883</u>		

Concentration of Credit Risk

The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. Investments in the New Hampshire PDIP ("pooled investments") are excluded from the five percent disclosure requirement.

Interest Rate Risk

The 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. Information about the sensitivity of the fair values of the District's investments (including investments underlying repurchase agreements or pledged as collateral under a qualifying agreement) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity (specific agreements identify which two District bank accounts are covered under the pledge agreement):

<u>Investment Type</u>	<u>Remaining Maturity (Months)</u>			
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Pledged Collateral				
FNMA	\$ -	\$ -	\$ -	\$ -
Federal Farm Credit	\$ -	\$ -	\$ -	\$ -

Investments in the New Hampshire PDIP ("pooled investments") are excluded from this disclosure requirement.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk on deposits. As of June 30, 2017, \$445,251 of the District's \$2,708,769 bank balance was covered by deposit insurance and the balance, \$2,263,518 was collateralized by pledged government-backed securities. Investments in the New Hampshire PDIP are evidenced by shares of the pool, they are not evidenced by securities that exist in physical or book-entry form; therefore, no disclosure is required.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2017

NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Individual interfund balances, resulting primarily from utilization of centralized general fund cash accounts, at June 30, 2017 consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 426,831	\$ -
Food service fund	-	479,856
Other grants fund	286,429	-
Nonmajor Funds:		
Grants fund	-	182,674
Roof bond	-	45,732
Fiduciary Funds:		
Private purpose trust funds	-	4,998
	<u>\$ 713,260</u>	<u>\$ 713,260</u>

Individual interfund transfers, resulting from routine transfers during the year based upon statutory or budgetary authorization, for the year ended June 30, 2017 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ -	\$ -
Food service fund	-	-
	<u>\$ -</u>	<u>\$ -</u>

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2017

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2017 consisted of the following:

	General Fund	Food Service Fund	Nonmajor Governmental Funds
Local Governments			
Town of Warner	\$ -	\$ -	\$ -
Town of New London - Trustees	1,892,717	-	-
Federal / State Government			
Pass-through grants and other	-	-	223,867
Food program reimbursements	-	33,765	-
	<u>\$ 1,892,717</u>	<u>\$ 33,765</u>	<u>\$ 223,867</u>

All receivables result from grant reimbursement and federal (passed-through the State of New Hampshire) reimbursements not received until after year-end. The District capital reserve funds are due from the Town of New London - Trustees; the statutory custodian.

The District capital reserve funds, reported as a restricted general fund balance, as authorized by voters at an annual meeting that are being held by the Trustees of Trust Funds, Town of New London consisted of the following as of June 30, 2017:

- "Reconstructing or Adding to Existing Schools of the District" - Expendable Trust Fund - Established March 1994 - Amended March 1997 to name School Board Agents to expend, with a balance of \$176,211.
- "Replacement and Major Repair to Roofs in the District" - Expendable Trust Fund - Established March 2000. Roof replacement must take place over the next 2 to 5 years at an approximate total cost of \$875,000. School Board not named agents to expend, with a balance of \$740,893.
- "Emergency Funding of Unforeseen Special Education Out-of-District Placement Tuition" - Expendable Trust Fund - Established March 1997 - School Board agents to expend, with a balance of \$382,983.
- "Emergency Funding of Unanticipated Special Education Costs" - Expendable Trust Fund - Established March 2008 - School Board agents to expend, with a balance of \$306,107.
- "School Buildings Maintenance Fund" - Expendable Trust Fund - Established March 2009 - School Board agents to expend, with a balance of \$286,523.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements
June 30, 2017

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities (at cost)				
Capital assets not being depreciated:				
Land and improvements	\$ 506,810	\$ -	\$ -	\$ 506,810
Construction in progress	-	126,384	-	126,384
	<u>506,810</u>	<u>126,384</u>	<u>-</u>	<u>633,194</u>
Capital assets being depreciated:				
Land improvements	470,081	-	-	470,081
Buildings	49,618,056	162,299	-	49,780,355
Vehicles	104,791	-	-	104,791
Furniture and equipment	3,884,255	80,905	-	3,965,160
Technology equipment	4,229,091	293,860	189,231	4,333,720
	<u>58,306,274</u>	<u>537,064</u>	<u>189,231</u>	<u>58,654,107</u>
Less accumulated depreciation:				
Land improvements	249,912	10,341	-	260,253
Buildings	13,520,062	883,824	-	14,403,886
Vehicles	73,968	10,808	-	84,776
Furniture and equipment	2,636,310	166,607	-	2,802,917
Technology equipment	3,719,028	278,044	188,371	3,808,701
Accumulated depreciation	<u>20,199,280</u>	<u>1,349,624</u>	<u>188,371</u>	<u>21,360,533</u>
Capital assets being depreciated, net	<u>38,106,994</u>	<u>(812,560)</u>	<u>860</u>	<u>37,293,574</u>
Governmental activities capital assets, Net of accumulated depreciation	<u>\$ 38,613,804</u>	<u>\$ (686,176)</u>	<u>\$ 860</u>	<u>\$ 37,926,768</u>

