

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

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Goffstown 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 12-B to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits unrelated to the New Hampshire Retirement System in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Goffstown School District, as of June 30, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Opinions

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

Change in Accounting Principle

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

Other Matters

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

- Management's Discussion and Analysis,
- Schedule of the School District's Proportionate Share of Net Pension Liability,
- 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, 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 Goffstown 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of the Goffstown School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Goffstown School District's internal control over financial reporting and compliance.

, 2018

Sheryl A. Piatt, CPA

PLODZIK & SANDERSON
Professional Association

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Goffstown 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 assets and deferred outflow of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$(1,813,161) (*net position*). Of this amount, (\$15,665,433) (*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 \$193,897.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$13,319,287 a change of \$313,895 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,492,042, of which \$10,876,911 *is available for spending* at the District Town Meeting's discretion or for tax relief, and \$615,131 has been retained for contingency in accordance with RSA 198:4-bII.
- Per 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 \$29,362,259.
- The District partially implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$(3,317,167) for the OPEB provided by NHRS to retroactively report the increase/decrease in the net OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

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 four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 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 (e.g. earned but unused vacation leave).

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

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 to *government funds* with similar information presented for *government 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 five 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 and grants funds, which are considered to be major funds. Data from the other three funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general and grants funds. A budgetary comparison statement has been provided for the major general and grants funds 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* and Single Audit required documentation. Required supplementary information is required to be disclosed by accounting principles generally accepted in the United States of America which includes this management discussion and analysis, the Schedule of School District's Proportioned Share of Net Pension Liability, 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. Other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. This includes the combining and individual fund schedules.

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$(1,813,161) at the close of the most recent fiscal year.

The largest portion of the District's net position \$13,712,616 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment and furnishings), less any related debt used to acquire those assets that is still outstanding. 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.

Goffstown School District's Condensed Statement of Net Position

Summary of Net Position
Governmental Activities

	<u>2018</u>	As Restated <u>2017</u>	% Change <u>2017-2018</u>
Current and Other Assets	\$ 14,846,351	\$ 14,811,928	0.23%
Capital Assets	<u>18,414,351</u>	<u>17,950,898</u>	<u>2.58%</u>
Total Assets	33,260,702	32,762,826	1.52%
Deferred Outflows of Resources	6,387,958	9,141,316	-30.12%
Long-Term Liabilities Outstanding	38,863,376	41,408,753	-6.15%
Other Liabilities	<u>1,607,847</u>	<u>1,884,542</u>	<u>-14.68%</u>
Total Liabilities	40,471,223	43,293,295	-6.52%
Deferred Inflows of Resources	990,598	617,905	60.32%
Net Investment in Capital Assets	13,712,616	13,262,464	3.39%
Restricted Net Position	139,656	184,069	-24.13%
Unrestricted Net Position	<u>(15,665,433)</u>	<u>(15,453,591)</u>	<u>1.37%</u>
Total Net Position	<u>\$ (1,813,161)</u>	<u>\$ (2,007,058)</u>	<u>-9.66%</u>

Summary of Changes in Net Position
Governmental Activities

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>\$</u> <u>Difference</u>	<u>%</u> <u>Difference</u>
Revenues:				
Program Revenue:				
Charges for Services	\$ 8,210,864	\$ 8,297,262	\$ (86,398)	-1.04%
Operating Grants and Contributions	1,967,543	1,832,017	135,526	7.40%
Capital Grants and Contributions	282,696	282,696	-	0.00%
General Revenue:				
School District Assessment	21,337,757	19,596,105	1,741,652	8.89%
Unrestricted Grants	10,594,892	10,425,140	169,752	1.63%
Miscellaneous & Interest	160,344	642,084	(481,740)	-75.03%
Total Revenues	<u>42,554,096</u>	<u>41,075,304</u>	<u>1,478,792</u>	<u>3.60%</u>
Expenses:				
Instruction	\$ 28,460,282	\$ 28,848,910	\$ (388,628)	-1.35%
Support Services:				
Student	2,113,654	2,318,973	(205,319)	-8.85%
Instructional Staff	972,869	1,135,670	(162,801)	-14.34%
General Administration	126,844	66,717	60,127	90.12%
Executive Administration	1,536,170	1,613,044	(76,874)	-4.77%
School Administration	2,466,591	2,397,414	69,177	2.89%
Business	3,417	3,280	137	4.18%
Operation and Maintenance of Plant	3,550,945	2,884,807	666,138	23.09%
Student Transportation	1,851,517	1,927,734	(76,217)	-3.95%
Other	39,669	9,929	29,740	299.53%
Noninstructional Services	1,088,477	1,047,072	41,405	3.95%
Interest on Long-Term Debt	106,075	112,784	(6,709)	-5.95%
Intergovernmental transfer out	43,689	-	43,689	
Total Expenses	<u>42,360,199</u>	<u>42,366,334</u>	<u>(6,135)</u>	<u>-0.01%</u>
Change in Net Position	193,897	(1,291,030)	1,484,927	-115.02%
Net Position, beginning, as restated	<u>(2,007,058)</u>	<u>(716,028)</u>	<u>(1,291,030)</u>	<u>180.30%</u>
Net Position, ending	<u>\$ (1,813,161)</u>	<u>\$ (2,007,058)</u>	<u>\$ 193,897</u>	<u>-9.66%</u>

Note: Beginning net position for the current year has been adjusted to reflect various changes. See Footnote 16 Prior Period Adjustments.

An additional portion of the District's net position \$139,656 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$(15,665,433), 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 \$193,897. Key elements of this change are as follows:

Governmental Activities:

Total net change in governmental funds fund balances	
General Fund	\$ 1,533,009
Other Governmental Funds	(1,219,114)
	<u>313,895</u>
Change in capital assets	463,453
Changes in long-term debt	(13,301)
Change in compensated absences	(161,000)
Change in net pension liability, net of deferred resources	(409,444)
Change in OPEB, net of deferred resources	4,906
Other GAAP accruals	(4,612)
	<u>(4,612)</u>
Total net change	<u>\$ 193,897</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 for the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,319,287, which is a change of \$313,895 in comparison with the prior year. Key elements of this change are as follows:

Governmental Funds:

General Fund	\$ 1,533,009
Other Governmental Funds:	
Food Service Fund	(47,146)
Capital Project Fund	(1,174,701)
Permanent Fund	2,733
	<u>2,733</u>
Total	<u>\$ 313,895</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 \$11,492,042, of which \$615,131 is retained in accordance with RSA 198:4-bII, while total fund balance was \$12,774,741. 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 29.54 percent of total general fund expenditures, while total fund balance represents 32.8 percent of that same amount.

5. General Fund Budgetary Highlights

The general fund is what most people think of as “the budget” since it is the fiscal point of the First Session of Annual Meeting (Deliberative) and largely supported by locally raised taxes. The general fund ended the fiscal year with an unassigned fund balance of \$11,492,042 of which \$10,876,911 will be returned to the taxpayers in 2018-2019 and \$615,131 will be retained in accordance with RSA 198:4-bII.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

- General fund actual revenues totaling \$40,165,923 exceeded budgeted revenues by \$1,291,780 (3.3%)
 - **Local sources** totaling \$7,615,259 exceeded budget by \$1,188,259 due to a combination of over collection of tuition revenue and an under estimation of local revenue sources.
 - **State sources** totaling \$10,900,932 exceeded budget by \$116,546 and is attributed to state adequacy aid being slightly higher than estimated as well as modest increases in the number of students.
 - **Federal sources** totaling \$311,975 was below the estimated revenue budget by \$13,025 due to a slight decrease in Medicaid reimbursement.
- General fund expenditures totaling \$38,901,363 were less than the appropriation of \$39,636,621 leaving a positive variance of \$735,258.
 - **Instruction** totaling \$25,952,763 was below budget by \$302,176 due to changes in staffing that resulted in decreased wage and benefit costs.
 - **School Administration** totaling \$2,406,485 was below budget by \$354,231 primarily due to a decrease in benefit costs.
 - **Operation and Maintenance of Plant** totaling \$3,246,153 exceeded budget by \$373,516 due to several improvement projects to facilities and grounds including drainage and roofing projects.
 - **Student Transportation costs** totaling \$1,851,517 was below budget by \$286,030 primarily due to a combination of less routes and overestimation of costs.

