

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

LITCHFIELD SCHOOL DISTRICT
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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
 BASIC FINANCIAL STATEMENTS 	
Government-wide Financial Statements	
A Statement of Net Position	10
B Statement of Activities	11
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	12
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	13
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	16
<i>Fiduciary Funds</i>	
E Statement of Net Position	17
NOTES TO THE BASIC FINANCIAL STATEMENTS	18 - 35
 REQUIRED SUPPLEMENTARY INFORMATION 	
F Schedule of the School District's Proportionate Share of Net Pension Liability.....	36
G Schedule of School District Contributions - Pensions	37
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY	
H Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability	39
I Schedule of School District Contributions – Other Postemployment Benefits.....	40
J Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios	41
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY.....	

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

TABLE OF CONTENTS

PAGES

COMBINING AND INDIVIDUAL FUND SCHEDULES

Governmental Funds

Major General Fund

1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	43
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	44
3	Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis).....	45

Nonmajor Governmental Funds

4	Combining Balance Sheet	46
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	47

Fiduciary Funds

Agency Funds

6	Student Activities Funds – Combining Schedule of Changes in Student Activities Funds.....	48
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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Litchfield School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Change in Accounting Principle

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

Other Matters

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

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

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

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

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

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Litchfield School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

January 18, 2019

*Plodzik & Sanderson
Professional Association*

LITCHFIELD SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

The Superintendent of Schools and Business Administrator of New Hampshire School Administrative Unit #27, as management of the Litchfield School District ("District"), we offer readers of the District's Financial Statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

1. Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent year by \$5,944,637 (*net position*). Of this amount, \$(15,344,709) (*unrestricted net position*), had it been positive, may have been used to meet the government's ongoing obligations to citizens and creditors. The negative unrestricted net position is attributable to the reporting of the District's proportional share of the actuarially determined retirement system's unfunded pension liability less the system's net position ("net pension liability"). Reporting the District's proportional share of the net pension liability does not impact the District's ability to meet its current obligations.
- The District's total net position changed by \$(577,500).
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,242,944, a change of \$262,567 in comparison with the prior year.
- Net change in the unassigned fund balance for the General Fund was \$142,019 with an end of year balance of \$626,350. This balance represents amounts that are not obligated or specifically designated and is available to offset the amount of local school assessment for the subsequent fiscal year.
- Consistent with prior fiscal year, due to the implementation of GASB Statement Nos 68 and 71, the District is required to record its related share of net pension liability of the New Hampshire Retirement System. The net pension liability is the District's proportionate share of the retirement system's actuarially determined unfunded pension liability less the system's net position. This amount is reported only on the government-wide financial statements and has no impact on the fund financial statements of the District. At the end of the most recent year, our net pension liability is \$14,984,934, a decrease of \$1,449,030, or 8.8% below prior year.
- For Fiscal Year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. This Statement supersedes Statement No. 45, the previous reporting Statement for these liabilities. This implementation resulted in a restatement in net position, which is noted in the notes accompanying the financial statements. The implementation of new GASB Statement impacts the government-wide financial statements only.
- With the passage of Warrant Article 2 at March 2018 Town Meeting, the School District implemented our Full-Day Kindergarten Program at Griffin Memorial School. This required the installation of a four classroom modular building. This project took place over the summer of 2018, expenditures associated with the project began during the FY 2018 School Year, and the capital project fund is reported with a

deficit fund balance in the financial statements. Expenditures for this capital project were offset by a combination of use of fund balance, impact fees from the Town of Litchfield, and local taxation. The project will be closed during FY 2019. No debt or leasing was issued associated with this capital project.

- The District did not issue any bonds in fiscal year 2018.

2. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the items reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the time of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The governmental activities of the District include administration, instruction, support services, operations and maintenance, and transportation.

Fund Financial Statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four (4) individual governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in

fund balances for the general fund and capital projects fund, which are considered to be major funds. Data from the remaining funds (grants and food service), are considered nonmajor, are combined and reported in aggregate. A separate schedule is provided in the financial statements to show the balances and activities in nonmajor funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements, because the resources of those funds are *not* available to support the District's own programs.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* that is required to be disclosed by accounting principles generally accepted in the United States of America.

3. Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,944,637 at the close of the most recent fiscal year.

The largest portion of the District's net position, \$9,355,491, reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. Capital assets are reported net of accumulated depreciation. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of condensed statement of net position and statement of activities for government-wide financial data for the current and prior fiscal years.

Litchfield School District's Condensed Statement of Net Position

	Governmental Activities	
	2018	2017 (as restated)
Current and other assets	2,094,945	1,788,331
Capital assets	9,355,491	9,841,973
Total assets	11,450,436	11,630,304
Deferred outflows of resources	3,922,265	5,466,778
Long-term liabilities outstanding	19,659,264	21,055,989
Other liabilities	779,474	756,760
Total liabilities	20,438,738	21,812,749
Deferred inflows of resources	878,600	651,470
Net position:		
Net investment in capital assets	9,355,491	9,841,973
Restricted	44,581	82,603
Unrestricted	(15,344,709)	(15,291,713)
Total net position	(5,944,637)	(5,367,137)

See Note 14 for prior period adjustment

Litchfield School District's Condensed Statement of Net Position

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for service	432,008	440,186
Operating grants and contributions	786,608	812,880
General revenues	<u>20,477,176</u>	<u>19,862,495</u>
Total revenues	<u>21,695,792</u>	<u>21,115,561</u>
Expenses:		
Administration	2,200,869	2,263,507
Instruction	13,111,321	12,805,277
Support services	2,614,875	2,613,094
Operation and maintenance	2,117,702	2,054,939
Transportation	995,095	989,140
Other	727,024	843,785
Noninstructional services	506,406	519,486
Prior period adjustment - GASB 75	-	1,759,331
Total expenses	<u>22,273,292</u>	<u>23,848,559</u>
Change in net position	(577,500)	(2,732,998)
Net position - Beginning of year (Restated)	<u>(5,367,137)</u>	<u>(2,634,139)</u>
Net position - End of year	<u>(5,944,637)</u>	<u>(5,367,137)</u>

See Note 14 for prior period adjustment

An additional portion of the District's net position \$0 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$5,900,056), if it were positive, may have been used to meet the District's ongoing obligations to citizens and creditors.

Governmental activities. As noted above, governmental activities net position changed by \$577,500. Key elements of this change are as follows:

Governmental Activities:	
General Fund	391,824
Other Funds (Food Service, Capital Project)	(129,257)
Depreciation expense, net of capital asset purchases	(486,482)
Change in net pension obligation, net of deferred resources	(294,367)
Other GAAP accruals	<u>(59,218)</u>
Total	<u>(577,500)</u>

4. Financial Analysis of the Government's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$577,500, which is a change of \$262,567 in comparison with the prior year. Key elements of this change are as follows:

Governmental Activities:	
General Fund	391,824
Capital Projects Fund	\$ (91,235)
Nonmajor Funds	
School Food Service	(38,022)
Total	\$ <u>262,567</u>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$626,350, while total fund balance was \$0. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.08 percent of total general fund expenditures, while total fund balance represents 6.4 percent of that same amount. As noted above, total fund balance of the general fund changed by \$391,824 during the current fiscal year. Key elements of this change are as follows:

Revenue in excess of budget	\$ 82,535
Expenditures less than budget	696,485
Use of fund balance as a funding source	(484,331)
Change in encumbrances	113,613
Other	(16,478)
Total	\$ <u>391,824</u>

5. General Fund Budgetary Highlights

There is no change between the total original and total final budget.

6. Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 20188, amounted to \$9,355,491 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, and equipment. The total change in the District's investment in total capital assets for the current year was \$(486,482).

Major capital asset events during the current fiscal year included the following:

	<u>Amount</u>
Capital asset additions:	
Griffin Memorial School – Kindergarten Modular	\$ 129,477
Griffin Memorial School – Secured Entry Way	36,000
Depreciation expense	<u>(651,959)</u>
Total change in capital assets	<u>\$ (486,482)</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

7. Request for Information

This financial report is designed to provide a general overview of the District's financing for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cory Izbicki, Business Administrator, C/O SAU #27, 1 Highlander Court, Litchfield, New Hampshire 03052.