Depreciation expense for the year ended June 30, 2017 (unallocated) \$ 1,349,624

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

NOTE 7 - LONG-TERM LIABILITIES

The District can issue general obligation debt instruments to provide funds for the acquisition and construction of major capital equipment, infrastructure and other facilities. General obligation debt instruments are "direct government obligations" and consequently are a pledge of the full faith and credit of the District. The 2004 and 2006 issuances were Capital Appreciation Bonds (CAB's) in which scheduled payments do not bear level funded interest. As a result, interest is compounded on each payment date. At June 30, 2017, the principal balance of all bonds outstanding was \$17,727,522, which includes compounded accreted interest of \$5,882,858 on the Capital Appreciation Bonds. Other long-term obligations include compensated absences. A summary of long-term liabilities outstanding at June 30, 2017 is as follows:

	General Obligation Bonds	Capital Appreciation Bonds Interest	Bond Premiums	Compen- sated Absences	OPEB Obligations	Net Pension Liability	Total
Beginning balance	\$ 11,844,664	\$ 5,882,858	\$ 141,142	\$ 54,567	\$ 1,965,709	\$ 21,176,537	\$ 41,065,477
Additions	-	23,532	-	2,835	338,432	7,628,071	7,992,870
Reductions	(1,322,285)	(148,750)	(13,443)	-	-	-	(1,484,478)
Ending balance	<u>10,522,379</u>	<u>5,757,640</u>	<u>127,699</u>	<u>57,402</u>	<u>2,304,141</u>	<u>28,804,608</u>	<u>47,573,869</u>
Current portion	1,269,593	-	-	-	-	-	1,269,593
Noncurrent portion	<u>9,252,786</u>	<u>5,757,640</u>	<u>127,699</u>	<u>57,402</u>	<u>2,304,141</u>	<u>28,804,608</u>	<u>46,304,276</u>
	<u>\$ 10,522,379</u>	<u>\$ 5,757,640</u>	<u>\$ 127,699</u>	<u>\$ 57,402</u>	<u>\$ 2,304,141</u>	<u>\$ 28,804,608</u>	<u>\$ 47,573,869</u>

Long-term liabilities outstanding at June 30, 2017 consisted of the following:

	Issue Year	Interest Rate	Maturity Date	Issue Amount Net (Discount) Premium	Amount Outstanding 6/30/17
<u>General Obligation Bonds</u>					
Middle School - CAB	2006	4.00-5.00	2026	\$ 24,719,000	\$ 9,183,608
CAB interest					5,757,640
Energy Improvements	2011	4.375	2026	2,231,283	<u>1,338,771</u>
					<u>16,280,019</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					57,402
Bond premiums					127,669
OPEB obligations					2,304,141
Net pension liability					<u>28,804,608</u>
					<u>\$ 47,573,839</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Principal	Interest	Total
2018	\$ 1,269,593	\$ 827,852	\$ 2,097,445
2019	1,219,339	872,774	2,092,113
2020	1,171,091	915,182	2,086,273
2021	1,125,717	956,140	2,081,857
2022	1,080,437	992,871	2,073,308
After	<u>4,656,202</u>	<u>5,462,044</u>	<u>10,118,246</u>
	<u>\$ 10,522,379</u>	<u>\$ 10,026,863</u>	<u>\$ 20,549,242</u>

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

The New Hampshire Municipal Bond Bank (NHMBB), holder of the Middle School General Obligation bond in the original amount of \$24,719,000, notified the District that it has completed a 2015 Series A Refunding of a bond pool, including the District's. In accordance with the NHMBB policy regarding guidelines on refunding savings, that 50% of the gross savings net of cost shall be returned to the participating communities. The NHMBB has revised the interest portion of the remaining payments, through August 15, 2026, by \$890,100 as follows.