6. Capital Asset and Debt Administration

Capital Assets. The District’s investment in capital assets for its governmental activities as of June 30, 2018, amounted to \$18,414,351 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment and furnishings. The total change in the District’s investment in total capital assets for the current year was \$463,453 as evidenced below:

Capital Assets at Year End
Governmental Activities

	June 30, <u>2018</u>	June 30, <u>2017</u>	% Change <u>2017-2018</u>
Land	\$ 2,315,440	\$ 2,315,440	0.00%
Construction in Progress	-	341,436	-100.00%
Buildings & Building Improvements	38,084,182	36,013,975	5.75%
Machinery, Equipment & Furnishings	3,757,532	3,540,973	6.12%
Less: Accumulated Depreciation	<u>(25,742,803)</u>	<u>(24,260,926)</u>	<u>6.11%</u>
Total	<u>\$ 18,414,351</u>	<u>\$ 17,950,898</u>	<u>2.58%</u>

Capital Asset Additions:

Building and Building Improvement Additions:

Modulars - BES	\$ 365,556
Modulars - MAES	542,786
GHS Drainage	<u>1,161,865</u>
	<u>2,070,207</u>

Machinery and equipment Additions:

Air conditioning units - MAES	7,852
Air conditioning units - GHS	13,743
MVMS Dugouts	40,054
MVMS Scoreboards	41,884
Genie Lift	11,858
Ford F250 Truck	35,841
Fence - BES	7,089
Cisco Servers	12,363
7 Shelf Music Library	8,881
LS-1630 Laser Cut	7,082
Janitorial equipment	16,115
Vent piping	7,197
Air conditionin units - GLS	<u>6,600</u>
	<u>216,559</u>

Capital Asset Disposals:

Construction in progress	
Modulars - BES library & MAES classroom	(30,426)
GHS drainage project	(311,010)

Depreciation Expense (1,481,877)

Total change in capital assets \$ 463,453

Additional information on the District’s capital assets can be found in the notes to the financial statements at Note 5.

Long-Term Debt

The table below illustrates the long-term debt of the District as of June 30, 2018. The District has 3 capital leases as noted as noted in Note 9. The compensated balances were calculated on vacation days and retirement stipend days for all eligible employees for compensation at retirement. In accordance with GASB 68, the calculated value of the unfunded state retirement to the District for FY 2017 is noted, Note 11.

Long-Term Debt Outstanding at Year End
Governmental Activities

	June 30, 2018	June 30, 2017 (As Restated)	% Change 2017-2018
General Obligation Bond Payable	\$ 2,270,000	\$ 2,860,000	-20.63%
Capital Lease	2,431,735	1,828,434	33.00%
Compenstated Absences	1,227,500	1,066,500	15.10%
Pension Related Liability	3,571,882	31,873,638	-88.79%
Other Postemployment Benefits Payable	29,362,259	3,780,181	676.74%
Total	\$ 38,863,376	\$ 41,408,753	-6.15%

Future Budgetary Implications

Significant activities or events, which will have an impact on future district finances, include:

- The State shifting cost responsibilities to local governments may have an impact on taxation calculation.
- The unassigned Fund Balance established in this audit is intended to be returned at tax rate setting in October.
- Future budgets will continue to be developed based on actual expenditures in prior years, in particular reviewing salary and benefits. Additionally, a more accurate approach to revenues is being implemented, focusing on tuition derived from tuitions and other local sources.

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 the Office of the Business Administrator, C/O SAU#19, 11 School Street, Goffstown, New Hampshire 03045.

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,297,666
Other receivables	19,040
Intergovernmental receivable	1,426,239
Inventory	26,834
Prepaid items	76,572
Capital assets, not being depreciated	2,315,440
Capital assets, net of accumulated depreciation	<u>16,098,911</u>
Total assets	<u>33,260,702</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>6,387,958</u>
LIABILITIES	
Accounts payable	431,223
Accrued salaries and benefits	925,330
Intergovernmental payable	129,713
Accrued interest payable	91,749
Retainage payable	21,232
Other	8,600
Noncurrent obligations:	
Due within one year	934,457
Due in more than one year	<u>37,928,919</u>
Total liabilities	<u>40,471,223</u>
DEFERRED INFLOWS OF RESOURCES	<u>990,598</u>
NET POSITION	
Net investment in capital assets	13,712,616
Restricted	139,656
Unrestricted	<u>(15,665,433)</u>
Total net position	<u><u>\$ (1,813,161)</u></u>

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

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

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 28,460,282	\$ 7,515,702	\$ 1,300,056	\$ -	\$ (19,644,524)
Support services:					
Student	2,113,654	-	6,349	-	(2,107,305)
Instructional staff	972,869	-	141,058	-	(831,811)
General administration	126,844	-	-	-	(126,844)
Executive administration	1,536,170	-	-	-	(1,536,170)
School administration	2,466,591	-	-	-	(2,466,591)
Business	3,417	-	3,436	-	19
Operation and maintenance of plant	3,550,945	-	162,496	282,696	(3,105,753)
Student transportation	1,851,517	-	23,344	-	(1,828,173)
Other	39,669	-	100	-	(39,569)
Noninstructional services	1,088,477	695,162	330,704	-	(62,611)
Interest on long-term debt	106,075	-	-	-	(106,075)
Total governmental activities	<u>\$ 42,316,510</u>	<u>\$ 8,210,864</u>	<u>\$ 1,967,543</u>	<u>\$ 282,696</u>	<u>(31,855,407)</u>
General revenues:					
School district assessment					21,337,757
Grants and contributions not restricted to specific programs					10,594,892
Miscellaneous					160,344
Total general revenues					<u>32,092,993</u>
Intergovernmental transfers out					(43,689)
Change in net position					193,897
Net position, beginning, as restated (see Note 16)					<u>(2,007,058)</u>
Net position, ending					<u>\$ (1,813,161)</u>

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

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

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 12,768,345	\$ -	\$ 529,321	\$ 13,297,666
Accounts receivable	19,040	-	-	19,040
Intergovernmental receivable	469,094	870,314	86,831	1,426,239
Interfund receivables	786,996	-	28,257	815,253
Inventory	26,834	-	-	26,834
Prepaid items	76,572	-	-	76,572
Total assets	<u>\$ 14,146,881</u>	<u>\$ 870,314</u>	<u>\$ 644,409</u>	<u>\$ 15,661,604</u>
LIABILITIES				
Accounts payable	\$ 373,405	\$ 30,179	\$ 27,639	\$ 431,223
Accrued salaries and benefits	879,961	38,066	7,303	925,330
Intergovernmental payable	81,917	4,107	43,689	129,713
Interfund payable	28,257	786,996	-	815,253
Retainage payable	-	-	21,232	21,232
Other	8,600	-	-	8,600
Total liabilities	<u>1,372,140</u>	<u>859,348</u>	<u>99,863</u>	<u>2,331,351</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>10,966</u>	<u>-</u>	<u>10,966</u>
FUND BALANCES				
Nonspendable	103,406	-	30,106	133,512
Restricted	-	-	109,550	109,550
Committed	7,577	-	404,890	412,467
Assigned	1,171,716	-	-	1,171,716
Unassigned	11,492,042	-	-	11,492,042
Total fund balances	<u>12,774,741</u>	<u>-</u>	<u>544,546</u>	<u>13,319,287</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,146,881</u>	<u>\$ 870,314</u>	<u>\$ 644,409</u>	<u>\$ 15,661,604</u>

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

EXHIBIT C-2
GOFFSTOWN 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)		\$ 13,319,287
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	\$ 44,157,154	
Less accumulated depreciation	<u>(25,742,803)</u>	18,414,351
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to bond refundings	\$ 7,406	
Deferred outflows of resources related to pensions	6,109,660	
Deferred inflows of resources related to pensions	(968,361)	
Deferred outflows of resources related to OPEB	270,892	
Deferred inflows of resources related to OPEB	<u>(11,271)</u>	5,408,326
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (815,253)	
Payables	<u>815,253</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(91,749)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 2,270,000	
Capital leases	2,431,735	
Compensated absences	1,227,500	
Other postemployment benefits	3,571,882	
Net pension liability	<u>29,362,259</u>	<u>(38,863,376)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (1,813,161)</u></u>