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,635,298
Other receivables	5,057
Intergovernmental receivable	454,590
Capital assets, not being depreciated	626,269
Capital assets, net of accumulated depreciation	8,729,222
Total assets	<u>11,450,436</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	3,029,347
Amounts related to other postemployment benefits	892,918
Total deferred outflows of resources	<u>3,922,265</u>
LIABILITIES	
Accounts payable	56,228
Accrued salaries and benefits	723,246
Noncurrent obligations:	
Due within one year	18,913
Due in more than one year	19,640,351
Total liabilities	<u>20,438,738</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - grants and donations	72,477
Amounts related to pensions	794,819
Amounts related to other postemployment benefits	11,304
Total deferred inflows of resources	<u>878,600</u>
NET POSITION	
Net investment in capital assets	9,355,491
Restricted	44,581
Unrestricted	<u>(15,344,709)</u>
Total net position	<u>\$ (5,944,637)</u>

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

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

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
Instruction	\$ 13,111,321	\$ 51,839	\$ 500,891	\$(12,558,591)
Support services:				
Student	1,891,272	-	131,126	(1,760,146)
Instructional staff	723,603	-	52,816	(670,787)
General administration	106,779	-	-	(106,779)
Executive administration	464,412	-	-	(464,412)
School administration	1,309,479	-	-	(1,309,479)
Business	320,199	-	-	(320,199)
Operation and maintenance of plant	2,117,702	900	-	(2,116,802)
Student transportation	995,095	-	4,121	(990,974)
Other	727,024	-	9,047	(717,977)
Noninstructional services	506,406	379,269	88,607	(38,530)
Total governmental activities	<u>\$ 22,273,292</u>	<u>\$ 432,008</u>	<u>\$ 786,608</u>	<u>(21,054,676)</u>
General revenues:				
School district assessment				13,003,269
Grants and contributions not restricted to specific programs				7,360,050
Interest				11,773
Miscellaneous				102,084
Total general revenues				<u>20,477,176</u>
Change in net position				(577,500)
Net position, beginning, as restated (see Note 14)				(5,367,137)
Net position, ending				<u>\$ (5,944,637)</u>

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

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,581,485	\$ -	\$ 53,813	\$ 1,635,298
Receivables:				
Accounts	5,057	-	-	5,057
Intergovernmental	336,218	-	118,372	454,590
Interfund receivables	132,539	-	-	132,539
Total assets	<u>\$ 2,055,299</u>	<u>\$ -</u>	<u>\$ 172,185</u>	<u>\$ 2,227,484</u>
LIABILITIES				
Accounts payable	\$ 42,405	\$ -	\$ 13,823	\$ 56,228
Accrued salaries and benefits	723,246	-	-	723,246
Interfund payable	-	91,235	41,304	132,539
Total liabilities	<u>765,651</u>	<u>91,235</u>	<u>55,127</u>	<u>912,013</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants and donations	-	-	72,477	72,477
FUND BALANCES (DEFICIT)				
Restricted	-	-	44,581	44,581
Committed	466,896	-	-	466,896
Assigned	196,402	-	-	196,402
Unassigned (deficit)	626,350	(91,235)	-	535,115
Total fund balances (deficit)	<u>1,289,648</u>	<u>(91,235)</u>	<u>44,581</u>	<u>1,242,994</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,055,299</u>	<u>\$ -</u>	<u>\$ 172,185</u>	<u>\$ 2,227,484</u>

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,242,994
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 20,498,555	
Less accumulated depreciation	<u>(11,143,064)</u>	
		9,355,491
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 3,029,347	
Deferred inflows of resources related to pensions	(794,819)	
Deferred outflows of resources related to OPEB	892,918	
Deferred inflows of resources related to OPEB	<u>(11,304)</u>	
		3,116,142
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (132,539)	
Payables	<u>132,539</u>	
		-
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Compensated absences	\$ 877,605	
Other postemployment benefits	3,796,725	
Net pension liability	<u>14,984,934</u>	
		<u>(19,659,264)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (5,944,637)</u></u>