	<u>Original Interest</u>	<u>Reduction</u>	<u>Interest After Reduction</u>
8/15/2017	\$ 633,321	\$ (26,100)	\$ 607,221
8/15/2018	688,821	(22,000)	666,821
8/15/2019	744,678	(119,000)	625,678
8/15/2020	801,557	(132,000)	669,557
8/15/2021	857,459	(134,000)	723,459
8/15/2022	914,398	(120,000)	794,398
8/15/2023	972,952	(125,000)	847,952
8/15/2024	1,030,942	(122,000)	908,942
8/15/2025	1,090,314	(85,000)	1,005,314
8/15/2026	1,154,260	(5,000)	1,149,260
	<u>\$ 8,888,702</u>	<u>\$ (890,100)</u>	<u>\$ 7,998,602</u>

NOTE 8 - EARLY RETIREMENT OBLIGATIONS

The District Collective Bargaining Agreement contains provisions for voluntary early retirement, payment and post-employment healthcare provisions. When the offer for early retirement is accepted, the early retiree is scheduled to receive a series of "payments" specific to each early retiree's length of service and history of compensation. In addition, early retirees also receive post-employment healthcare benefits with employer cost and employee amounts. Some early retirees may also be eligible to receive a health insurance subsidy from a special account maintained by the State. The subsidy was estimated only through the year 2011 when actuaries of the account have estimated that funds will no longer exist. Per GASB No. 47, the District discloses the healthcare cost trend rate used for estimating the future cost of these healthcare benefits (based upon the moving average of historical increases in the healthcare costs) as 8% for the fiscal years ending 6/30/08 and 6/30/09, 7% for the fiscal year ending 6/30/10, and, 8% for the subsequent fiscal years ending through 6/30/19. The District also discloses that a 4% discount rate was used to calculate the present value of the estimated future health care costs and is based on the current investment maximized yield. A summary of early retirement and related healthcare liabilities outstanding at June 30, 2017 is as follows:

	<u>Early Retirement Payments</u>	<u>Early Retirement Healthcare</u>	<u>Total</u>
Beginning balance	\$ 401,396	\$ 191,975	\$ 593,371
Additions	71,363	-	71,363
Reductions	<u>(168,785)</u>	<u>(49,300)</u>	<u>(218,085)</u>
Ending balance	<u>303,974</u>	<u>142,675</u>	<u>446,649</u>
Current portion	200,954	-	200,954
Noncurrent portion	<u>103,020</u>	<u>142,675</u>	<u>245,695</u>
	<u>\$ 303,974</u>	<u>\$ 142,675</u>	<u>\$ 446,649</u>

NOTE 9 - PENSION PLAN

The District participates in the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan and trust established in 1967 by RSA 100-A:2 administered by a Board of Trustees. The plan is a contributory plan that provides service, disability, death and vested retirement benefits to members and their beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to New Hampshire Retirement System, 4 Chenell Drive, Concord, New Hampshire 03301.

The System is funded by contributions from both the employees and the District. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature while the employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Plan members are required to contribute 7.0% of their covered salary. The District's contribution rates for the year ended June 30, 2017 were 15.67% and 11.17% of covered payroll for teachers and other employees, respectively. The District's contributions to the System for the years ending June 30, 2017, 2016, and 2015 were \$2,354,565, \$2,320,155, and \$2,081,512, respectively, equal to the required contributions for each year.

NOTE 10 – PROPORTIONATE SHARE OF NET PENSION LIABILITY

The District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense information about the fiduciary net position of the New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS.

General Information about the Pension Plan

Plan description. The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan). For additional NHRS information, please refer to the fiscal 2016 Comprehensive Annual Financial Report, which can be found on the NHRS website at www.nhrs.org.

Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service OR age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

Years of creditable service as of January 1, 2012	Minimum age	Minimum service	Benefit multiplier
At least 8 but less than 10 years	46	21	2.40%
At least 6 but less than 8 years	46	22	2.30%
At least 4 but less than 6 years	46	23	2.20%
Less than 4 years	46	24	2.10%

Contributions. By Statute, the Board of Trustees of the System is responsible for the certification of employer contribution rates, which are determined through the preparation of biennial valuation of the System's assets by the System's actuary using the entry age normal cost method.

The employer contributions used in the schedules of employer allocations as of and for the year ended June 30, 2016 is a component of total employer contributions presented in the System's financial statements for the corresponding period.

Actuarial assumptions. The collective pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using the following actuarial assumptions:

Inflation	2.50%	
Salary increases	5.60%	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 the last experience study.

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

The long-term expected rate of return on pension plan investments was selected from a best-estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates 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 each asset class:

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. 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 and 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 investments was applied to all periods of projected benefits payments to determine the collective total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the 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 or 1-percentage-point higher than the current rate:

	1% Decrease	Current single rate assumption	1% Increase to
2017	6.25%	7.25%	8.25%
2016	6.75%	7.75%	8.75%
Employer's proportionate share of the net pension liability:			
June 30, 2017	\$ 37,011,957	\$ 28,804,608	\$ 21,997,910
June 30, 2016	\$ 27,876,156	\$ 21,176,537	\$ 15,465,069

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported a liability of \$28,804,608 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.54168484 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$3,325,325. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,048	\$ 363,731
Changes of assumptions	3,544,932	-
Net differences between projected and actual earnings on pension plan investments	1,802,164	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	717,766	320,881
Employer contributions subsequent to the measurement date	1,959,079	-
Total	<u>\$ 8,103,989</u>	<u>\$ 684,612</u>