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

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

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$21,337,757	\$ -	\$ -	\$21,337,757
Other local	7,615,259	57,899	698,050	8,371,208
State	10,900,932	214,199	13,630	11,128,761
Federal	311,975	1,087,321	317,074	1,716,370
Total revenues	<u>40,165,923</u>	<u>1,359,419</u>	<u>1,028,754</u>	<u>42,554,096</u>
EXPENDITURES				
Current:				
Instruction	26,105,189	1,045,980	157	27,151,326
Support services:				
Student	2,057,694	6,349	-	2,064,043
Instructional staff	833,397	141,058	-	974,455
General administration	126,943	-	-	126,943
Executive administration	1,536,170	-	-	1,536,170
School administration	2,406,485	-	-	2,406,485
Business	-	3,436	-	3,436
Operation and maintenance of plant	4,047,066	162,496	-	4,209,562
Student transportation	1,851,517	-	-	1,851,517
Other	39,569	100	-	39,669
Noninstructional services	-	-	1,073,432	1,073,432
Debt service:				
Principal	590,000	-	-	590,000
Interest	101,463	-	-	101,463
Facilities acquisition and construction	849	-	1,150,003	1,150,852
Total expenditures	<u>39,696,342</u>	<u>1,359,419</u>	<u>2,223,592</u>	<u>43,279,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>469,581</u>	<u>-</u>	<u>(1,194,838)</u>	<u>(725,257)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	126,349	-	145,762	272,111
Transfers out	(145,762)	-	(126,349)	(272,111)
Intergovernmental transfers	-	-	(43,689)	(43,689)
Capital lease	1,082,841	-	-	1,082,841
Total other financing sources (uses)	<u>1,063,428</u>	<u>-</u>	<u>(24,276)</u>	<u>1,039,152</u>
Net change in fund balances	1,533,009	-	(1,219,114)	313,895
Fund balances, beginning, as restated (see Note 16)	11,241,732	-	1,763,660	13,005,392
Fund balances, ending	<u>\$12,774,741</u>	<u>\$ -</u>	<u>\$ 544,546</u>	<u>\$13,319,287</u>

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

EXHIBIT C-4
GOFFSTOWN 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)		\$ 313,895
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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 1,945,330	
Depreciation expense	<u>(1,481,877)</u>	463,453
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (272,111)	
Transfers out	<u>272,111</u>	-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the		
Inception of capital lease	\$ (1,082,841)	
Principal repayment of bond	590,000	
Principal repayment of capital leases	<u>479,540</u>	(13,301)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (2,760)	
Net increase in compensated absences payable	(161,000)	
Amortization of bond refunding charges	(1,852)	
Net decrease in deferred outflows and inflows of resources related to other postemployment benefits	4,906	
Net increase in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(409,444)</u>	(570,150)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 193,897</u></u>

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

EXHIBIT D-1
GOFFSTOWN 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		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
School district assessment	\$ 21,337,757	\$ 21,337,757	\$ 21,337,757	\$ -
Other local	6,427,000	6,427,000	7,615,259	1,188,259
State	10,784,386	10,784,386	10,900,932	116,546
Federal	325,000	325,000	311,975	(13,025)
Total revenues	<u>38,874,143</u>	<u>38,874,143</u>	<u>40,165,923</u>	<u>1,291,780</u>
EXPENDITURES				
Current:				
Instruction	26,306,499	26,254,939	25,952,763	302,176
Support services:				
Student	2,405,691	2,382,210	2,057,694	324,516
Instructional staff	989,524	864,697	831,202	33,495
General administration	93,631	93,631	126,943	(33,312)
Executive administration	1,536,170	1,536,170	1,536,170	-
School administration	2,531,570	2,760,716	2,406,485	354,231
Business	4,600	1,500	-	1,500
Operation and maintenance of plant	2,887,564	2,872,637	3,246,153	(373,516)
Student transportation	2,137,547	2,137,547	1,851,517	286,030
Other	41,110	41,110	40,124	986
Debt service:				
Principal	590,000	590,000	590,000	-
Interest	101,463	101,463	101,463	-
Facilities acquisition and construction	-	1	160,849	(160,848)
Total expenditures	<u>39,625,369</u>	<u>39,636,621</u>	<u>38,901,363</u>	<u>735,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(751,226)</u>	<u>(762,478)</u>	<u>1,264,560</u>	<u>2,027,038</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	126,349	126,349
Transfers out	(85,103)	(73,851)	(145,762)	(71,911)
Total other financing sources (uses)	<u>(85,103)</u>	<u>(73,851)</u>	<u>(19,413)</u>	<u>54,438</u>
Net change in fund balance	<u>\$ (836,329)</u>	<u>\$ (836,329)</u>	1,245,147	<u>\$ 2,081,476</u>
Increase in nonspendable fund balance			(13,970)	
Unassigned fund balance, beginning, as restated (see Note 16)			<u>10,260,865</u>	
Unassigned fund balance, ending			<u>\$ 11,492,042</u>	

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

EXHIBIT D-2
GOFFSTOWN SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Local	\$ -	\$ 60,000	\$ 57,899	\$ (2,101)
State	-	215,000	214,199	(801)
Federal	425,052	1,116,165	1,087,321	(28,844)
Total revenues	<u>425,052</u>	<u>1,391,165</u>	<u>1,359,419</u>	<u>(31,746)</u>
EXPENDITURES				
Current:				
Instruction	425,052	1,117,816	1,045,980	71,836
Support services:				
Student	-	7,841	6,349	1,492
Instructional staff	-	254,573	141,058	113,515
Business	-	6,285	3,436	2,849
Operation and maintenance of plant	-	-	162,496	(162,496)
Student transportation	-	3,478	-	3,478
Other	-	1,172	100	1,072
Total expenditures	<u>425,052</u>	<u>1,391,165</u>	<u>1,359,419</u>	<u>31,746</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ -</u>	

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

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

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 217,527</u>
LIABILITIES	
Due to student groups	<u>\$ 217,527</u>

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

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

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

In 2018 the School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 2-C and 12 for further information on this pronouncement.

1-A Reporting Entity

The Goffstown School District is a municipal corporation governed by an elected 9-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

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

1-B Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

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

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. 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 three 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 and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

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

1-E 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.

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

1-F Inventory

The inventories of the School District are valued at cost (first-in, first-out), which approximates market. The inventories of the School District’s General fund consist of heating fuel held for subsequent use. The cost of these inventories is expended when consumed rather than when purchased.

1-G Prepaid Items

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

1-H Capital Assets

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

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

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

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

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

Capital Asset Class	<u>Years</u>
Buildings and building improvements	20 - 40
Machinery, equipment, and furnishings	3 - 5

1-I Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-J Accounts Payable

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

1-K Deferred Outflows/Inflows of Resources

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

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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.

1-L Long-term Obligations

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

1-M Compensated Absences

The School District's policy allows certain employees to earn varying amounts of retirement stipends 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 retirement stipends and salary-related payments are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

1-N Defined Benefit Pension Plan

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

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

1-O Postemployment Benefits Other Than Pensions (OPEB)

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

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

Single Employer Plan – The School District maintains a single employer plan, but has not obtained an actuarial report calculating the other postemployment benefit liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board pronouncement No. 75.