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

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 13,003,269	\$ -	\$ -	\$ 13,003,269
Other local	82,495	83,593	385,579	551,667
State	7,468,269	-	4,882	7,473,151
Federal	143,006	-	524,699	667,705
Total revenues	20,697,039	83,593	915,160	21,695,792
EXPENDITURES				
Current:				
Instruction	11,953,673	25,809	251,916	12,231,398
Support services:				
Student	1,756,910	-	131,126	1,888,036
Instructional staff	670,589	-	52,816	723,405
General administration	108,503	-	-	108,503
Executive administration	464,314	-	-	464,314
School administration	1,295,890	-	-	1,295,890
Business	313,440	-	-	313,440
Operation and maintenance of plant	1,998,018	-	-	1,998,018
Student transportation	993,224	-	1,871	995,095
Other	689,088	-	9,047	698,135
Noninstructional services	-	-	506,406	506,406
Facilities acquisition and construction	44,008	166,577	-	210,585
Total expenditures	20,287,657	192,386	953,182	21,433,225
Excess (deficiency) of revenues over (under) expenditures	409,382	(108,793)	(38,022)	262,567
OTHER FINANCING SOURCES (USES)				
Transfers in	-	17,558	-	17,558
Transfers out	(17,558)	-	-	(17,558)
Total other financing sources (uses)	(17,558)	17,558	-	-
Net change in fund balances	391,824	(91,235)	(38,022)	262,567
Fund balances, beginning	897,824	-	82,603	980,427
Fund balances, ending	\$ 1,289,648	\$ (91,235)	\$ 44,581	\$ 1,242,994

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

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

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 262,567
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 165,477	
Depreciation expense	<u>(651,959)</u>	
		(486,482)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (17,558)	
Transfers out	<u>17,558</u>	
		-
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Increase in compensated absences payable	\$ (59,218)	
Net increase in deferred outflows and inflows of resources related to other postemployment benefits	(265,266)	
Net increase in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(29,101)</u>	
		(353,585)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (577,500)</u></u>

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

EXHIBIT D
LITCHFIELD SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
School district assessment	\$ 13,003,269	\$ 13,003,269	\$ 13,003,269	\$ -
Other local	92,810	92,810	81,415	(11,395)
State	7,417,345	7,417,345	7,468,269	50,924
Federal	100,000	100,000	143,006	43,006
Total revenues	20,613,424	20,613,424	20,695,959	82,535
EXPENDITURES				
Current:				
Instruction	12,166,344	12,045,661	12,025,876	19,785
Support services:				
Student	1,756,958	1,799,503	1,756,910	42,593
Instructional staff	829,615	816,986	687,654	129,332
General administration	119,143	118,971	108,503	10,468
Executive administration	502,416	516,457	464,314	52,143
School administration	1,319,570	1,324,927	1,295,890	29,037
Business	335,194	337,219	313,440	23,779
Operation and maintenance of plant	2,236,069	2,173,358	2,004,620	168,738
Student transportation	1,007,670	1,034,959	993,224	41,735
Other	788,516	868,063	689,193	178,870
Facilities acquisition and construction	36,260	61,651	61,646	5
Total expenditures	21,097,755	21,097,755	20,401,270	696,485
Excess (deficiency) of revenues over (under) expenditures	(484,331)	(484,331)	294,689	779,020
OTHER FINANCING USES				
Transfers out	(75,000)	(75,000)	(75,000)	-
Net change in fund balance	\$ (559,331)	\$ (559,331)	219,689	\$ 779,020
Increase in committed fund balance			(77,670)	
Unassigned fund balance, beginning			484,331	
Unassigned fund balance, ending			\$ 626,350	

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

EXHIBIT E
LITCHFIELD SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2018

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 185,426</u>
LIABILITIES	
Due to student groups	<u>\$ 185,426</u>

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

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

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

DETAILED NOTES ON ALL FUNDS

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In 2018 the School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 10 for further information on this pronouncement.

1-A Reporting Entity

The Litchfield School District is a municipal corporation governed by an elected 5-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

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

1-B Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

Capital Projects Fund – the capital projects fund accounts for the activity pertaining to the construction/renovation of the Griffin Memorial School (GMS) vestibule and the expansion of kindergarten at GMS.

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

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

1-D Cash and Cash Equivalents

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

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

1-E Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

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

1-F Capital Assets

Capital assets are defined by the School District as assets with an initial individual cost of \$10,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, sidewalks, drainage, and similar items) and are reported in governmental activities.