\$1,959,079 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Annual changes to the net pension liability resulting from the differences between expected and actual experience with regard to economic or demographic factors or other inputs are deferred and amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits determined for the period during which the changes occurred. Differences between projected and actual earnings on pension plan investments are amortized over a closed 5-year period. The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding any employer-specific "deferrals") for the year ended June 30, 2016 (as of the measurement date of June 30, 2015):

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

							(in thousands)	
COLLECTIVE DEFERRED OUTFLOWS (INFLOWS)							PLAN TOTAL	Allocation
	Year of Deferral	Amort Period	Beginning	Additions	Deductions	End of Year		
Deferred outflows of resources:								0.54168484%
Diff between expected and actual experience	2016	5.075	\$ -	\$ 18,404	\$ 3,626	\$ 14,778	\$	80
Diff between projected and actual invest earnings:	2014	5	(360,206)	-	(120,069)	(240,137)	\$	(1,301)
	2015	5	254,329	-	63,582	190,747	\$	1,033
	2016	5	-	477,608	95,522	382,086	\$	2,070
Subtotal Projected and actual earnings			(105,877)	477,608	39,035	332,696		1,802
Change in Assumptions	2016	5.075	-	815,023	160,596	654,427	\$	3,545
Total outflows			\$ (105,877)	\$ 1,311,035	\$ 203,257	\$ 1,001,901	\$	5,427
Deferred inflows of resources:								
Diff between expected and actual experience	2015	5.3941	\$ (86,932)	\$ -	\$ (19,784)	\$ (67,148)	\$	(364)

NOTE 11 - COLLECTIVE BARGAINING AGREEMENTS

The District normally negotiates long-term agreements with qualifying employee groups through a formal collective bargaining process. The District voters must ratify the agreement. State budgetary statutes require disclosure of certain aggregate cost items / cost item increases to be incurred during the term of the agreement. Cost items include levels of compensation and related fringe benefits (such as the District portion of employee health, dental, group life, and disability insurances) and sick, vacation and other compensated absences or special termination benefits.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS ("OPEB's") - GASB 45**POST EMPLOYMENT BENEFITS****Plan description and annual OPEB cost**

Benefits provided to retirees follow New Hampshire Statute 100-A:50 (Medical Insurance Coverage). This statute states that the district "shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees..." In addition, the statute states "Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees, or may require each retiree to pay any part or all of the cost of the retiree's participation."

The school district provides medical benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a state-wide health insurance consortium. Teachers hired prior to 12/31/1992 with no break in service can retire at any age. All other employee groups are eligible to retire after reaching age 55. Retirees are required to pay 100% of the medical premium for both individual and spouse coverage. This valuation does not account for the cost of benefits to retirees or their spouses after age 65. Surviving beneficiaries continue to receive coverage after the death of the eligible retired employee but are required to continue to pay 100% of the medical premium.

The school district implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. This required the school district to calculate and record a net other post-employment benefit obligation at year end. The net other post-employment benefit obligation is basically the cumulative difference between the required contribution and the actual contributions made.

Currently, 10 retired employees receive health benefits from the school district. The school district recognizes the cost of providing health insurance annually as expenditures in the general fund of the funds financial statements as payments are made. For the year ended June 30, 2017, the school district recognized \$145,653 for its share of insurance premiums for currently enrolled retirees.

The school district has obtained a valuation report which indicates that the total liability for other post-employment benefits is \$5,083,266 (\$283,815 related to retirees and \$4,799,451 related to employees).

The school district's annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

Funding Policy

The district offers benefits that require the retiree to pay 100% of the cost of premiums. The underlying OPEB obligation for the district arises from an implied subsidy based on the fact that the benefits provided to the active and retired employees are identical. As a result, the active employees are subsidizing the cost of the benefits provided to the retired employees. The funding policy used by the school is based on the pay - as-you-go methodology with the exception that the funding for the cost of retiree benefits is recognized annually through the payment of the premiums for the active employees. This funding practice results in no Net OPEB Obligation being carried to the balance sheet for the retirees.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the school district annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the school district's net OPEB obligation:

	For the Year Ended June 30, 2017
Annual Required Contribution (ARC)	\$ 516,927
Interest on Net OPEB Obligation	78,628
Adjustment to ARC (if Applicable)	<u>(111,470)</u>
Annual OPEB Cost (Expense)	484,085
Contributions Made - Active Employees Premium Subsidy Paid	<u>145,653</u>
Increase (Decrease) in Net OPEB Obligation	338,432
Net OPEB Obligation - Beginning of Year	<u>1,965,709</u>
Net OPEB Obligation - End of Year	<u>\$ 2,304,141</u>

The school district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 484,085	30.09%	\$2,304,141

As of the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$5,083,266 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$5,083,266. The covered payroll (annual payroll of active employee covered by the plan) was \$15,648,831, and the ratio of the UAL to the covered payroll was 32.5%. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The cost methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the most recent valuation, the Projected Unit Credit cost method was used, the assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date.