1-P Net Position/Fund Balances

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

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

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

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

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances 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 practice to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In accordance with RSA 198:4-bII, *Contingency Fund*, the School District voted to retain general fund unassigned fund balance of \$615,131 to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

1-Q Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. 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 and grants funds, as well as the nonmajor food service fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2018, \$836,329 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 40,292,272
Adjustments:	
Basis difference:	
Capital lease inception	<u>1,082,841</u>
Per Exhibit C-3 (GAAP Basis)	<u>\$ 41,375,113</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 39,047,125
Adjustments:	
Basis difference:	
Encumbrances, beginning	883,854
Encumbrances, ending	(1,171,716)
Capital lease inception	<u>1,082,841</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 39,842,104</u>

2-C Accounting Change/Restatement

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

	State
	<u>OPEB</u>
Change in total OPEB liability under current standards, July 1, 2017	\$(3,780,181)
Initial balance of deferred outflows of resources	463,014
Cumulative restatement related to GASB No. 75 implementation (see Note 16)	<u>\$(3,317,167)</u>

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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 \$13,515,193 and the bank balances totaled \$14,007,830.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 13,297,666
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E)	<u>217,527</u>
Total cash and cash equivalents	<u><u>\$ 13,515,193</u></u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2018, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, and expendable trust funds held by the Town of Goffstown Trustees of Trust Funds. 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:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 2,315,440	\$ -	\$ -	\$ 2,315,440
Construction in progress	<u>341,436</u>	<u>-</u>	<u>(341,436)</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,656,876</u>	<u>-</u>	<u>(341,436)</u>	<u>2,315,440</u>
Being depreciated:				
Buildings and building improvements	36,013,975	2,070,207	-	38,084,182
Machinery, equipment, and furnishings	<u>3,540,973</u>	<u>216,559</u>	<u>-</u>	<u>3,757,532</u>
Total capital assets being depreciated	<u>39,554,948</u>	<u>2,286,766</u>	<u>-</u>	<u>41,841,714</u>
Total capital assets	<u>42,211,824</u>	<u>2,286,766</u>	<u>(341,436)</u>	<u>44,157,154</u>
Less accumulated depreciation:				
Buildings and building improvements	(22,877,368)	(1,268,145)	-	(24,145,513)
Machinery, equipment, and furnishings	<u>(1,383,558)</u>	<u>(213,732)</u>	<u>-</u>	<u>(1,597,290)</u>
Total accumulated depreciation	<u>(24,260,926)</u>	<u>(1,481,877)</u>	<u>-</u>	<u>(25,742,803)</u>
Net book value, capital assets being depreciated	<u>15,294,022</u>	<u>804,889</u>	<u>-</u>	<u>16,098,911</u>
Net book value, all capital assets	<u><u>\$ 17,950,898</u></u>	<u><u>\$ 804,889</u></u>	<u><u>\$ (341,436)</u></u>	<u><u>\$ 18,414,351</u></u>

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

Instruction	\$ 1,232,193
Support services:	
Operation and maintenance of plant	248,128
Noninstructional services	<u>1,556</u>
Total depreciation expense	<u><u>\$ 1,481,877</u></u>

GOFFSTOWN SCHOOL DISTRICT
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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	Grants	\$ 786,996
Nonmajor	General	28,257
		\$ 815,253

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

	Transfers In:		Total
	General Fund	Nonmajor Funds	
Transfers out:			
General fund	\$ -	\$ 145,762	\$ 145,762
Nonmajor fund	126,349	-	126,349
Total	\$ 126,349	\$ 145,762	\$ 272,111

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 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at June 30, 2018 consist of the following:

General fund:	
Balance due to Manchester School District	\$ 40,403
Balance due to Bedford School District	41,514
Total general fund	81,917
Grants fund:	
Balance due to School Administrative Unit No. 19	4,107
Nonmajor funds:	
Balance of impact fees due to the Town of Goffstown	43,689
Total intergovernmental payables due	\$ 129,713

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2018 are as follows:

	Governmental Activities
Bond refunding charges	\$ 7,406
Amounts related to other postemployment benefits, see Note 12	270,892
Amounts related to pensions, see Note 11	6,109,660
Total deferred inflows of resources	\$ 6,387,958

Deferred inflows of resources at June 30, 2018 are as follows:

	Governmental Activities	Grants Fund
Local grants and donations received in advance of eligible expenditures	\$ 10,966	\$ 10,966
Amounts related to other postemployment benefits, see Note 12	11,271	-
Amounts related to pensions, see Note 11	968,361	-
Total deferred inflows of resources	\$ 990,598	\$ 10,966

GOFFSTOWN SCHOOL DISTRICT
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NOTE 9 – LEASE OBLIGATIONS

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

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2018
Capital lease obligations:		
Energy conservation	2.10%	\$ 1,628,089
Computer equipment	1.90%	352,426
Modular classroom	4.70%	451,220
Total capital lease obligations		<u>\$ 2,431,735</u>

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

Fiscal Year Ending June 30,	Governmental Activities
2019	\$ 415,152
2020	415,152
2021	415,152
2022	293,652
2023	167,302
2024-2028	836,513
2029-2033	167,303
Total requirements	2,710,226
Less: interest	278,491
Present value of remaining payments	<u>\$ 2,431,735</u>

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

Operating Leases – The School District is committed under various noncancelable operating leases, primarily for copiers (principally in the general fund). Future minimum operating lease commitment is as follows:

Fiscal Year Ending June 30,	Principal
2019	<u>\$ 25,572</u>

NOTE 10 – LONG-TERM LIABILITIES

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

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
General obligation bond payable	\$ 2,860,000	\$ -	\$ (590,000)	\$ 2,270,000	\$ 580,000
Capital leases	1,828,434	1,082,841	(479,540)	2,431,735	354,457
Compensated absences	1,066,500	214,500	(53,500)	1,227,500	-
Net other postemployment benefits	3,780,181	-	(208,299)	3,571,882	-
Pension related liability	31,873,638	-	(2,511,379)	29,362,259	-
Total long-term liabilities	<u>\$41,408,753</u>	<u>\$ 1,297,341</u>	<u>\$ (3,842,718)</u>	<u>\$38,863,376</u>	<u>\$ 934,457</u>

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Long-term bond is comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2018</u>
General obligation bond payable:					
2011 Bond Refunding	\$ 6,015,000	2011	2022	2.50-4.50%	<u>\$ 2,270,000</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 580,000	\$ 81,975	\$ 661,975
2020	570,000	58,975	628,975
2021	565,000	36,275	601,275
2022	555,000	12,488	567,488
Totals	<u>\$2,270,000</u>	<u>\$ 189,713</u>	<u>\$2,459,713</u>

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

NOTE 11 – DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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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 \$2,735,053, 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 \$29,362,259 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 .59703745% which was an decrease of .00236201% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$3,144,687. 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	\$ 359,672	\$ 220,721
Net difference between projected and actual investment earnings on pension plan investments	-	373,943
Changes in assumptions	2,948,358	-
Differences between expected and actual experience	66,577	373,697
Contributions subsequent to the measurement date	2,735,053	-
Total	\$ 6,109,660	\$ 968,361

The \$2,735,053 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	\$ 570,529
2019	1,297,963
2020	1,030,243
2021	(492,489)
Totals	\$ 2,406,246

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.

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

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

Discount Rate – The discount rate used to measure the 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	<u>\$38,683,302</u>	<u>\$ 29,362,259</u>	<u>\$21,724,033</u>

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	<u>\$ 38,683,302</u>	<u>\$ 29,362,259</u>	<u>\$21,724,033</u>

GOFFSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

GOFFSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

12-A New Hampshire Retirement System (NHRS)

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

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

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

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

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2017, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$270,406, 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 \$3,571,882 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 .78119345% which was an increase of .00033409% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$265,500. 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	\$ 486	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	11,271
Contributions subsequent to the measurement date	270,406	-
Total	\$ 270,892	\$ 11,271

GOFFSTOWN SCHOOL DISTRICT
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The \$270,406 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	\$ (2,332)
2019	(2,818)
2020	(2,818)
2021	<u>(2,817)</u>
Totals	<u><u>\$ (10,785)</u></u>

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

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

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

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

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

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

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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	<u>\$ 3,887,269</u>	<u>\$ 3,571,882</u>	<u>\$ 3,298,622</u>

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

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

12-B Retiree Health Benefit Program

The School District provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the School District’s contractual agreements. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in the general fund of the funds financial statements as payments are made.

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The School District has not fully implemented GASB Statement No. 75 at June 30, 2018, or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the School District. The amounts that should be recorded as the net OPEB liability and the OPEB expense is unknown.