Purchased or constructed assets are recorded at actual cost or estimated historical cost. Donated capital assets received after June 15, 2015 are recorded at acquisition value and, donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation.

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

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

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

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

Capital Asset Class:	Years
Land improvements	20
Buildings and building improvements	20 - 30
Equipment	5 - 15

1-G Interfund Activities

Interfund activities are reported as follows:

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

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

1-H Accounts Payable

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

1-I Deferred Outflows/Inflows of Resources

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

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

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

1-J Long-term Obligations

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

1-K Compensated Absences

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

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

1-L Defined Benefit Pension Plan

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

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

1-M Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

1-N Net Position/Fund Balances

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

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

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

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

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

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

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

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

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

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

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

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

1-O Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2018, \$484,331 of the beginning general fund unassigned fund balance was applied for this purpose. An additional \$75,000 was voted from fund balance to transfer to the School Districts capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues:	
Per Exhibit D (budgetary basis)	\$ 20,695,959
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	1,080
Per Exhibit C-3 (GAAP Basis)	<u>\$ 20,697,039</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 20,476,270
Adjustments:	
Basis difference:	
Encumbrances, beginning	82,789
Encumbrances, ending	(196,402)
GASB Statement No. 54:	
To remove transfer from the general fund to the expendable trust funds	(75,000)
To record transfer from the blended expendable trust funds to other funds	17,558
Per Exhibit C-3 (GAAP basis)	<u>\$ 20,305,215</u>

2-C Deficit Fund Balance

The capital projects fund had a fund balance deficit of \$91,235 at June 30, 2018. This deficit is a result of expenditures made in advance of appropriations. The School District plans to appropriate funds in fiscal year 2019 and receive state funding to cover this deficit in 2018-19.

2-D Accounting Change/Restatement

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

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

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

	Local OPEB	State OPEB	Total OPEB
Change in total OPEB liability under current standards, July 1	\$ (1,041,825)	\$ (1,871,299)	\$ (2,913,124)
Initial balance of deferred outflows of resources	927,042	226,751	1,153,793
Cumulative restatement related to GASB No. 75 implementation (see Note 14)	<u>\$ (114,783)</u>	<u>\$ (1,644,548)</u>	<u>\$ (1,759,331)</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$1,820,724 and the bank balances totaled \$2,098,138.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 1,635,298
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E)	185,426
Total cash and cash equivalents	<u>\$ 1,820,724</u>

NOTE 4 – RECEIVABLES

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

NOTE 5 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 460,792	\$ -	\$ 460,792
Construction in progress	-	165,477	165,477
Total capital assets not being depreciated	<u>460,792</u>	<u>165,477</u>	<u>626,269</u>
Being depreciated:			
Land improvements	45,000	-	45,000
Buildings and building improvements	19,333,952	-	19,333,952
Equipment	493,334	-	493,334
Total capital assets being depreciated	<u>19,872,286</u>	<u>-</u>	<u>19,872,286</u>
Total capital assets	<u>20,333,078</u>	<u>165,477</u>	<u>20,498,555</u>
Less accumulated depreciation:			
Land improvements	(4,125)	(2,250)	(6,375)
Buildings and building improvements	(10,217,536)	(616,593)	(10,834,129)
Equipment	(269,444)	(33,116)	(302,560)
Total accumulated depreciation	<u>(10,491,105)</u>	<u>(651,959)</u>	<u>(11,143,064)</u>
Net book value, capital assets being depreciated	9,381,181	(651,959)	8,729,222
Net book value, all capital assets	<u>\$ 9,841,973</u>	<u>\$ (486,482)</u>	<u>\$ 9,355,491</u>

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

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

Instruction	\$ 554,571
Support services:	
Operation and maintenance of plant	75,459
Other	21,929
Total depreciation expense	<u>\$ 651,959</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General	Capital projects	\$ 91,235
	Nonmajor	41,304
		<u>\$ 132,539</u>

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

	Transfers In:
	Capital
	Projects
Transfers out:	
General fund	<u>\$ 17,558</u>

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

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources of \$3,922,265 and \$806,123, respectively, in the government-wide activities at June 30, 2018 consist of deferred amounts related to pensions and OPEB, see Notes 9 and 10 for further information on deferred amounts.