The annual healthcare cost trend is 4.81% in the first year, increased to 9.50% for the second year and then reduced by annual decrements of .5% to an ultimate rate of 5.00%.

The remaining amortization period at June 30, 2017 was 29 years.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements June 30, 2017

NOTE 13 - FUND BALANCE COMPONENTS

The District's governmental fund balance components under GASB 54 are comprised of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Inventories	\$ 59,720	\$ 18,497	\$ -	\$ 78,217
Prepaid expenditures	17,376	-	-	17,376
Restricted:				
Grant restrictions	-	-	44,003	44,003
Bond restrictions	-	-	106,451	106,451
Capital reserves	1,892,717	-	-	1,892,717
Committed:				
Designated by district meeting	75,000	-	-	75,000
Assigned:				
Encumbrances	872,823	-	-	872,823
Unassigned:	<u>3,143,501</u>	<u>-</u>	<u>-</u>	<u>3,143,501</u>
	<u>\$ 6,061,137</u>	<u>\$ 18,497</u>	<u>\$ 150,454</u>	<u>\$ 6,230,088</u>

REQUIRED SUPPLEMENTARY INFORMATION

KEARSARGE REGIONAL SCHOOL DISTRICT

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance
Budgetary Fund Balance - Beginning	\$ 1,743,177	\$ 2,085,644	\$ 3,009,745	\$ 924,101
Resources (inflows):				
School district assessment				
Local school tax	26,505,673	26,505,673	26,505,673	-
Local sources				
Tuition	90,250	90,250	54,072	(36,178)
Earnings on investments	6,000	6,000	40,305	34,305
Other	30,000	30,000	146,911	116,911
State of New Hampshire sources				
School building aid	750,359	750,359	750,359	-
Catastrophic aid	544,223	544,223	656,922	112,699
Vocational aid	24,064	24,064	37,951	13,887
Adult education	7,900	7,900	8,242	342
Other state sources	-	-	92,646	92,646
Adequacy grant	2,874,074	2,874,074	2,874,074	-
State education tax	7,005,638	7,005,638	7,005,638	-
Federal sources				
Medicaid distribution	271,063	271,063	440,855	169,792
Other	57,762	57,762	57,733	(29)
Amounts available for appropriation	<u>39,910,183</u>	<u>40,252,650</u>	<u>41,681,126</u>	<u>1,428,476</u>
Charges to appropriations (outflows):				
Instruction				
Regular instruction	17,416,897	17,463,837	16,396,559	1,067,278
Special education instruction	6,822,700	6,823,618	6,472,535	351,083
Vocational instruction	80,000	80,000	76,280	3,720
Other instruction	598,861	598,861	474,026	124,835
Adult and community programs	18,620	18,620	17,569	1,051
Support services				
Student support services	1,663,585	1,663,585	1,636,101	27,484
Instructional staff services	690,262	711,330	647,845	63,485
General administration				
Other school board	307,610	307,610	302,282	5,328
Executive administration				
SAU management services	1,393,984	1,393,984	1,363,778	30,206
School administrative services	2,173,534	2,173,534	2,180,288	(6,754)
Operation and maintenance	3,658,545	3,932,086	3,420,885	511,201
Student transportation	2,859,957	2,859,957	2,349,876	510,081
Debt service				
Debt service principal	1,322,285	1,322,285	1,322,285	-
Debt service interest	777,567	777,567	777,397	170
Operating transfers out				
Special revenue funds	50,776	50,776	-	50,776
Transfer to capital reserve	75,000	75,000	75,000	-
Total charges to appropriations	<u>39,910,183</u>	<u>40,252,650</u>	<u>37,512,706</u>	<u>2,739,944</u>
Budgetary Fund Balance - Ending	\$ -	\$ -	\$ 4,168,420	\$ 4,168,420

See the accompanying notes to the required supplementary information.

KEARSARGE REGIONAL SCHOOL DISTRICT

Schedule of Funding Progress for Other Postemployment Benefits Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrual Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Estimated Covered Payroll	UAAL as a Percentage of Covered Payroll (AAL)
July 1, 2013	\$ -	\$ 3,689,543	\$ 3,689,543	NA	\$ 15,257,958	24.2%
July 1, 2014	\$ -	\$ 4,404,655	\$ 4,404,655	NA	\$ 17,872,398	24.6%
July 1, 2015	\$ -	\$ 4,480,025	\$ 4,480,025	NA	\$ 18,229,846	24.6%
July 1, 2016	\$ -	\$ 5,083,266	\$ 5,083,266	NA	\$ 15,648,831	32.5%

See the accompanying notes to the required supplementary information.