NOTE 13 – ENCUMBRANCES

Encumbrances outstanding in the general fund June 30, 2018 are as follows:

Current:	
Instruction:	
Regular programs	\$ 439,657
Special programs	8,469
Other	<u>61,130</u>
Total instruction	<u>509,256</u>
Support services:	
Instructional staff	1,093
Operation and maintenance of plant	498,912
Other	<u>2,455</u>
Total support services	<u>502,460</u>
Facilities acquisition and construction	160,000
Total encumbrances	<u>\$ 1,171,716</u>

GOFFSTOWN SCHOOL DISTRICT
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NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Net investment in capital assets:	
Net book value of all capital assets	\$ 18,414,351
Less:	
General obligation bond payable	(2,270,000)
Capital leases payable	<u>(2,431,735)</u>
Total net investment in capital assets	<u>13,712,616</u>
Restricted:	
Food service	106,859
Permanent fund - nonexpendable principal balance	30,106
Permanent fund - nonexpendable income balance	<u>2,691</u>
Total restricted	<u>139,656</u>
Unrestricted	<u>(15,665,433)</u>
Total net position	<u><u>\$ (1,813,161)</u></u>

NOTE 15 – GOVERNMENTAL FUND BALANCES

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	\$ 26,834	\$ -	\$ 26,834
Prepaid items	76,572	-	76,572
Permanent fund - principal balance	-	30,106	30,106
Total nonspendable fund balance	<u>103,406</u>	<u>30,106</u>	<u>133,512</u>
Restricted:			
Food service	-	106,859	106,859
Permanent fund - income balance	-	2,691	2,691
Total restricted fund balance	<u>-</u>	<u>109,550</u>	<u>109,550</u>
Committed:			
Expendable trust	7,577	-	7,577
Capital projects	-	404,890	404,890
Total committed fund balance	<u>7,577</u>	<u>404,890</u>	<u>412,467</u>
Assigned:			
Encumbrances	<u>1,171,716</u>	<u>-</u>	<u>1,171,716</u>
Unassigned:			
Unassigned - retained (RSA 198:4-bII)	615,131	-	615,131
Unassigned	10,876,911	-	10,876,911
Total unassigned	<u>11,492,042</u>	<u>-</u>	<u>11,492,042</u>
Total governmental fund balances	<u><u>\$ 12,774,741</u></u>	<u><u>\$ 544,546</u></u>	<u><u>\$ 13,319,287</u></u>

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

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements	General Fund	General Fund (Unassigned)
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (3,317,167)	\$ -	\$ -
To restate for changes to GASB No. 68 balances	957,479	-	-
To remove tuition related receivables and payables	(121,199)	(121,199)	(121,199)
Net position/fund balance, as previously reported	473,829	11,362,931	10,382,064
Net position/fund balance, as restated	<u>\$ (2,007,058)</u>	<u>\$ 11,241,732</u>	<u>\$ 10,260,865</u>

NOTE 17 – RISK MANAGEMENT

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

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

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

NOTE 18 – CONTINGENT LIABILITIES

There are various claims and suits pending against the School District which arose in the normal course of the School District's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the School District.

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

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 20, 2018, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

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

	2014	2015	June 30, 2016	2017	2018
School District's proportion of the net pension liability	0.59365837%	0.59014579%	0.58511062%	0.59939946%	0.59703745%
School District's proportionate share of the net pension liability	\$ 25,549,777	\$ 22,151,628	\$ 23,179,316	\$ 31,873,638	\$ 29,362,259
School District's covered payroll	\$ 15,809,239	\$ 16,237,185	\$ 17,143,764	\$ 17,486,216	\$ 18,054,762
School District's proportionate share of the net pension liability as a percentage of its covered payroll	161.61%	136.43%	135.21%	182.28%	162.63%
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
GOFFSTOWN 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	\$ 1,476,153	\$ 1,914,569	\$ 1,962,978	\$ 2,146,324	\$ 2,187,207
Contributions in relation to the contractually required contributions	<u>1,476,153</u>	<u>1,914,569</u>	<u>1,962,978</u>	<u>2,146,324</u>	<u>2,187,207</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 15,809,239</u>	<u>\$ 16,237,185</u>	<u>\$ 17,143,764</u>	<u>\$ 17,486,216</u>	<u>\$ 18,054,762</u>
Contributions as a percentage of covered payroll	9.34%	11.79%	11.45%	12.27%	12.11%

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

EXHIBIT H
GOFFSTOWN 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	0.78085936%	0.78119345%
School District's proportionate share of the net OPEB liability (asset)	\$ 3,780,181	\$ 3,571,882
School District's covered payroll	\$17,143,764	\$17,486,216
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	22.05%	20.43%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%

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

EXHIBIT I
GOFFSTOWN 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	\$ 453,727	\$ 463,014
Contributions in relation to the contractually required contribution	<u>453,727</u>	<u>463,014</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$17,143,764</u>	<u>\$17,486,216</u>
Contributions as a percentage of covered payroll	22.05%	20.43%

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

GOFFSTOWN SCHOOL DISTRICT

**NOTE 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.

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 1
GOFFSTOWN 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	\$ 21,337,757	\$ 21,337,757	\$ -
Other local sources:			
Tuition	6,425,500	7,515,702	1,090,202
Investment earnings	1,500	44,425	42,925
Rentals	-	4,000	4,000
Miscellaneous	-	51,132	51,132
Total from other local sources	<u>6,427,000</u>	<u>7,615,259</u>	<u>1,188,259</u>
State sources:			
Adequacy aid (grant)	6,943,435	6,965,858	22,423
Adequacy aid (tax)	3,267,493	3,267,493	-
School building aid	282,696	282,696	-
Catastrophic aid	268,262	346,827	78,565
Vocational aid	22,500	23,344	844
Other state aid	-	14,714	14,714
Total from state sources	<u>10,784,386</u>	<u>10,900,932</u>	<u>116,546</u>
Federal sources:			
Medicaid	<u>325,000</u>	<u>311,975</u>	<u>(13,025)</u>
Other financing sources:			
Transfers in	<u>-</u>	<u>126,349</u>	<u>126,349</u>
Total revenues and other financing sources	38,874,143	<u>\$ 40,292,272</u>	<u>\$ 1,418,129</u>
Use of fund balance to reduce school district assessment	<u>836,329</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 39,710,472</u>		

SCHEDULE 2
GOFFSTOWN 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	\$ 117,047	\$ 16,657,735	\$ 16,453,137	\$ 439,657	\$(118,012)
Special programs	7,889	8,564,272	8,111,033	8,469	452,659
Vocational programs	-	165,150	124,683	-	40,467
Adult and community programs	-	86,436	79,510	-	6,926
Other	31,473	781,346	831,553	61,130	(79,864)
Total instruction	<u>156,409</u>	<u>26,254,939</u>	<u>25,599,916</u>	<u>509,256</u>	<u>302,176</u>
Support services:					
Student	-	2,382,210	2,057,694	-	324,516
Instructional staff	3,288	864,697	833,397	1,093	33,495
General administration	-	93,631	126,943	-	(33,312)
Executive administration	-	1,536,170	1,536,170	-	-
School administration	-	2,760,716	2,406,485	-	354,231
Business	-	1,500	-	-	1,500
Operation and maintenance of plant	722,257	2,872,637	3,469,498	498,912	(373,516)
Student transportation	-	2,137,547	1,851,517	-	286,030
Other	1,900	41,110	39,569	2,455	986
Total support services	<u>727,445</u>	<u>12,690,218</u>	<u>12,321,273</u>	<u>502,460</u>	<u>593,930</u>
Debt service:					
Principal of long-term debt	-	590,000	590,000	-	-
Interest on long-term debt	-	101,463	101,463	-	-
Total debt service	<u>-</u>	<u>691,463</u>	<u>691,463</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	-	1	849	160,000	(160,848)
Other financing uses:					
Transfers out	-	73,851	145,762	-	(71,911)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 883,854</u>	<u>\$ 39,710,472</u>	<u>\$ 38,759,263</u>	<u>\$ 1,171,716</u>	<u>\$ 663,347</u>

SCHEDULE 3
GOFFSTOWN 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, as restated (see Note 16)		\$ 10,260,865
Changes:		
Unassigned fund balance used to reduce school district assessment		(836,329)
2017-2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,418,129	
Unexpended balance of appropriations (Schedule 2)	<u>663,347</u>	
2017-2018 Budget surplus		2,081,476
Increase in nonspendable fund balance		<u>(13,970)</u>
Unassigned fund balance, ending		<u><u>\$ 11,492,042</u></u>

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

	Special Revenue Fund			Total
	Food Service	Capital Project	Permanent Fund	
ASSETS				
Cash and cash equivalents	\$ 56,255	\$ 473,066	\$ -	\$ 529,321
Intergovernmental receivable	54,034	-	32,797	86,831
Interfund receivable	28,257	-	-	28,257
Total assets	<u>\$ 138,546</u>	<u>\$ 473,066</u>	<u>\$ 32,797</u>	<u>\$ 644,409</u>
LIABILITIES				
Accounts payable	\$ 24,384	\$ 3,255	\$ -	\$ 27,639
Accrued salaries and benefits	7,303	-	-	7,303
Intergovernmental payable	-	43,689	-	43,689
Retainage payable	-	21,232	-	21,232
Total liabilities	<u>31,687</u>	<u>68,176</u>	<u>-</u>	<u>99,863</u>
FUNDS BALANCES				
Nonspendable	-	-	30,106	30,106
Restricted	106,859	-	2,691	109,550
Committed	-	404,890	-	404,890
Total fund balances	<u>106,859</u>	<u>404,890</u>	<u>32,797</u>	<u>544,546</u>
Total liabilities and fund balances	<u>\$ 138,546</u>	<u>\$ 473,066</u>	<u>\$ 32,797</u>	<u>\$ 644,409</u>

SCHEDULE 5
GOFFSTOWN 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 Fund			Total
	Food Service	Capital Project	Permanent Fund	
REVENUES				
Local	\$ 695,160	\$ -	\$ 2,890	\$ 698,050
State	13,630	-	-	13,630
Federal	317,074	-	-	317,074
Total revenues	<u>1,025,864</u>	<u>-</u>	<u>2,890</u>	<u>1,028,754</u>
EXPENDITURES				
Current:				
Instruction	-	-	157	157
Noninstructional services	1,073,432	-	-	1,073,432
Facilities acquisition and construction	-	1,150,003	-	1,150,003
Total expenditures	<u>1,073,432</u>	<u>1,150,003</u>	<u>157</u>	<u>2,223,592</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(47,568)</u>	<u>(1,150,003)</u>	<u>2,733</u>	<u>(1,194,838)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	422	145,340	-	145,762
Transfers out	-	(126,349)	-	(126,349)
Intergovernmental transfer	-	(43,689)	-	(43,689)
Total other financing sources (uses)	<u>422</u>	<u>(24,698)</u>	<u>-</u>	<u>(24,276)</u>
Net change in fund balances	(47,146)	(1,174,701)	2,733	(1,219,114)
Fund balances, beginning	154,005	1,579,591	30,064	1,763,660
Fund balances, ending	<u>\$ 106,859</u>	<u>\$ 404,890</u>	<u>\$ 32,797</u>	<u>\$ 544,546</u>

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

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Schools:				
Bartlett Elementary School	\$ 13,556	\$ 1,428	\$ 1,086	\$ 13,898
Maple Avenue Elementary School	40,154	34,362	31,491	43,025
Mountain View Middle School	18,914	57,487	56,077	20,324
Goffstown High School	151,114	286,518	297,352	140,280
Totals	<u>\$ 223,738</u>	<u>\$ 379,795</u>	<u>\$ 386,006</u>	<u>\$ 217,527</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Goffstown School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Goffstown School District's basic financial statements, and have issued our report thereon dated December 20, 2018. Our report on the financial statements of the governmental activities was adverse as indicated therein.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Goffstown School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

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

Goffstown School District's Responses to Findings

The Goffstown School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Goffstown School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

December 20, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited the Goffstown School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Goffstown School District's major federal program for the year ended June 30, 2018. The Goffstown School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Goffstown School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

Goffstown School District

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

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

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

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



PLODZIK & SANDERSON
Professional Association

December 20, 2018

SCHEDULE I
GOFFSTOWN SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

**Auditor
Reference
Number**

MATERIAL WEAKNESSES

2017-001 Budget Planning, Review and Oversight

Criteria: Annual budgets should be developed in accordance with municipal budget law for the State of New Hampshire with the intent that the actual expenditures incurred are as close to budget as possible without over expenditure.

Condition: We observed during our audit that actual expenditures for some functions were significantly less than the estimated appropriation, which results in a higher budget surplus at year end and in turn gets added to unassigned fund balance.

Cause: Past practice of the School District.

Effect: The over assessment of taxes and the continued expenditure variances at this level without an immediate action will only continue to produce large budget surpluses at year end.

Recommendation: Management should seriously consider using a more conservative approach in developing the School District's budget. Therefore, we strongly recommend that 1) management should undertake a thorough review and comparison of the budget to current actual revenues and expenditures; 2) the total expenditure budget should be based on the actual and known costs; 3) the budgeted revenue should be based on actual amounts earned, which will result in the development of a more conservative and realistic budget; and 4) development and practice of a formal process of comparing the periodic budget to actual revenues and expenditures by management, with timely revisions as needed.

As management goes through the budget-to-actual comparison for fiscal year 2018-19 and as it develops the fiscal year 2019-20 budget based on the above principles, it may determine that certain expenditures (both function and object level) will require significant reductions.

Management's Response: The Superintendent has taken a very conservative approach to budget development philosophy. State reporting, specifically through the DOE-25, was not properly submitted. As a result, inaccurate information was presented to the Superintendent, the School Board, and the Budget Committee in respect to actual expenditures. Moreover, budget surplus from an under-expenditure of the general fund was also incorrectly reported to the Department of Education as well as the Superintendent and respective Boards. Simply put, budgets were evaluated based on incorrect information and analysis of prior year budgets. Moving forward, budget analysis and state reporting will be done correctly and tied out to audits as had not been done in the past. The development of the FY 20 budget will begin in July 2018 and will ensure correct, accurate financial information is used to develop the FY 20 budget. For revenue projections, historically very conservative revenue projections have been used for several revenue sources. These revenue projections will be evaluated for historical patterns and accuracy, albeit still conservatively, projections will be used for budget development and tax rate projections. This weakness was not known by the Superintendent or the School Board and was not identified in prior audits.

Status: Due to timing of the fiscal year 2017 audit and when the issue was made aware to the School District the 2017-2018 budget had already been prepared and approved. This comment will be repeated as a material weakness in the current year's audit, see Schedule of Findings and Questioned Costs, item 2018-001.

2017-002 Capital Project Funds

Criteria: To maintain good internal control over the financial reporting of capital project funds and avoid possible financial statement misstatements as well as to avoid potential contract disputes.

SCHEDULE I (continued)
GOFFSTOWN SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Condition: Upon review of the capital project funds of the School District the following issues were identified:

- It was noted that many of the significant contracts, while properly put out to bid, were only signed by the former Business Administrator as were contract change orders. In one instance, it was identified that no contract was obtained for a significant amount.
- There was not clear documentation of project purpose and scope.
- For the High School Drainage Project, we could only find School Board approval for \$505,603, but an additional \$882,273 was transferred over to the project from general fund unassigned fund balance with no formal approval other than that of the former Business Administrator.
- Capital project fund records were not kept up to date. Project records were maintained in multiple locations resulting in additional time to compile records for audit.
- The Kindergarten Project completed in fiscal year 2006-07 had a remaining fund balance of \$221,155 that has been carried forward since that time with no activity in the project.
- The Bartlett Facilities Renovations Project was completed in fiscal year 2016-17 with a remaining fund balance. Since the funding source was from the capital reserve fund the remaining balance of \$7,577 will be returned to the capital reserve fund in 2017-18.
- Upon review of the capital project funds with the District Accountant there was also identified \$72,936 in unknown fund balance that has been returned to the general fund at June 30, 2017.

Cause: The management of the capital project funds was left to one individual.

Effect: This condition has led to the misstatement of the financial statements as well as a lack of a clear understanding of the various capital projects' status.

Recommendation: In order to strengthen the internal controls over the capital project fund we recommend the following:

- The School Board and Superintendent should approve all capital project fund contracts and related contract change orders.
- Procedures should be implemented to ensure that all legal documents, including change orders, record and approval of funding sources be properly filed by project with the Executive Secretary and copies to the District Accountant.
- Once a capital project is approved there should be formal documentation maintained as to the project's budget and funding source, so that the budget can be closely monitored and modifications can be made to either the project or budget if issues arise.
- Project records should be reconciled to the general ledger, on a regular basis.
- All project budgets should be approved at the School Board level and clearly communicated to the project manager and business office staff, so that everyone is clear as to what can be spent on the project.
- As soon as a project is complete, a project review should be completed and the disposition of any remaining fund balance be communicated to the School Board so that the appropriate action can be taken.

Management's Response: Management agrees with all recommendations and is committed to ensuring any and all capital projects are implemented consistent with these recommendations.. The Superintendent is deeply committed to transparency and integrity in the management of our capital projects. Moving forward with a new Business Administrator, these recommendations will be implemented. This weakness was not known by the Superintendent or the School Board and was not identified in prior audits.

Status: Corrective action has been taken.

2017-003

State Reporting

Criteria: Annual reporting should be filed accurately and in a timely manner. There are two reports that need to be filed annually, one with the State of New Hampshire Department of Education (Form DOE-25) and the other with the Department of Revenue Administration (Form MS-25). Both reports are based on the School

SCHEDULE I (continued)
GOFFSTOWN SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

District's financial statements. The DOE-25 is used by the Department of Education in part to determine per pupil costs as well as the indirect cost rate for the ensuing year. The MS-25 form is used to determine the unassigned fund balance that will be returned to the taxpayers

Condition: At the commencement of the audit we were made aware that the former Business Administrator prepared both the DOE-25 and MS-25 forms incorrectly and as a result the unassigned fund balance on both forms was substantially understated for the last several years.

Cause: Unknown

Effect: As a result of both forms being incorrectly reported, the actual amount of unassigned fund balance was left to accumulate in the general fund resulting in annual surpluses accumulating instead of being returned to the Town to reduce taxes.

Recommendation: We recommend that the School District develop a policy and procedures over its state reporting to ensure that the correct numbers are being reported on the forms. The procedures should include a review process, where the forms, once completed by one individual are then reviewed by another individual, who has the skills, knowledge, and experience to verify the accuracy and completeness to do so.

Management's Response: Management concurs with these recommendations. Additionally, the DOE-25 and MS-25 will be reviewed by the school district's auditor through the annual audit. Historically, the school district audits were completed many months after the submission of these critical state forms. The new practice is that the audit will be completed prior to the submission of the DOE and MS-25 documents. This will allow the audit to tie out on all reported financials. SAU 19 will also develop redundancy through multiple reviewers of the DOE and MS-25 documents. This weakness was not known by the Superintendent or the School Board and was not identified in prior audits.

Status: Corrective action has been taken.

SIGNIFICANT DEFICIENCIES

2017-004 Encumbrances

Criteria: RSA 32:7, *Lapse of Appropriations*, states in part that the "Annual meeting appropriations shall cover anticipated expenditures for one fiscal year. All appropriations shall lapse at the end of the fiscal year and any unexpended portion thereof shall not be expended without further appropriation, unless the amount has, prior to the end of that fiscal year, become encumbered by a legally-enforceable obligation, created by contract or otherwise, to any person for the expenditure of that amount..."

Condition: Upon review of the School District's encumbrances at June 30, 2017 we noted encumbered items that did not have sufficient supporting documentation. In addition, we noted that the School District software makes it difficult to track current year encumbrances that have to be carried forward into the new fiscal year. These encumbrances (purchase orders) are posted in the computer system in Fund 11 (Prior Year Expenses Fund) and any corresponding expenditures related to the encumbrances are also posted in Fund 11. If encumbrances are liquidated and there is a remaining balance on an encumbrance, the encumbrance balance should lapse and not become available for other expenditures. We noted instances where encumbrances were not lapsed in the system and were used to fund unrelated capital project items.

Cause: Unknown

Effect: Purchase orders are being approved at year end without the appropriate documentation to establish an encumbrance. Encumbrances are being overstated at year end. Unspent balances of closed purchase orders are being redirected to fund capital project funds rather than be returned to unassigned fund balance. By using Fund 11 to report this information separate from the applicable fund, interim financial reports could be misleading and misstated since all of the expenditures for those funds is not being properly reported until year end.

SCHEDULE I (continued)
GOFFSTOWN SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Recommendation: We strongly recommend that all encumbered amounts at year end be legally-enforceable obligations or contracts and that supporting documentation is on file for such amounts. If it is found that encumbrances are being created to hold over unspent budget amounts without cause, they should be voided and denied. It is also recommended that the new Business Administrator work closely with the District Accountant in the last quarter of each year to clean up any old open purchase orders and to ensure what is being encumbered at year end is appropriate and properly authorized. Finally, we strongly recommend that management work with the software company to find a way to track year end encumbrances in each fund, so that each fund's activity is being properly reported, so that either Fund 11 is being used more effectively or it no longer has to be used.

Management's Response: Management agrees with this recommendation. In the past, encumbrances were left open and were not closed out in a timely manner unbeknownst to the Superintendent and School Board. Moving forward, new internal controls will be implemented to ensure this deficiency is corrected. This deficiency was not known by the Superintendent or the School Board and was not identified in prior audits.

Status: Due to timing of the fiscal year 2017 audit and when the issue was made aware to the School District the 2017-2018 budget had already been prepared and approved. This comment will be repeated as a significant deficiency in the current year's audit, see Schedule of Findings and Questioned Costs, item 2018-002.

2017-005

Authorization of Transfers

Criteria: For School District fund transfers between funds they should be authorized by the appropriate level of management and/or governance in accordance with School District policy.

Condition: During the current fiscal year the former Business Administrator authorized two transfers out of the general fund unassigned fund balance to the capital project fund for the High School Drainage Project totaling \$882,273 without any authorization from the School Board.

Cause: Unknown

Effect: Unauthorized transfer of funds. This transfer was above the initial project budget authorized by the School Board and voters.

Recommendation: The School Board should review its existing policies and amend as necessary the authorization process of transfers made from one fund to another. In addition, the School Board should be kept apprised of any capital project fund budget amendments, so that the School Board is aware of any necessary changes to be made and how they are to be funded.

Management's Response: Management agrees with this recommendation. Unauthorized transfers have occurred unbeknownst to the Superintendent and School Board. Moving forward, new internal controls will be implemented to ensure this deficiency is corrected. This deficiency was not known by the Superintendent or the School Board and was not identified in prior audits.

Status: Corrective action has been taken.

2017-006

Contingency Trust Fund

Criteria: The School District is allowed to retain unassigned fund balance, up to 2.5% of the current fiscal year's net assessment, in accordance with RSA 198:4-b II, *Contingency Fund*, for emergency expenditures or to be used to reduce the tax rate. This amount is to be retained and recorded in the general fund as part of the unassigned fund balance.

Condition: When Warrant Article No. 4 was voted in by the legislative body of the School District in March of 2013, funds were sent to the Town of Goffstown Trustees of Trust Funds, and a "Contingency Expendable Trust Fund" was established. There was no authorization to create such a trust fund. Over the next several years annual contributions related to the Contingency Fund were deposited into this trust fund and this money has been withdrawn over the years to fund various capital projects in the School District.

Cause: Misinterpretation of the State statute, RSA 198:4-b II.

SCHEDULE I (continued)
GOFFSTOWN SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Effect: The School District is not in compliance with State statutes as no authorization was ever given to establish such an expendable trust fund. In addition, with this money being reported in the trust funds and not in the general fund any interim financial statements generated for the general fund would have been misstated by this amount.

Recommendation: At June 30, 2017 there was \$226,090 remaining in the Contingency Trust Fund, which should be requested from the Trustees of Trust Funds and transferred to general fund. This amount has been reported as a component of unassigned fund balance at year end.

Management's Response: Management agrees with this recommendation. The Superintendent and School Board were not aware that funds were incorrectly deposited and managed by the Trustees of the Trust Fund. The Superintendent and School Board will correct this deficiency. This deficiency was not known by the Superintendent or the School Board and was not identified in prior audits.

Status: Corrective action has been taken.

2017-007

Capital Leases

Criteria: According to RSA 33:7-e, *Lease Agreements of Equipment*, "The governing body may enter into leases of equipment as required by the municipality. Appropriations to fund lease agreements with non-appropriation clauses may be approved by a simple majority vote of the legislative body".

Condition: On January 23, 2017 at a regular meeting of the School Board, the Board approved the purchase of two modular classrooms to be financed through a capital lease. This lease was later approved by the Superintendent on August 28, 2017. We noted that the lease contained a non-appropriation clause. Review of the School Board meeting minutes and warrant articles for fiscal years 2017 and 2018 there was no indication that the legislative body approved the lease agreement.

Cause: Unaware of State statute, RSA 33:7-e, *Lease Agreements of Equipment*.

Effect: The School District is in violation of State statutes and the capital lease was improperly authorized.