Deferred inflows of resources of \$72,477 reported in the governmental funds for unavailable revenues are for grants and donations received in advance of eligible expenditures being made.

NOTE 8 – LONG-TERM LIABILITIES

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

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 818,387	\$ 59,218	\$ -	\$ 877,605	\$ 18,913
Net other postemployment benefits	3,803,638	115,135	(122,048)	3,796,725	-
Pension related liability	16,433,964	-	(1,449,030)	14,984,934	-
Total long-term liabilities	<u>\$21,055,989</u>	<u>\$ 174,353</u>	<u>\$ (1,571,078)</u>	<u>\$ 19,659,264</u>	<u>\$ 18,913</u>

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified

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

as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the School District contributed 15.70% for teachers and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$1,414,930, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the School District reported a liability of \$14,984,934 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the School District's proportion was 0.30% which was a decrease of 0.0044% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$1,444,031. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 75,755	\$ 413,263
Net difference between projected and actual investment earnings on pension plan investments	-	190,841
Changes in assumptions	1,504,685	-
Differences between expected and actual experience	33,977	190,715
Contributions subsequent to the measurement date	1,414,930	-
Total	<u>\$ 3,029,347</u>	<u>\$ 794,819</u>

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

The \$1,414,930 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2018	\$ 130,318
2019	523,812
2020	446,737
2021	(281,269)
Thereafter	-
Totals	<u>\$ 819,598</u>

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

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

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

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

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

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

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

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$19,741,898	\$ 14,984,934	\$11,086,790

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

10-A New Hampshire Retirement System (NHRS)

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

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

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

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

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

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2017, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$136,579, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the School District reported a liability of \$1,749,251 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on a projection of the School District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the School District's proportion was 0.38% which was a decrease of 0.0040% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$116,007. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 5,784
Net difference between projected and actual investment earnings on OPEB plan investments	-	5,520
Contributions subsequent to the measurement date	136,579	-
Total	<u>\$ 136,579</u>	<u>\$ 11,304</u>

The \$136,579 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2018	\$ (7,164)
2019	(1,380)
2020	(1,380)
2021	(1,380)
Thereafter	-
Totals	<u>\$ (11,304)</u>

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

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

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

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

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

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

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

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 1,903,705	\$ 1,749,251	\$ 1,615,428

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

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

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

10-B Retiree Health Benefit Program

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	122
Total participants covered by OPEB plan	<u>124</u>

Total OPEB Liability – The School District's total OPEB liability of \$2,047,474 was measured as of July 1, 2017 and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$2,047,474 in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.58%
Healthcare Cost Trend Rates:	
Current Year Trend	3.05%
Second Year Trend	0.00%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2028
Salary Increases:	2.00%

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

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

Changes in the Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB liability beginning of year, as restated	\$ 1,932,339
Changes for the year:	
Service cost	115,689
Interest	68,450
Assumption changes and difference between actual and expected experience	(28,322)
Benefit payments	(40,682)
Total OPEB liability end of year	<u>\$ 2,047,474</u>

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

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2017 actuarial valuation was prepared using a discount rate of 3.58%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$1,883,545 or by 8.01%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$2,222,643 or by 8.14%.

	Discount Rate		
	1% Decrease	Baseline 3.58%	1% Increase
Total OPEB Liability	\$ 2,222,643	\$ 2,047,474	\$ 1,883,545

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2017 actuarial valuation was prepared using an initial trend rate of 3.05%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$2,342,846 or by 14.54%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$1,796,036 or by 12.35%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 3.05%	1% Increase
Total OPEB Liability	\$ 1,796,036	\$ 2,047,474	\$ 2,342,846

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the School District recognized OPEB expense of \$326,520. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in assumptions	\$ 210,474
Differences between expected and actual experience	545,865
Total	\$ 756,339

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

Fiscal Year Ending	
June 30,	
2019	\$ 142,381
2020	142,381
2021	142,381
2022	142,381
Thereafter	186,815
Totals	\$ 756,339

NOTE 11 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2018 are as follows:

Current:	
Instruction:	
Regular programs	\$ 72,203
Support services:	
Instructional staff	44,082
Operation and maintenance of plant	62,374
Other	105
Total support services	106,561
Facilities acquisition and construction	17,638
Total encumbrances	\$ 196,402

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

NOTE 12 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Net investment in capital assets:	
Net book value of all capital assets	\$ 9,355,491
Restricted for food service	44,581
Unrestricted	(15,344,709)
Total net position	<u>\$ (5,944,637)</u>

NOTE 13 – GOVERNMENTAL FUND BALANCES

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

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Food service	\$ -	\$ -	\$ 44,581	\$ 44,581
Committed:				
Expendable trust	314,226	-	-	314,226
Voted appropriation - March 2018	152,670	-	-	152,670
Total committed fund balance	<u>466,896</u>	<u>-</u>	<u>-</u>	<u>466,896</u>
Assigned:				
Encumbrances	196,402	-	-	196,402
Unassigned (deficit)	<u>626,350</u>	<u>(91,235)</u>	<u>-</u>	<u>535,115</u>
Total governmental fund balances (deficit)	<u>\$ 1,289,648</u>	<u>\$ (91,235)</u>	<u>\$ 44,581</u>	<u>\$ 1,242,994</u>

NOTE 14 – PRIOR PERIOD ADJUSTMENT

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

	Government-wide Statements
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-D	\$ (1,759,331)
Net position, as previously reported	(3,607,806)
Net position, as restated	<u>\$ (5,367,137)</u>

NOTE 15 – RISK MANAGEMENT

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

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

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

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

NOTE 16 – CONTINGENT LIABILITIES

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

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 18, 2019, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

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

	June 30,				
	2014	2015	2016	2017	2018
School District's proportion of the net pension liability	0.32%	0.31%	0.31%	0.31%	0.30%
School District's proportionate share of the net pension liability	\$ 13,904,142	\$ 11,782,044	\$ 12,123,829	\$ 16,433,964	\$ 14,984,934
School District's covered payroll	\$ 8,971,205	\$ 8,661,687	\$ 8,971,205	\$ 8,880,015	\$ 9,452,075
School District's proportionate share of the net pension liability as a percentage of its covered payroll	154.99%	136.02%	135.14%	185.07%	158.54%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%

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

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

	June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 803,320	\$ 1,018,324	\$ 1,026,726	\$ 1,106,639	\$ 1,116,234
Contributions in relation to the contractually required contributions	803,320	1,018,324	1,026,726	1,106,639	1,116,234
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 8,971,205	\$ 8,661,687	\$ 8,971,205	\$ 8,880,015	\$ 9,452,075
Contributions as a percentage of covered payroll	8.95%	11.76%	11.44%	12.46%	11.81%

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

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

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

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

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

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

Other Information:

Notes	Contribution rates for Fiscal Year 2017 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT H
LITCHFIELD SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2017	2018
School District's proportion of the net OPEB liability	0.39%	0.38%
School District's proportionate share of the net OPEB liability (asset)	\$ 1,871,299	\$ 1,749,251
School District's covered payroll	\$ 8,988,095	\$ 9,452,075
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	20.82%	18.51%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%

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

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

	June 30,	
	2017	2018
Contractually required contribution	\$ 224,608	\$ 226,751
Contributions in relation to the contractually required contribution	224,608	226,751
Contribution deficiency (excess)	\$ -	\$ -
School District's covered payroll	\$8,880,015	\$9,452,075
Contributions as a percentage of covered payroll	2.53%	2.40%

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

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

	June 30, 2018
OPEB liability, beginning of year	\$ 1,932,339
Changes for the year:	
Service cost	115,689
Interest	68,450
Assumption changes and difference between actual and expected experience	(28,322)
Benefit payments	(40,682)
OPEB liability, end of year	\$ 2,047,474
Covered payroll	\$ 8,321,649
Total OPEB liability as a percentage of covered payroll	24.60%

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

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

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

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

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

Methods and Assumptions:

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

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

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

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

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 13,003,269	\$ 13,003,269	\$ -
Other local sources:			
Tuition	72,810	51,839	(20,971)
Transportation	4,500	-	(4,500)
Investment earnings	500	10,685	10,185
Miscellaneous	15,000	18,891	3,891
Total from other local sources	92,810	81,415	(11,395)
State sources:			
Adequacy aid (grant)	5,432,347	5,439,528	7,181
Adequacy aid (tax)	1,906,998	1,906,998	-
Catastrophic aid	75,000	97,639	22,639
Vocational aid	3,000	2,250	(750)
Other state aid	-	21,854	21,854
Total from state sources	7,417,345	7,468,269	50,924
Federal sources:			
Medicaid	100,000	143,006	43,006
Total revenues	20,613,424	\$ 20,695,959	\$ 82,535
Use of fund balance to reduce school district assessment	484,331		
Use of fund balance - appropriated	75,000		
Total revenues and use of fund balance	\$ 21,172,755		

SCHEDULE 2
LITCHFIELD SCHOOL DISTRICT
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 8,272,622	\$ 8,362,319	\$ 72,203	\$ (161,900)
Special programs	-	3,144,998	3,040,380	-	104,618
Vocational programs	-	51,812	38,291	-	13,521
Non-public programs	-	50,210	15,630	-	34,580
Other	-	526,019	497,053	-	28,966
Total instruction	-	12,045,661	11,953,673	72,203	19,785
Support services:					
Student	-	1,799,503	1,756,910	-	42,593
Instructional staff	27,017	816,986	670,589	44,082	129,332
General administration	-	118,971	108,503	-	10,468
Executive administration	-	516,457	464,314	-	52,143
School administration	-	1,324,927	1,295,890	-	29,037
Business	-	337,219	313,440	-	23,779
Operation and maintenance of plant	55,772	2,173,358	1,998,018	62,374	168,738
Student transportation	-	1,034,959	993,224	-	41,735
Other	-	868,063	689,088	105	178,870
Total support services	82,789	8,990,443	8,289,976	106,561	676,695
Facilities acquisition and construction	-	61,651	44,008	17,638	5
Other financing uses:					
Transfers out	-	75,000	75,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 82,789	\$ 21,172,755	\$ 20,362,657	\$ 196,402	\$ 696,485

SCHEDULE 3
LITCHFIELD SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

Unassigned fund balance, beginning		\$ 484,331
Changes:		
Unassigned fund balance used to reduce school district assessment		(484,331)
Unassigned fund balance appropriated for use in 2017-2018		(75,000)
2017-2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 82,535	
Unexpended balance of appropriations (Schedule 2)	696,485	
2017-2018 Budget surplus		779,020
Increase in committed fund balance		(77,670)
Unassigned fund balance, ending		<u>\$ 626,350</u>

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

	Special Revenue Funds		
	Grants	Food Service	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 53,813	\$ 53,813
Intergovernmental receivable	113,336	5,036	118,372
Total assets	<u>\$ 113,336</u>	<u>\$ 58,849</u>	<u>\$ 172,185</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ 13,823	\$ 13,823
Interfund payable	40,859	445	41,304
Total liabilities	<u>40,859</u>	<u>14,268</u>	<u>55,127</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - grants and donations	<u>72,477</u>	<u>-</u>	<u>72,477</u>
FUND BALANCES			
Restricted	<u>-</u>	<u>44,581</u>	<u>44,581</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 113,336</u>	<u>\$ 58,849</u>	<u>\$ 172,185</u>

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

	Special Revenue Funds		
	Grants	Food Service	Total
Revenues:			
Local	\$ 5,802	\$ 379,777	\$ 385,579
State	-	4,882	4,882
Federal	440,974	83,725	524,699
Total revenues	446,776	468,384	915,160
Expenditures:			
Current:			
Instruction	251,916	-	251,916
Support services:			
Student	131,126	-	131,126
Instructional staff	52,816	-	52,816
Student transportation	1,871	-	1,871
Other	9,047	-	9,047
Noninstructional services	-	506,406	506,406
Total expenditures	446,776	506,406	953,182
Net change in fund balances	-	(38,022)	(38,022)
Fund balances, beginning	-	82,603	82,603
Fund balances, ending	\$ -	\$ 44,581	\$ 44,581

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

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Campbell High	\$ 106,562	\$ 270,568	\$ 256,414	\$ 120,716
Litchfield Middle	37,326	181,399	172,453	46,272
Griffin Memorial	14,258	28,356	24,176	18,438
Totals	<u>\$ 158,146</u>	<u>\$ 480,323</u>	<u>\$ 453,043</u>	<u>\$ 185,426</u>