KEARSARGE REGIONAL SCHOOL DISTRICT

Schedule of the District's Proportionate Share of NHRS Net Pension Liability Year Ended June 30, 2017

	2014	2015	2016	2017
District's proportion of the net pension liability (asset)	0.52261896%	0.54659976%	0.53455489%	0.54168484%
District's proportionate share of the net pension liability (asset)	\$ 22,492,394	\$ 20,517,091	\$ 21,176,537	\$ 28,804,608
District's covered-employee payroll	\$ 15,113,744	\$ 15,258,246	\$ 15,565,423	\$ 15,805,781
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	148.82%	134.47%	136.05%	182.24%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%

See the accompanying notes to the required supplementary information.

KEARSARGE REGIONAL SCHOOL DISTRICT

Schedule of District Contributions Year Ended June 30, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required pension contribution	\$ 1,773,757	\$ 1,789,439	\$ 1,930,756	\$ 1,959,079
Contributions reported by the PLAN	<u>(1,773,296)</u>	<u>(1,789,439)</u>	<u>(1,939,660)</u>	<u>NA</u>
Contribution (deficiency) excess	<u>\$ 461</u>	<u>\$ -</u>	<u>\$ (8,904)</u>	<u>NA</u>
District's covered-employee payroll	\$ 15,113,744	\$ 15,258,246	\$ 15,565,423	\$ 15,805,781
Contributions as a percentage of covered-employee payroll	11.74%	11.73%	12.40%	12.39%

See the accompanying notes to the required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information
June 30, 2017

NOTE 1 - BUDGETARY INFORMATION

A. Original Budget

Governmental budgetary appropriations and estimated revenues are accounted for on a fund basis in accordance with state statutes, administrative rules and local laws, policies or procedures. The budgetary process results in a formally adopted District budget by voters at the annual District meeting. Subsequent regulatory reviews by departments of the State of New Hampshire are made of the budgetary process (warrant articles, required results of votes, etc.), adopted budget and the estimated revenues of the District. After final allocation of state aid programs to the District and approval of final estimated revenues (including the use of beginning unreserved general fund balance), a balanced District budget is achieved in accordance with State statute (the "original" budget). The original budget for the general fund in the amount of \$39,910,183 consists of the voted appropriation of \$41,415,734 less \$698,751 for the Food Service Fund, and \$806,800 for Other Special Revenue Funds.

B. Budgetary Changes, Transfers, Encumbrances and Continuing Appropriations

Budgetary Changes

In accordance with RSA 198:20-b, appropriations may be made by the school board by applying for, accepting and expending unanticipated funds (money from a state, federal or other governmental unit or a private source) which become available during the year without further action by the District. Such money may be used only for legal purposes for which a school district may appropriate money; shall not require the expenditure of other school district funds except those funds lawfully appropriated for the same purpose; and shall be exempt from the provisions of RSA 32 relative to the limitation of expenditure of school district moneys. The statute requires the school board to hold a public hearing on the action to be taken and to comply with various public notice requirements.

Transfers

The school board may authorize budgetary transfers between allowable appropriations (programs, functions or categories); however, total expenditures may not exceed the total allowable appropriations budgeted (which consists of the original budget plus appropriations allowable under RSA 198:20-b, encumbrances carried forward from the prior year and continuing appropriations, if any).

Encumbrances and Continuing Appropriations

All annual appropriations lapse at year-end unless encumbered. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are not expenditures and are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year. Encumbrances and reserves of \$534,834 were carried forward from the prior year.

Certain appropriations that are not "annual appropriations" do not lapse at year-end. These continuing appropriations include those from special or unanticipated revenues, capital projects and specific items that are not required to have been completed at year-end. Continuing appropriations are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

C. Final Budget

The final budget consists of the original budget adjusted for appropriate legal changes applicable to the year, including those occurring during and after the end of the year.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information
June 30, 2017

NOTE 2 - EXPLANATION OF BUDGETARY TO GAAP DIFFERENCES

Basis and Timing Differences

The basis of accounting or the timing of transactions used or applied by the funds in the basic financial statements (fund financial statements) differs from the basis of accounting or timing of transactions used or applied by the funds for budgetary purposes. The following is an explanation of the differences between budgetary inflows and outflows and GAAP revenues and expenditures.