Recommendation: We recommend, in accordance with RSA 33:7-e, *Lease Agreements of Equipment*, that all lease agreements be placed on the ballot in the form of a warrant article, so that they can be voted on by the legislative body annually. Equipment leases with a non-appropriation clause require a majority vote (3/5 ballot vote), by the legislative body.

Management's Response: The procurement of the modular classroom units for Bartlett Elementary and Maple Avenue Elementary School was approved by the School Board on January 23, 2017. The School District used Impact Fees as well as financing provided through First American Education Finance to fund these projects. The contract with First American Education Finance was reviewed and approved by the School District's attorney. The School District believed that the modular classroom project was properly executed. The legislative body approved payment of this lease agreement for the fiscal year 2019.

Status: Corrective action has been taken.

2017-008

Tuition Billing

Criteria: Per the AREA Agreement; tuition is billed semiannually each year, based upon per pupil costs per the calculation on the annual DOE-25 form submitted to the Department of Education.

Condition: We were notified by the predecessor auditor that the firm believed there may be inaccuracies with respect to tuition billing. The School District is aware that the MS-25 and DOE-25 form submissions were not correctly completed. If these documents were used to construct tuition billing, there could be errors in the tuition rates that were billed to sending school districts.

SCHEDULE I (continued)
GOFFSTOWN SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Cause: The State form DOE-25 was incorrectly prepared.

Effect: Unrecorded intergovernmental receivables and payables related to under/over billed tuition amounts exists.

Recommendation: We recommend that the School District hire an independent accountant to verify the tuition billing calculations. We recommend that the School Board work with the AREA school districts to obtain resolution in this matter. Going forward, we recommend that the DOE-25 form be reconciled to the audited financial statements prior to the final tuition bill being sent out each year.

Management's Response: The district is aware of this concern. The district is currently in the process of verifying and authenticating prior billings for accuracy. This deficiency was not known by the Superintendent or the School Board and was not identified in prior audits.

Status: Corrective action has been taken.

SCHEDULE II
GOFFSTOWN SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issues on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified opinion on each major fund and aggregate remaining fund information; and an adverse opinion on
governmental activities.

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and
type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

SCHEDULE II (continued)
GOFFSTOWN SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

**Auditor
Reference
Number**

MATERIAL WEAKNESSES

2018-001 Budget Planning, Review and Oversight

Criteria: Annual budgets should be developed in accordance with municipal budget law for the State of New Hampshire with the intent that the actual expenditures incurred are as close to budget as possible without over expenditure.

Condition: We observed during our audit that actual expenditures for some functions were significantly less than the estimated appropriation, which results in a higher budget surplus at year end and in turn gets added to unassigned fund balance.

Cause: Past practice of the School District.

Effect: The over assessment of taxes and the continued expenditure variances at this level without an immediate action will only continue to produce large budget surpluses at year end.

Recommendation: Management should seriously consider using a more conservative approach in developing the School District's budget. Therefore, we strongly recommend that 1) management should undertake a thorough review and comparison of the budget to current actual revenues and expenditures; 2) the total expenditure budget should be based on the actual and known costs; 3) the budgeted revenue should be based on actual amounts earned, which will result in the development of a more conservative and realistic budget; and 4) development and practice of a formal process of comparing the periodic budget to actual revenues and expenditures by management, with timely revisions as needed.

As management goes through the budget-to-actual comparison for fiscal year 2018-19 and as it develops the fiscal year 2019-20 budget based on the above principles, it may determine that certain expenditures (both function and object level) will require significant reductions.

Management's Response: Beginning in August 2018, the School District conducted its annual audit and used the audited financial results in its NH DOE-25 submission. In addition, our auditing firm reviewed the NH-DOE 25 prepared by the business administrator prior to submission to the State. In using audited financial records, the District endeavors to use prior year's actuals in the development of future budgets.

In FY 2018-19, expected revenues have been uploaded to the District's financial software package for monthly tracking purposes and for future budget proposals. As a result, in the proposed 2019-20 budget, revenue projections were revised to better reflect federal, state and local sources.

Regarding expense budgeting, management reviews the detailed expenditure reports on a monthly basis to monitor spending and adherence to budget goals. In addition, the business office will conduct periodic reviews with principals and department heads to ensure spending is consistent with the adopted budget, and to make appropriate budget transfers when needs exist. This will create an environment where budgets and expenditures are more closely aligned to both goals and changing circumstances that result during the school year.

SIGNIFICANT DEFICIENCIES

2018-002 Encumbrances

Criteria: RSA 32:7, *Lapse of Appropriations*, states in part that the "Annual meeting appropriations shall cover anticipated expenditures for one fiscal year. All appropriations shall lapse at the end of the fiscal year and any unexpended portion thereof shall not be expended without further appropriation, unless the amount has, prior to the end of that fiscal year, become encumbered by a legally-enforceable obligation, created by contract or otherwise, to any person for the expenditure of that amount..."

SCHEDULE II (continued)
GOFFSTOWN SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Condition: Upon review of the School District's encumbrances at June 30, 2018 we noted that the School District software makes it difficult to track current year encumbrances that have to be carried forward into the new fiscal year. These encumbrances (purchase orders) are posted in the computer system in Fund 11 (Prior Year Expenses Fund) and any corresponding expenditures related to the encumbrances are also posted in Fund 11. If encumbrances are liquidated and there is a remaining balance on an encumbrance, the encumbrance balance should lapse and not become available for other expenditures.

Cause: Unknown

Effect: By using Fund 11 to report this information separate from the applicable fund, interim financial reports could be misleading and misstated since all of the expenditures for those funds is not being properly reported until year end.

Recommendation: We strongly recommend that all encumbered amounts at year end be legally-enforceable obligations or contracts. It is also recommended that the new Business Administrator work closely with the District Accountant in the last quarter of each year to clean up any old open purchase orders and to ensure what is being encumbered at year end is appropriate and properly authorized. Finally, we strongly recommend that management work with the software company to find a way to track year end encumbrances in each fund, so that each fund's activity is being properly reported, so that either Fund 11 is being used more effectively or it no longer has to be used.

Management's Response: Management agrees with this recommendation. Prior to the end of the 2018-19 fiscal year, management will review all end of year encumbrances that have a legally enforceable obligation and/or contract and present them to the School Board for approval.

In addition, the Business Office and the individual schools are reviewing the outstanding/open purchase order reports on a bi-monthly basis to ensure accuracy. The Office is also revisiting the use of blanket purchase orders and is developing processes to review them during the final three months of the school year to ensure that these purchase order amounts are adjusted to reflect expected expenditures needed through the end of the year.

The Business Office is contemplating the elimination of Fund 11 after the 2018-2019 fiscal year and will work with our financial software vendor to ensure that any encumbrances brought forward into the new fiscal year are tracked appropriately.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE III
GOFFSTOWN SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 35,111
National School Lunch Program <i>(note 4)</i>	10.555	N/A	-	281,963
<i>CLUSTER TOTAL</i>			-	317,074
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Adult Education - Basic Grants to States	84.002	77319	-	11,358
Title I Grants to Local Educational Agencies:				
Title I	84.010	70046	-	24,352
Title I	84.010	80046	-	306,722
<i>PROGRAM TOTAL</i>			-	331,074
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA	84.027	72623	-	104,467
IDEA	84.027	82531	-	482,802
Special Education - Preschool Grants:				
Preschool	84.173	72623	-	1,963
Preschool	84.173	82531	-	11,380
<i>CLUSTER TOTAL</i>			-	600,612
English Language Acquisition State Grants	84.365	60817	-	3,007
Supporting Effective Instruction State Grants:				
Title II-A	84.367	64835	-	53,509
Title II-A Professional Development	84.367	74835	-	47,086
Title II-A	84.367	84835	-	10,000
Title II GSLA	84.367	20188868	-	12,500
<i>PROGRAM TOTAL</i>			-	123,095
Student Support and Academic Enrichment Program	84.424	20189106	-	16,000
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed Through the State of New Hampshire Department of Education				
Pregnancy Assistance Fund Program	93.500	89005	-	2,175
Total Expenditures of Federal Awards			\$ -	\$ 1,404,395

The accompanying notes are an integral part of this schedule.

GOFFSTOWN SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Goffstown School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Goffstown School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Goffstown School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Goffstown School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2018 the value of food donations received was \$54,958.