<u>Budgetary Fund</u>	<u>General Fund</u>
<u>Financial Statement Major Fund</u>	<u>General Fund</u>
Sources / Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 41,681,126
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning fund balance	(3,009,745)
Transfers from other funds	-
Financial reporting revenues that are not inflows for budgetary purposes	
Capital reserve earnings	<u>9,187</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 38,680,568</u>
Uses / Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 37,512,706
Differences - Budget to GAAP:	
Budgetary outflows that are not expenditures for financial reporting purposes	
Transfers to other funds	-
Capital reserve transfers	<u>(75,000)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 37,437,706</u>

NOTE 3 - SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

The district is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the school district is required to disclose its obligations for post-employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees. Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 45 - "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" (GASB No. 45). As part of that disclosure the district is required to include the Schedule of Funding Progress, as required supplementary information, for the most recent actuarial valuation and the two preceding valuations.

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information June 30, 2017

NOTE 4 – GASB 68 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

In accordance with GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, the district is required to disclose historical data for each of the prior ten years within the following schedules:

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

The information presented in the *Schedule of the District's Proportionate Share of Net Pension Liability* is determined as of the PLAN's measurement date of the collective net pension liability.

The information presented in the *Schedule of District Contributions* is determined as of the employer's most recent fiscal year-end.

Subsequent year's information will be added as it becomes available until the ten-year requirement is met.

OTHER SUPPLEMENTARY INFORMATION

KEARSARGE REGIONAL SCHOOL DISTRICT

Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2017

	<u>Grants Fund</u>	<u>Roof Bond</u>	<u>Project Climb</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	152,183	-	152,183
Held by trustees	-	-	44,003	44,003
Due from other governments	223,867	-	-	223,867
Total assets	<u>\$ 223,867</u>	<u>\$ 152,183</u>	<u>\$ 44,003</u>	<u>\$ 420,053</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	41,193	-	-	41,193
Due to other funds	182,674	45,732	-	228,406
Total liabilities	<u>223,867</u>	<u>45,732</u>	<u>-</u>	<u>269,599</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	106,451	44,003	150,454
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>106,451</u>	<u>44,003</u>	<u>150,454</u>
Total liabilities and fund balances	<u>\$ 223,867</u>	<u>\$ 152,183</u>	<u>\$ 44,003</u>	<u>\$ 420,053</u>

KEARSARGE REGIONAL SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2017

	Grants Fund	Roof Bond	Project Climb	Total Nonmajor Governmental Funds
Revenues				
Local sources	\$ -	\$ 1,028	\$ 15,258	\$ 16,286
Federal sources	895,344	-	-	895,344
Total revenues and other financing sources	<u>895,344</u>	<u>1,028</u>	<u>15,258</u>	<u>911,630</u>
Expenditures				
Instruction	895,344	-	-	895,344
Support services	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>11,000</u>
Total expenditures and other financing sources	<u>895,344</u>	<u>-</u>	<u>11,000</u>	<u>906,344</u>
Excess revenue and other financing sources over (under) expenditures and other financing uses	-	1,028	4,258	5,286
Fund balances - beginning of year	<u>-</u>	<u>105,423</u>	<u>39,745</u>	<u>145,168</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 106,451</u>	<u>\$ 44,003</u>	<u>\$ 150,454</u>

FEDERAL AWARDS SUPPLEMENTARY INFORMATION

GRZELAK AND COMPANY, P.C.

Certified Public Accountants

Members – American Institute of CPA's (AICPA)
Member – AICPA Government Audit Quality Center (GAQC)
Member – AICPA Private Company Practice Section (PCPS)
Members – New Hampshire Society of CPA's

P.O. Box 8
Laconia, New Hampshire 03247-0008
Tel (603) 524-6734
GCO-Audit@gcocpas.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the School Board
Kearsarge Regional School District
New London, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kearsarge Regional School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Kearsarge Regional School District's basic financial statements, and have issued our report thereon dated January 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kearsarge Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kearsarge Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kearsarge Regional School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kearsarge Regional School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grzelak and Co., P.C.

GRZELAK & COMPANY, P.C., CPA's

Laconia, New Hampshire
January 9, 2018

GRZELAK AND COMPANY, P.C.

Certified Public Accountants

Members – American Institute of CPA's (AICPA)
Member – AICPA Government Audit Quality Center (GAQC)
Member – AICPA Private Company Practice Section (PCPS)
Members – New Hampshire Society of CPA's

P.O. Box 8
Laconia, New Hampshire 03247-0008
Tel (603) 524-6734
GCO-Audit@gcocpas.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board
Kearsarge Regional School District
New London, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited Kearsarge Regional School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kearsarge Regional School District's major federal programs for the year ended June 30, 2017. Kearsarge Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kearsarge Regional School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kearsarge Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kearsarge Regional School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Kearsarge Regional School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Kearsarge Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kearsarge Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kearsarge Regional School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grzelak and Co., P.C.

GRZELAK & COMPANY, P.C., CPA's

Laconia, New Hampshire

January 9, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KEARSARGE REGIONAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass Through ID #	Expenditures of Federal Awards	Expenditures to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through the NH Department of Education</i>				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553		\$ 43,376	-
National School Lunch Program	10.555		164,656	-
National School Lunch Program - Commodities (Noncash)	10.555		32,653	-
			<u>240,685</u>	<u>-</u>
			<u>240,685</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed through the NH Department of Education</i>				
Title I, Grants to Local Educational Agencies (LEAs)	84.010	61649	12,500	-
Title I, Grants to Local Educational Agencies (LEAs)	84.010	60071	6,286	-
Title I, Grants to Local Educational Agencies (LEAs)	84.010	70071	217,424	-
			<u>236,210</u>	<u>-</u>
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States (IDEA, Part B)	84.027	72615	474,770	-
Special Education - Preschool Grants (IDEA Preschool)	84.173	62582	37	-
Special Education - Preschool Grants (IDEA Preschool)	84.173	72615	4,402	-
			<u>479,209</u>	<u>-</u>
Adult Education - Basic Grants to States	84.002	44862	7,176	-
Improving Teacher Quality State Grants	84.367	54862	3,099	-
Improving Teacher Quality State Grants	84.367	64862	22,010	-
Improving Teacher Quality State Grants	84.367	74862	64,417	-
Investing In Innovation Fund - Development Grants	84.396		2,250	-
			<u>98,952</u>	<u>-</u>
			<u>814,371</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the NH Department of Education</i>				
Emergency Management Performance Grants	93.500	79000	1,921	-
			<u>1,921</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY - FEMA				
<i>Passed through the NH Department of Safety</i>				
Emergency Management Performance Grants	97.042		20,138	-
			<u>20,138</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,077,115</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards June 30, 2017

1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of the Kearsarge Regional School District under programs of the federal government for the year ended June 30, 2017. The Kearsarge Regional School District's reporting entity is defined in Note 1 to the District's basic financial statements. The information in the Schedule of Expenditures of Federal Awards is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of the Kearsarge Regional School District and is not intended to and does not present the financial position or changes in net position of the Kearsarge Regional School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting within the governmental funds (general and special revenue) of the District. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The expenditures reported in the Schedule of Expenditures of Federal Awards are recognized following the applicable cost principles of OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (codified in 2 CFR Part 225), or Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and include, but are not limited to, expenditure transactions associated with grants, cost reimbursement grants and contracts, the receipt or use of program income and the distribution or consumption of food commodities (non-cash transactions) and cost reimbursements for nutrition goods and services programs.

Indirect costs included in the Schedule of Expenditures of Federal Awards of the Kearsarge Regional School District, when applicable, are based upon an annual indirect cost rate calculation that is approved by the New Hampshire Department of Education and is specifically identified in each grant program award passed through the New Hampshire Department of Education. Accordingly, the Kearsarge Regional School District has not elected to use the ten percent (10%) de minimis indirect cost rate allowed under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

3. RELATIONSHIP AND RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The total expenditures of federal awards per the accompanying schedule of expenditures of federal awards reconciles to the Statement of Revenues, Expenditures and Changes in Fund Balances – Major and Other Governmental Funds as follows:

Schedule of Expenditures of Federal Awards	\$ 1,077,115
State/Nonfederal grant programs	58,915
	<u>\$ 1,136,030</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Major Fund	
Food Service Fund	
Federal Sources	\$ 240,686
Nonmajor Funds	
Grants Fund	895,344
	<u>\$ 1,136,030</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KEARSARGE REGIONAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs 1 - Summary of Auditor's Results June 30, 2017

Financial Statements

The type of auditor's report issued – Unmodified – All Reporting Units

Internal control over financial reporting:

- Material weaknesses identified – No.
- Significant deficiencies identified – None Reported.
- Noncompliance material to financial statements noted? – No.

Federal Awards

Internal control over major programs:

- Material weaknesses identified – No.
- Significant deficiencies identified – None Reported.

Type of auditor's report issued on compliance for major programs – Unmodified.

Are there any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings – No.

Identification of major programs:

- SPECIAL EDUCATION CLUSTER
 - CFDA # 84.027 - Special Education - Grants to States (IDEA, Part B)
 - CFDA # 84.173 - Special Education - Preschool Grants (IDEA Preschool)

Dollar Threshold used to distinguish between type A and type B Programs - \$750,000.

Auditee qualified as a low-risk auditee – No.

KEARSARGE REGIONAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs 2 - Financial Statement Findings June 30, 2017

There were no findings relating to the financial statements required to be reported by standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

KEARSARGE REGIONAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs **3 – Federal Award Findings and Questioned Costs** **June 30, 2017**

There were no findings or questioned costs required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings.