

**SANBORN REGIONAL SCHOOL DISTRICT**  
**Financial Statements**  
**With Schedule of Expenditures of Federal Awards**  
**June 30, 2018**  
**and**  
**Independent Auditor's Report**

**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***

**Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

**Schedule of Findings and Questioned Costs**

**SANBORN REGIONAL SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
June 30, 2018**

**TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT	<u>Page(s)</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-vii

**BASIC FINANCIAL STATEMENTS**

EXHIBITS:

A	Statement of Net Position	1
B	Statement of Activities	2
C	Balance Sheet – Governmental Funds	3
C-1	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
D	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
D-1	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
E	Statement of Fiduciary Net Position – Fiduciary Funds	7
F	Statement of Changes in Fiduciary Net Position- Fiduciary Funds	8
	NOTES TO BASIC FINANCIAL STATEMENTS	9-34

**REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULES:

1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	35
2	Schedule of Changes in the District's Proportionate Share of the Net OPEB Liability	36
3	Schedule of District OPEB Contributions	37
4	Schedule of Changes in the District's Total OPEB Liability and Related Ratios	38
5	Schedule of Changes in the District's Proportionate Share of the Net Pension Liability	39
6	Schedule of District Contributions	40

**SANBORN REGIONAL SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
June 30, 2018**

**TABLE OF CONTENTS (CONTINUED)**

	<u>Page(s)</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)</b>	
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	41-42
<b>FEDERAL COMPLIANCE</b>	
SCHEDULE:	
I    Schedule of Expenditures of Federal Awards	43
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	44
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-46
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	47-48
Schedule of Findings and Questioned Costs	49-50
<b>SUPPLEMENTAL SCHEDULES</b>	
SCHEDULES:	
A    Combining Balance Sheet – Governmental Funds – All Nonmajor Funds	51
B    Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Funds	52

## **INDEPENDENT AUDITOR'S REPORT**

To the School Board  
Sanborn Regional School District

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## *Opinions*

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

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's proportionate share of the net OPEB liability, schedule of District OPEB contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of changes in the District's proportionate share of the net pension liability, and schedule of District pension contributions, on pages i-vii and 35-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanborn Regional School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2019 on our consideration of Sanborn Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 Sanborn Regional School District's internal control over financial reporting and compliance.

*Nelson Chubb & Company PC*

Manchester, New Hampshire  
January 16, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Sanborn Regional School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The Statement of Net Position presents information on all assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position 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 timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., and earned but unused vacation leave).

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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 District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to 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 certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- The District implemented GASB Statement No. 75 in the current year, which impacted the measurement and reporting of its Other Post-Employment Benefit obligations. This implementation resulted in a net decrease of the District's net position as of the beginning of the year of (\$5,849,517).
- As of the close of the current fiscal year, the total of liabilities exceeded assets by (\$5,868,675) (i.e., net position), a change of \$720,804 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,586,616, a change of \$291,002 in comparison to the prior year.
- At the end of the current fiscal year, total fund balance for the general fund was \$2,262,672, an increase of \$362,501 in comparison to the prior year.
- Total long-term obligations (i.e., bonds payable, capital leases, early retirement and compensated absence benefits) at the close of the current fiscal year was \$9,562,501, a decrease of \$(1,288,511) in comparison to the prior year.



### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>	
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 2,884,996	\$ 3,489,755
Capital assets	<u>31,602,962</u>	<u>31,995,909</u>
Total assets	<u>34,487,958</u>	<u>35,485,664</u>
Deferred outflows of resources	<u>5,450,326</u>	<u>8,183,679</u>
Long-term liabilities	\$ 42,775,761	\$ 47,422,243
Other liabilities	<u>1,040,809</u>	<u>1,882,603</u>
Total liabilities	43,816,570	49,304,846
Total deferred inflows of resources	1,990,389	953,976
Net position:		
Net investments in capital assets	23,784,669	22,837,406
Restricted	106,933	119,663
Unrestricted	<u>(29,760,277)</u>	<u>(29,546,548)</u>
	<u>\$ (5,868,675)</u>	<u>\$ (6,589,479)</u>

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,271,101	\$ 4,149,941
Operating grants and contributions	1,935,075	2,267,762
Capital grants and contributions	-	-
General revenues:		
School district assessments	24,322,702	20,895,575
Grants and contributions not restricted to specific programs	3,442,144	6,149,067
Investment Income	36,637	19,626
Miscellaneous	55,462	97,899
Total Revenues	<u>\$ 34,063,121</u>	<u>\$ 33,579,870</u>
Expenses:		
Instruction	19,729,661	20,667,551
Student services	2,630,549	2,516,565
Instructional staff	688,916	882,424
General administration	3,264,777	3,777,679
Operations and maintenance	3,132,569	3,215,432
Pupil Transportation	1,347,013	1,251,352
Food Service	580,290	556,561
Other	901,406	771,661
Interest	1,067,136	1,002,777
Total expenses	<u>33,342,317</u>	<u>34,642,002</u>
Change in net position	720,804	(1,062,132)
Net position - beginning of year	(6,589,479)	322,170
Restatement of net position - GASB75	-	(5,849,517)
Net position - end of year	<u>\$ (5,868,675)</u>	<u>\$ (6,589,479)</u>

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net position was (\$5,868,675), a change of \$720,804 from the prior year.

The largest portion of net position \$23,784,669 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, and vehicles); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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.

An additional portion of net position \$106,933 represents resources that are subject to external restrictions on how they may be used. The unrestricted net position deficit of \$(29,760,277) primarily results from implementation of GASB #68, Accounting and Financial Reporting for Pensions and GASB #75, Accounting and Financial Reporting for Other Post-Employment Benefits.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$720,804. Key elements of this change are as follows:

Change in Fund Balances	\$ 291,002
Compensated absences and early retirement	(51,699)
Pension expense in excess of pension contributions	(443,514)
OPEB contributions in excess of expense	31,719
Depreciation expense in excess of outlays	(392,947)
Bond premium, payments and capital leases	1,273,653
Other	<u>12,590</u>
Total	<u>\$ 720,804</u>

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,637,330, a change of \$291,002 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and transfers in in excess of expenditures and transfers out	\$ 362,501
Special revenue fund expenditures and transfers out in excess of revenues and transfers in	<u>(71,499)</u>
Total	<u>\$ 291,002</u>

The general fund is the chief operating fund. At the end of the current fiscal year, fund balance of the general fund was \$2,262,672. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Total fund balance	\$ 2,262,672	\$ 1,900,171	\$ 362,501	7.01%

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

The District accepted \$21,213 in unanticipated revenues, resulting in a budgetary increase in the General Fund of \$21,213 compared to the original budget. Additionally, management transferred appropriations between operating categories, as allowable per District policies.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets at year-end amounted to \$31,602,962, (net of accumulated depreciation), a change of (\$392,947) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, and vehicles.

Additional information on capital assets can be found in the Notes to the Basic Financial Statements (Note 3).

**Long-term debt.** At the end of the current fiscal year, total bonds payable outstanding was \$7,649,025, all of which was backed by the full faith and credit of the District.

Additional information on long-term debt can be found in the Notes to the Basic Financial Statements (Note 4).

#### **G. THE DISTRICT'S FUTURE**

The following will be a major factor in the future for the district:

The District is experiencing declining enrollments. To assist with long term planning and to maximize the use of available resources in this changing environment, the District engaged the services of New England School Development Council (NESDEC). NESDEC provided an analysis of the current enrollment trends, projected future anticipated enrollment, evaluated the District's facilities and provided recommendations as to the best use of these building resources to meet future needs. The School Board is in the process of reviewing these results.

**Default Budget.** The district has operated at or below the default budget from FY 2008 – 09 to FY 2016 – 17. In March 2018 voters chose to support the District's recommended budget for FY 2018 – 19 which was lower than the proposed default budget for that year.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Sanborn Regional School District's finances 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:

Sanborn Regional School District  
178 Main Street  
Kingston, New Hampshire 03848

EXHIBIT A  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,832,526
Investments	3,768
Accounts receivable	28,773
Due from other governments, net	961,848
Prepaid expenses	58,081
Total Current Assets	<u>2,884,996</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,140,727
Depreciable capital assets, net	<u>30,462,235</u>
Total Noncurrent Assets	<u>31,602,962</u>
Total Assets	<u>34,487,958</u>
Deferred Outflows of Resources:	
Deferred outflows of resources related to OPEB liability	260,550
Deferred outflow of resources related to net pension liability	<u>5,189,776</u>
Total Deferred Outflows of Resources	<u>5,450,326</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	184,308
Accrued expenses	841,286
Advances from grantor	3,201
Unearned food service sales	12,014
Current portion of bonds payable	1,168,168
Current portion of capital lease payable	49,307
Current portion of early retirement benefits	<u>329,463</u>
Total Current Liabilities	<u>2,587,747</u>
Noncurrent Liabilities:	
Bonds payable	6,480,857
Capital lease payable	119,961
Early retirement benefits	799,027
Compensated absences payable	615,718
Other post-employment benefits obligation	8,574,521
Net pension liability	<u>24,638,739</u>
Total Noncurrent Liabilities	<u>41,228,823</u>
Total Liabilities	<u>43,816,570</u>
Deferred Inflows of Resources:	
Deferred inflows of resources related to OPEB liability	585,295
Deferred inflow of resources related to net pension liability	<u>1,405,094</u>
Total Deferred Inflows of Resources	<u>1,990,389</u>
<b>NET POSITION</b>	
Net investment in capital assets	23,784,669
Restricted	106,933
Unrestricted (deficit)	<u>(29,760,277)</u>
Total Net Position (Deficit)	<u>\$ (5,868,675)</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Statement of Activities**  
For the Year Ended June 30, 2018

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 19,729,661	\$ 3,856,407	\$ 1,059,906	\$(14,813,348)
Supporting services	2,630,549		13,166	(2,617,383)
Instructional staff services	688,916		107,418	(581,498)
General administration	3,264,777			(3,264,777)
Operation and maintenance of plant	3,132,569	22,741		(3,109,828)
Pupil transportation	1,347,013		30,134	(1,316,879)
Food service	580,290	391,953	135,564	(52,773)
Centralized services	901,406			(901,406)
Interest	1,067,136		588,887	(478,249)
Total governmental activities	<u>\$ 33,342,317</u>	<u>\$ 4,271,101</u>	<u>\$ 1,935,075</u>	<u>(27,136,141)</u>
General revenues:				
				24,322,702
				3,442,144
				36,637
				55,462
				<u>27,856,945</u>
				720,804
				Net position - beginning
				(deficit), as restated
				<u>(6,589,479)</u>
				<u>\$ (5,868,675)</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2018

	<u>General Fund</u>	<u>Federal Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,832,526			\$ 1,832,526
Investments	3,768			3,768
Accounts receivable	6,074		\$ 22,699	28,773
Due from other governments, net	748,578	\$ 204,370	8,900	961,848
Due from other funds	149,101		272,307	421,408
Prepaid expenses	58,081			58,081
<b>Total Assets</b>	<u>2,798,128</u>	<u>204,370</u>	<u>303,906</u>	<u>3,306,404</u>
<b>Deferred Outflows of Resources:</b>				
Total Deferred Outflows of Resources	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 2,798,128</u>	<u>\$ 204,370</u>	<u>\$ 303,906</u>	<u>\$ 3,306,404</u>
<b>Liabilities:</b>				
Accounts payable	\$ 121,369	\$ 15,934	\$ 7,283	\$ 144,586
Accrued expenses	98,857			98,857
Advances from grantor	3,201			3,201
Unearned food service sales			12,014	12,014
Due to other funds	312,029	149,101		461,130
<b>Total Liabilities</b>	<u>535,456</u>	<u>165,035</u>	<u>19,297</u>	<u>719,788</u>
<b>Deferred Inflows of Resources:</b>				
Total Deferred Inflows of Resources	-	-	-	-
<b>Fund balances:</b>				
Nonspendable	58,081			58,081
Restricted	21,705	39,335	45,893	106,933
Committed	388,326		238,716	627,042
Assigned	290,077			290,077
Unassigned	1,504,483			1,504,483
<b>Total Fund Balances</b>	<u>2,262,672</u>	<u>39,335</u>	<u>284,609</u>	<u>2,586,616</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 2,798,128</u>	<u>\$ 204,370</u>	<u>\$ 303,906</u>	<u>\$ 3,306,404</u>

*See accompanying notes to the basic financial statements*



EXHIBIT C-1  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2018

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 2,586,616
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,602,962
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB liability	260,550
Deferred outflow of resources related to net pension liability	5,189,776
Deferred inflows of resources related to OPEB liability	(585,295)
Deferred inflow of resources related to net pension liability	(1,405,094)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(7,649,025)
Capital leases payable	(169,268)
Accrued interest on long-term obligations	(742,429)
Early retirement benefits payable	(1,128,490)
Compensated absences payable	(615,718)
OPEB liability	(8,574,521)
Net pension liability	<u>(24,638,739)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ (5,868,675)</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Federal Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 24,322,702			\$ 24,322,702
Intergovernmental	4,394,859	\$ 804,414	\$ 135,564	5,334,837
Charges for services	3,856,407		414,694	4,271,101
Interest income	36,637			36,637
Miscellaneous	55,462	42,382		97,844
Total Revenues	<u>32,666,067</u>	<u>846,796</u>	<u>550,258</u>	<u>34,063,121</u>
<b>Expenditures:</b>				
<b>Current operations:</b>				
Instruction	18,172,316	726,336	65,930	18,964,582
Supporting services	2,563,706	13,166		2,576,872
Instructional staff services	577,738	107,417		685,155
General administration	3,178,637			3,178,637
Operation and maintenance of plant	2,980,877		19,366	3,000,243
Pupil transportation	1,343,013	4,000		1,347,013
Food service			562,338	562,338
Centralized services	789,636			789,636
Capital outlay	362,132			362,132
<b>Debt service:</b>				
Principal retirement	1,225,785			1,225,785
Interest and fiscal charges	1,079,726			1,079,726
Total Expenditures	<u>32,273,566</u>	<u>850,919</u>	<u>647,634</u>	<u>33,772,119</u>
Excess of revenues over (under) expenditures	<u>392,501</u>	<u>(4,123)</u>	<u>(97,376)</u>	<u>291,002</u>
<b>Other financing sources (uses):</b>				
Transfers in			30,000	30,000
Transfers out	<u>(30,000)</u>			<u>(30,000)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	362,501	(4,123)	(67,376)	291,002
Fund balances - beginning, as restated	<u>1,900,171</u>	<u>43,458</u>	<u>351,985</u>	<u>2,346,328</u>
Fund balances - ending	<u>\$ 2,262,672</u>	<u>\$ 39,335</u>	<u>\$ 284,609</u>	<u>\$ 2,637,330</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
For the Year Ended June 30, 2018

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 291,002
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(392,947)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,225,785
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	66,557
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.	47,868
In the statement of activities, interest is accrued on outstanding bonds payable and capital leases payable, whereas in governmental funds, an interest expenditure is reported when due.	(53,967)
Some expenses reported in the statement of activities, such as compensated absences, and early retirement benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(51,699)
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	31,719
Net changes in pension	<u>(443,514)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 720,804</u>

*See accompanying notes to the basic financial statements*

EXHIBIT E  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2018

	Private Purpose <u>Trust Fund</u>	Student Activities <u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents		\$ 176,848
Due from other funds	\$ 39,722	
Total assets	<u>39,722</u>	<u>\$ 176,848</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total Deferred Outflows of Resources	<u>-</u>	
<b>LIABILITIES</b>		
Due to student groups		\$ 176,848
Total liabilities	<u>-</u>	<u>\$ 176,848</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Total Deferred Inflows of Resources	<u>-</u>	
<b>NET POSITION</b>		
Held in trust	<u>39,722</u>	
Total Net Position	<u>\$ 39,722</u>	

*See accompanying notes to the basic financial statements*

**EXHIBIT F**  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
 For the Year Ended June 30, 2018

	Private Purpose <u>Trust Fund</u>
<b>ADDITIONS:</b>	
Contributions	\$ 23,915
Total Additions	<u>23,915</u>
<b>DEDUCTIONS:</b>	
Scholarship Benefits	<u>26,500</u>
Total Deductions	<u>26,500</u>
Change in Net Position	(2,585)
Net Position - beginning	<u>42,307</u>
Net Position - ending	<u>\$ 39,722</u>

*See accompanying notes to the basic financial statements*

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2018

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Sanborn Regional School District conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The following is a summary of significant accounting policies.

***Financial Reporting Entity***

The Sanborn Regional School District (the “District”) is an independent governmental entity organized under the laws of the State of New Hampshire to provide public education within the borders of the Towns of Kingston and Newton, New Hampshire. The District's legislative body is the annual deliberative session followed by balloting of registered voters within the District and is governed by an elected School Board. The District has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

***Basis of Presentation***

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements:**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**2. Fund Financial Statements:**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

***Fund Accounting***

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of two categories of funds: governmental and fiduciary.

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

The *Federal Projects Fund* is used to account for the financial transactions related to various state and federal education grants and the related expenditures.

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The District maintains two fiduciary funds, one agency fund known as the Student Activities Agency Fund, and one private purpose trust fund. The agency fund was established to account for revenues generated by student managed activities. It is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The private purpose trust fund was established to account for assets held under trust arrangements exclusively for individual scholarship recipients and are therefore not available to support the District's own programs.

***Measurement Focus***

**1. Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

**1. Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, and student fees.

Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.



**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

**2. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

***Budgetary Data***

The District's budget represents functional appropriations as authorized by annual District meetings. The school board may transfer funds between operating categories as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2018, the District applied \$1,125,634 of its unassigned fund balance to reduce taxes.

***Accounts Receivable***

Charges for services billed during the current year and prior and uncollected at June 30, 2018 are recorded as receivables. Amounts due from other governments have been reported net of reserves for estimated uncollectibles of \$57,633 in the General Fund.

***Capital Assets***

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure or intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**SANBORN REGIONAL SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 For the Year Ended June 30, 2018**

<u>Description</u>	<u>Years</u>
Land improvements	50
Buildings and improvements	5-75
Machinery, equipment and vehicles	7-25

***Compensated Absences***

The district has four units with compensated absence policies.

Unit 1 employees (professional staff) are entitled 13 sick days a year and may accumulate up to 120 days of sick leave. A professional staff member that has been employed by Sanborn Regional School District for a minimum of 15 years will receive payment for their unused sick leave days equal to 60% of the current substitute rate. Professional staff that does not use sick time during the year will receive 1-2 days of per diem salary at the conclusion of the year. Full time professional staff members who have taught a minimum of 20 years, 10 of which were with the Sanborn Regional School District and are at least 55 years of age are entitled to early retirement. Up to 3 early retirement requests will be approved each year. These professional staff members will receive 25% or 30% of their last salary annually for a 5-year period, depending on years of service within the district. In the event of death, this granted early retirement is paid to the heirs of the staff member for the remainder of the 5-year period.

Unit 2 employees (support staff) are entitled 13 sick days a year and may accumulate up to 120 days of sick leave. Staff members that do not use sick time during the year will receive 1-2 days of per diem salary at the conclusion of the year. Vacation time may be earned which is computed as of the employee's anniversary date and could be 2 to 4 weeks depending on years of service. A pro-rata accumulation of unused vacation time will be paid to employees terminating employment.

Per these collective bargaining agreements, the District also recognizes a sick leave bank. The sick leave bank is managed by a sick leave bank committee and will cap at 800 days. This maximum of 800 days of sick time will be rolled over each year. Sick bank members on a year-long contract may apply to and subsequently withdraw approved days from this bank if needed.

Unit 3 employees (non-union support staff) are entitled 13 sick days a year and may accumulate up to 120 days of sick leave. Employees that do not use sick time during the year will receive 2 days of per diem salary at the conclusion of the year. Upon retirement from the district after serving 15 consecutive years, full time employees will receive a portion of their accumulated sick leave equal to the average daily rate times 0.5, with the maximum of 120 accrued days. Employees will earn vacation time of 1 to 4 weeks based on position and years of service. A pro-rata accumulation of this unused vacation time will be paid to employees terminating employment. Full time employees may carryover a maximum of 5 days' vacation with days to expire after one year.

Unit 4 employees (administrators) are entitled 15 sick days a year and may accumulate up to 150 days of sick leave. Upon retirement from the district after serving 15 consecutive years, administrators will receive a portion of their accumulated sick leave equal to the average daily rate times 0.5, with the maximum of 150 accrued days. All administrators are eligible for 20 days of vacation. A maximum of 10 days may be carried forward into the next year and expire within one year. An administrator who has served a minimum of 15 years in the district and is at least 55 years of age are entitled to early retirement.

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

There can be one administrator granted early retirement for the year. This administrator will receive their sick leave payment, and a one-time additional payment of 25% of the administrator's last year's salary.

For governmental fund financial statements, compensated absences and early retirement benefits are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence and early retirement benefit liabilities are reported on the government-wide financial statements.

***Bond Premium***

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premium.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued expenses, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

General obligation bonds, capital leases, and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

***Postemployment Benefits Other Than Pensions (OPEB)***

For purposes of measuring the net 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 (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

***Net Position***

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

***Fund Balance Policy***

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District has segregated fund balance into five classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Funds legally restricted for specific purposes by their providers through constitutional provisions or by enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or by the enabling legislation.
- *Committed Fund Balance*: Amounts that can only be used for specific purposes pursuant to a formal vote of the School Board. The School Board, as the government's highest level of decision-making authority, may commit fund balance by a formal vote prior to the government's fiscal year end. Future modification or recession of committed funds must likewise be accompanied by a formal vote of the School Board prior to fiscal year end.
- *Assigned Fund Balance*: Amounts the School Board intends to use for a specific purpose. The School Board may expressly delegate the authority to assign funds for specific purposes to the Superintendent or Business Administrator.
- *Unassigned Fund Balance*: Amounts that are available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balances of another governmental fund.

The District's policy is to return to the Town, any unassigned fund balance at fiscal year end, to be used to offset the subsequent fiscal year's tax rate.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 2—DEPOSITS AND INVESTMENTS**

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Deposits and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 1,832,526
Investments	3,768
Statement of Fiduciary Net Position:	
Cash and cash equivalents	176,848
	<u>\$ 2,013,142</u>

Deposits and investments at June 30, 2018 consist of the following:

Cash on hand	\$ 275
Deposits with financial institutions	2,009,099
Investments	3,768
	<u>\$ 2,013,142</u>

The School District's investment policy for governmental funds requires deposits and investments with financial institutions that are participants in one of the federal depository insurance programs or have collateral approved pursuant to applicable law. The School Board authorizes the School District Treasurer, working in conjunction with the Superintendent, to invest funds of the District.

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy for managing credit risk is based on the prudent

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

person principal to ensure capital preservation and protection of investment principal while maintaining sufficient liquidity and seeking a fair rate of return.

As of June 30, 2018, the District's investment in the NHPDIP, a state investment pool, had a fair value balance of \$3,768 and was rated *AAA-m*.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. In accordance with the District's investment policy, all deposits in excess of federal depository insurance must be secured by collateral having a value at least equal to the amount of such funds. Of the District's deposits with financial institutions at year end, \$2,522,224 was collateralized by securities held by the bank in the bank's name.

***Investment in NHPDIP***

The District is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at [www.NHPDIP.com](http://www.NHPDIP.com).

The District's exposure to derivatives is indirect through its participation in the NHPDIP. The District's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

**NOTE 3—CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:				
Construction in progress	\$ 24,005	\$ 39,600	\$ (24,005)	\$ 39,600
Land	<u>1,101,127</u>			<u>1,101,127</u>
Total capital assets not being depreciated	<u>1,125,132</u>	<u>39,600</u>	<u>(24,005)</u>	<u>1,140,727</u>
Other capital assets:				
Land improvements	436,709			436,709
Buildings and improvements	38,285,376	204,809		38,490,185
Machinery, equipment & vehicles	<u>1,908,981</u>	<u>193,955</u>		<u>2,102,936</u>
Total other capital assets at historical cost	<u>40,631,066</u>	<u>398,764</u>	<u>-</u>	<u>41,029,830</u>

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2018

Less accumulated depreciation for:

Land improvements	(208,441)	(18,607)		(227,048)
Buildings and improvements	(8,310,292)	(662,338)		(8,972,630)
Machinery, equipment & vehicles	(1,241,556)	(126,361)		(1,367,917)
Total accumulated depreciation	<u>(9,760,289)</u>	<u>(807,306)</u>	<u>-</u>	<u>(10,567,595)</u>
Total other capital assets, net	<u>30,870,777</u>	<u>(408,542)</u>	<u>-</u>	<u>30,462,235</u>
Total capital assets, net	<u>\$ 31,995,909</u>	<u>\$ (368,942)</u>	<u>\$ (24,005)</u>	<u>\$ 31,602,962</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 573,053
Instructional staff services	3,213
General administration	79,714
Operation and maintenance of plant	133,374
Food service	17,952
	<u>\$ 807,306</u>

The balance of the assets acquired through capital leases as of June 30, 2018 is as follows:

	Historical Cost	Accumulated Depreciation	Net Book Value
Building improvements	\$ 272,255	\$ (65,826)	\$ 206,429
Machinery, equipment & vehicles	<u>99,918</u>	<u>(24,158)</u>	<u>75,760</u>
	<u>\$ 372,173</u>	<u>\$ (89,984)</u>	<u>\$ 282,189</u>

**NOTE 4—LONG-TERM OBLIGATIONS**

***Changes in Long-Term Obligations***

The changes in the District's long-term obligations for the year ended June 30, 2018 are as follows:

Type	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds payable	\$ 8,317,839		\$(1,225,785)	\$ 7,092,054	\$ 1,168,168
Unamortized bond premium	<u>623,528</u>		<u>(66,557)</u>	<u>556,971</u>	
Total bonds payable	8,941,367	\$ -	(1,292,342)	7,649,025	1,168,168
Capital lease payable	217,136		(47,868)	169,268	49,307
Early retirement benefits	1,026,339	370,609	(268,458)	1,128,490	329,463
Compensated absences	<u>666,170</u>	<u>37,161</u>	<u>(87,613)</u>	<u>615,718</u>	<u>-</u>
Total	<u>\$ 10,851,012</u>	<u>\$ 407,770</u>	<u>\$(1,696,281)</u>	<u>\$ 9,562,501</u>	<u>\$ 1,546,938</u>

Payments on the general obligation bonds and capital leases are paid out of the General Fund. Amortization of the bond premium is recognized as a component of interest expense on the Statement of Activities (Exhibit B). Payments on early retirement benefits and compensated absences will be paid from the General Fund.

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

***General Obligation Bonds***

Bonds payable at June 30, 2018 is comprised of the following individual issue:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2018</u>
2004 High School Construction Bonds	\$ 29,770,200	4.54%	August 2024	\$ 7,092,054
		Add: Unamortized bond premium		556,971
				<u>\$ 7,649,025</u>

General obligation bonds are direct obligations of the District, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within District boundaries.

Debt service requirements to retire general obligation bonds outstanding at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 1,168,168	\$ 1,139,218	\$ 2,307,386
2020	1,112,322	1,194,926	2,307,248
2021	1,058,291	1,241,879	2,300,170
2022	1,008,331	1,293,058	2,301,389
2023	959,842	1,340,547	2,300,389
2024-2025	<u>1,785,100</u>	<u>2,825,923</u>	<u>4,611,023</u>
	7,092,054	9,035,551	16,127,605
Add: <i>Bond Premium</i>	<u>556,971</u>		<u>556,971</u>
	<u>\$ 7,649,025</u>	<u>\$ 9,035,551</u>	<u>\$ 16,684,576</u>

***Capital Lease Obligations***

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. The following are the capital leases outstanding at June 30, 2018:

Equipment-Kitchen/Gym Heating System - due in varying annual installments at 2.81% through April 18, 2019	\$ 21,536
Equipment-Heat Pumps & ERV's - due in varying annual installments at 3.10% through October 15, 2022	<u>147,732</u>
	<u>\$ 169,268</u>

Debt service requirements to retire the capital lease obligation outstanding at June 30, 2018 are as follows:



**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 49,307	\$ 4,784	\$ 54,091
2020	28,631	3,719	32,350
2021	29,519	2,831	32,350
2022	30,434	1,916	32,350
2023	31,377	972	32,349
	<u>\$ 169,268</u>	<u>\$ 14,222</u>	<u>\$ 183,490</u>

**NOTE 5—OTHER POST-EMPLOYMENT BENEFITS**

***Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense***

	Deferred Outflows	OPEB Liability	Deferred Inflows	OPEB Expense
Cost-Sharing Multiple Employer Plan	\$ 198,510	\$ 2,688,311	\$ 46,154	\$ 111,284
Single Employer Plan	<u>62,040</u>	<u>5,886,210</u>	<u>539,141</u>	<u>427,969</u>
Total	<u>\$ 260,550</u>	<u>\$ 8,574,521</u>	<u>\$ 585,295</u>	<u>\$ 539,253</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as a decrease to unrestricted net position in the amount of \$324,745.

**COST-SHARING MULTIPLE EMPLOYER PLAN**

***Plan Description***

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at [www.nhrs.org](http://www.nhrs.org).

The OPEB Plan is divided into four membership types. Political subdivision employees, teachers and State employees belong to Group I. Police officers and firefighters belong to Group II. The OPEB plan is closed to new entrants.

***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 medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

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. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two person plan.

***Funding Policy***

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contribution rates for the covered payroll of political subdivision employees and teachers were 0.30% and 1.66%, respectively, for the year ended June 30, 2018. Contributions to the OPEB plan for the District were \$198,510 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2018, the District reported a liability of \$2,688,311 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 a roll forward of the actuarial valuation from June 30, 2016. The District's proportion of the net OPEB liability was based on actual contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2017, the District's proportion was approximately 0.5880 percent, which was a decrease of 0.0258 percentage points from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$111,284. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments		\$ 8,483
Changes in proportion and differences between District contributions and proportionate share of contributions		37,671
District contributions subsequent to the measurement date	\$ 198,510	
Totals	<u>\$ 198,510</u>	<u>\$ 46,154</u>

The District reported \$198,510 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2018	\$ (39,792)
2019	(2,121)
2020	(2,121)
2021	(2,120)
	<u>\$ (46,154)</u>

***Actuarial Assumptions***

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of OPEB plan investment expense, including inflation

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 the 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.

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

The discount rate used to measure the collective 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 District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
Net OPEB Liability	\$ 2,925,682	\$ 2,688,311	\$ 2,482,647

**SINGLE EMPLOYER PLAN**

***Plan Description***

The Sanborn Regional School District administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

(OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

***Benefits Provided***

The District provides medical benefits to its eligible retirees. The District acquires health insurance through the School Care Health Benefit Plans of the New Hampshire Health Care Coalition (the "Coalition"). Benefits provided by Coalition are administered by CIGNA. Employees hired before July 1, 2011 must meet one of the following eligibility requirements: age 60 or older with no minimum service requirement, age 50 with 10 years of service, or age plus service equals 70 with a minimum of 20 years of service. Employees hired on or after July 1, 2011 must meet the following eligibility requirements: age 65 regardless of years of creditable service, or age 60 with at least 30 years of service. Retirees and their covered spouses are required to pay 0% to 100% of the premiums for elected coverage, subject to the following eligibility requirements:

- Teachers retiring after July 1, 2017: The District will pay 90% of the premium for eligible teachers hired before June 30, 2002 until age 65.
- Teachers hired before June 30, 2002 with 20 years of service credit, and a minimum of 10 years in the District will have 100% of the medical premium for the retiree and eligible spouse paid for by the District until age 65.
- Administrators retiring after July 1, 2017: The District will pay 90% of the premium for eligible administrators until age 65.
- Administrators retiring at age 55 with 15 years of service in the District receive 100% District paid medical benefits until age 65.
- All Other Employees: Pay 100% of the premium for the coverage elected.

The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50.

***Employees Covered By Benefit Terms***

As of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>280</u>
	<u>292</u>

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

***Total OPEB Liability***

The District's total OPEB liability of \$5,886,210 was measured as of June 30, 2018 and was determined by a rollforward of the actuarial valuation as of July 1, 2017.

***Actuarial Assumptions and Other Inputs for OPEB***

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.00 percent
Discount rate	2.85 percent
Healthcare cost trend rates	9.50% for 2018, decreasing 0.50% per year to an ultimate rate of 5.00% for 2027 and later years.

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

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

***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability</b>
Balance at June 30, 2017	\$ 5,778,591
Changes for the year:	
Service Cost	350,811
Interest	159,382
Differences between expected and actual experience	(30,112)
Benefit payments	<u>(372,462)</u>
Net changes	107,619
Balance at June 30, 2018	<u>\$ 5,886,210</u>

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>(1.85%)</u>	<u>(2.85%)</u>	<u>(3.85%)</u>
Total OPEB Liability	\$ 6,316,177	\$ 5,886,210	\$ 5,527,441

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (10.50 percent decreasing to 6.00 percent) than the current healthcare cost trend rate:

	1% Decrease (8.50% decreasing <u>to 4.00%</u> )	Healthcare Cost Trend Rates (9.50% decreasing <u>to 5.00%</u> )	1% Increase (10.50% decreasing <u>to 6.00%</u> )
Total OPEB Liability	\$ 5,283,162	\$ 5,886,210	\$ 6,592,491

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2018, the District recognized OPEB expense of \$427,969. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 539,141
Changes of assumptions	\$ 62,040	
Totals	<u>\$ 62,040</u>	<u>\$ 539,141</u>

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

<u>June 30,</u>	
2019	\$ (87,763)
2020	(87,763)
2021	(87,763)
2022	(87,763)
2023	(87,763)
Thereafter	(38,286)
	<u>\$ (477,101)</u>

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

**NOTE 6—DEFINED BENEFIT PENSION PLAN**

*Plan Description*

The District contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at [www.nhrs.org](http://www.nhrs.org).

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

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 are available to pay retirement benefits to all members.

*Benefits Provided*

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 vested by January 1, 2012, 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 not attained 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 benefit commencement date precedes the month after which the member attains 52.5 years of age by  $1/4$  of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:



**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%

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.

***Funding Policy***

Plan members are required to contribute 7.0% of their covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rates for the covered payroll of teachers and employees were 15.70% and 11.08%, respectively. The District contributes 100% of the employer cost for teachers and general employees of the District.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. Contributions to the pension plan for the District were \$2,187,770 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$24,638,739 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 a roll forward of the actuarial valuation from June 30, 2016. The District's proportion of the net pension liability was based on actual contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2017, the District's proportion was approximately 0.5010 percent, which was a decrease of 0.0222 percentage points from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,631,284. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 55,866	\$ 313,580
Changes of assumptions	2,474,055	
Net difference between projected and actual earnings on pension plan investments		313,787
Changes in proportion and differences between District contributions and proportionate share of contributions	472,085	777,727
District contributions subsequent to the measurement date	<u>2,187,770</u>	
Total	<u>\$ 5,189,776</u>	<u>\$ 1,405,094</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$3,784,682. The District reported \$2,187,770 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows of resources and inflows of resources related to pensions will be recognized in pension expense in the measurement periods as follows:

<u>June 30,</u>	
2018	\$ 471,233
2019	1,034,512
2020	682,720
2021	<u>(591,553)</u>
	<u>\$ 1,596,912</u>

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions:

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2015 pursuant to an experience study of the period July 1, 2010 – June 30, 2015.

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

***Discount Rate***

The discount rate used to measure the collective 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 contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
District's proportionate share of the net pension liability	\$ 32,460,302	\$ 24,638,739	\$ 18,229,278

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

**NOTE 7—PROPERTY TAXES**

Property taxes levied to support the Sanborn Regional School District are based on the assessed valuation of the prior April 1st for all taxable real property.

Under state statutes, the Towns of Kingston and Newton, New Hampshire (both independent governmental units) collect School District taxes and State of New Hampshire Education taxes as part of local property tax assessments. As collection agents, the Towns are required to pay over to the District their share of property tax assessments through periodic payments based on cash flow requirements of the District. The Towns assume financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2018, School District taxes were \$21,714,905 and State of New Hampshire Education taxes were \$2,607,797.

The District is entitled to receive monies under the established payment schedule and the unpaid amount at the fiscal year end, if any, is considered to be an “accounts receivable” since the revenue is both measurable and available.

**NOTE 8—INTERFUND BALANCES AND TRANSFERS**

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2018 are as follows:

		Due from		
		Federal		
		General	Projects	
		Fund	Fund	Totals
Due to	General Fund		\$ 149,101	\$ 149,101
	Nonmajor Governmental Fund	\$ 272,307		272,307
	Fiduciary Fund	39,722		39,722
		<u>\$ 312,029</u>	<u>\$ 149,101</u>	<u>\$ 461,130</u>

During the year ended June 30, 2018, the General Fund transferred \$30,000 to the Food Service Fund, a Nonmajor Governmental Fund, for the purpose of subsidizing the rates charged for food services.

**NOTE 9—RESTRICTED NET POSITION**

Net position is restricted for specific purposes as follows:

Private grants and donations	\$ 61,040
Food Service operations	<u>45,893</u>
	<u>\$ 106,933</u>

**NOTE 10—COMPONENTS OF FUND BALANCE**

The components of the District’s fund balance for its governmental funds at June 30, 2018 are as follows:

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

<u>Fund Balances</u>	<u>General Fund</u>	<u>Federal Projects Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Prepaid expenses	\$ 58,081			\$ 58,081
<b>Restricted for:</b>				
Private grants and contributions	21,705	\$ 39,335		61,040
Food service operations			\$ 45,893	45,893
<b>Committed for:</b>				
Expendable trusts	388,326			388,326
Facilities Revolving Fund			238,716	238,716
<b>Assigned for:</b>				
Encumbrances	290,077			290,077
<b>Unassigned</b>	<u>1,504,483</u>			<u>1,504,483</u>
	<u>\$ 2,262,672</u>	<u>\$ 39,335</u>	<u>\$ 284,609</u>	<u>\$ 2,586,616</u>

**NOTE 11—RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2018, the District was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2018.

***Property and Liability Insurance***

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 For the Year Ended June 30, 2018

*Worker's Compensation*

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

**NOTE 12—CONTINGENT LIABILITIES**

*Federal Grants*

The District participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

*Litigation*

There are various claims and suits pending against the District, which arise in the normal course of the District's activities. In the opinion of District management, the potential claims against the District, which are not covered by insurance are immaterial and would not affect the financial position of the District.

**NOTE 13—RESTATEMENT OF EQUITY**

*Government-Wide*

During the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Additionally, it was determined that amounts previously reported as advances from grantors were overstated. The impact on net position as of July 1, 2017 is as follows:

	Governmental <u>Activities</u>
Net Position - July 1, 2017 (as previously reported)	\$ (783,420)
Amount of restatement due to:	
Deferred outflows of resources related to OPEB	421,932
OPEB liability	(5,668,783)
Deferred inflows of resources related to OPEB	(602,666)
Overstatement of advances from grantors	43,458
Net Position - July 1, 2017, as restated	<u>\$ (6,589,479)</u>

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2018

***Governmental Funds***

In addition to the above restatement, the overstatement of advances from grantors has the following impact on the fund balance of the Federal Projects Fund as of July 1, 2017:

	Federal Projects Fund
Fund Balance - July 1, 2017 (as previously reported)	\$ -
Amount of restatement due to:	
Overstatement of advances from grantors	<u>43,458</u>
Fund Balance - July 1, 2017, as restated	<u>\$ 43,458</u>

SCHEDULE 1  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 24,322,702	\$ 24,322,702	\$ 24,322,702	\$ -
Intergovernmental	4,330,817	4,352,030	4,394,859	42,829
Charges for services	3,890,000	3,890,000	3,856,407	(33,593)
Interest income	10,000	10,000	31,578	21,578
Miscellaneous	15,312	15,312	55,462	40,150
Total Revenues	<u>32,568,831</u>	<u>32,590,044</u>	<u>32,661,008</u>	<u>70,964</u>
<b>Expenditures:</b>				
<b>Current operations:</b>				
Instruction	19,276,408	18,830,826	18,143,229	687,597
Supporting services	2,582,743	2,659,175	2,563,206	95,969
Instructional staff services	585,054	623,859	579,496	44,363
General administration	3,141,355	3,279,919	3,160,971	118,948
Operation and maintenance of plant	3,150,246	3,351,810	3,149,681	202,129
Pupil transportation	1,515,134	1,494,468	1,343,154	151,314
Centralized services	910,552	895,258	789,636	105,622
Capital Outlay	167,462	214,852	216,751	(1,899)
<b>Debt service:</b>				
Principal retirement	1,225,785	1,225,785	1,225,785	-
Interest and fiscal charges	1,079,726	1,079,726	1,079,726	-
Total Expenditures	<u>33,634,465</u>	<u>33,655,678</u>	<u>32,251,635</u>	<u>1,404,043</u>
Excess of revenues over (under) expenditures	<u>(1,065,634)</u>	<u>(1,065,634)</u>	<u>409,373</u>	<u>1,475,007</u>
<b>Other financing (uses):</b>				
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(30,000)</u>	<u>30,000</u>
Total other financing (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(30,000)</u>	<u>30,000</u>
Net change in fund balance	(1,125,634)	(1,125,634)	379,373	1,505,007
<b>Fund balance at beginning of year</b>				
- Budgetary Basis	<u>1,204,896</u>	<u>1,204,896</u>	<u>1,204,896</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 79,262</u>	<u>\$ 79,262</u>	<u>\$ 1,584,269</u>	<u>\$ 1,505,007</u>

See accompanying notes to the required supplementary information



SCHEDULE 2

**SANBORN REGIONAL SCHOOL DISTRICT**

**Schedule of Changes in the District's Proportionate Share of the Net OPEB Liability**

For the Year Ended June 30, 2018

<u>Measurement Period Ended</u>	<b>Cost-Sharing Multiple Employer Plan Information Only</b>				
	<u>District's Proportion of the Net OPEB Liability</u>	<u>District's Proportionate Share of the Net OPEB Liability</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2017	0.58795093%	\$ 2,688,311	\$ 14,939,773	17.99%	7.91%
June 30, 2016	0.61384594%	\$ 2,971,660	\$ 14,358,222	20.70%	5.21%

*See accompanying notes to the required supplementary information*

SCHEDULE 3  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Schedule of District OPEB Contributions**  
For the Year Ended June 30, 2018

<b>Cost-Sharing Multiple Employer Plan Information Only</b>					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	\$ 198,510	\$ (198,510)	\$ -	\$ 15,037,771	1.32%
June 30, 2017	\$ 348,477	\$ (348,477)	\$ -	\$ 14,939,773	2.33%
June 30, 2016	\$ 330,574	\$ (330,574)	\$ -	\$ 14,358,222	2.30%

*See accompanying notes to the required supplementary information*

SCHEDULE 4  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**  
For the Year Ended June 30, 2018

<u>Single Employer Plan Information Only</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:		
Service cost	\$ 350,811	\$ 343,932
Interest	159,382	155,350
Changes of benefit terms	-	-
Differences between expected and actual experience	(30,112)	(2,309)
Changes of assumptions or other inputs	-	-
Benefit payments	<u>(372,462)</u>	<u>(338,545)</u>
Net change in total OPEB liability	107,619	158,428
Total OPEB liability - beginning	<u>5,778,591</u>	<u>5,620,163</u>
Total OPEB liability - ending	<u>\$ 5,886,210</u>	<u>\$ 5,778,591</u>
Covered employee payroll	\$ 16,602,561	\$ 16,277,021
Total OPEB liability as a percentage of covered employee payroll	35.45%	35.50%

*See accompanying notes to the required supplementary information*

SCHEDULE 5  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Schedule of Changes in the District's Proportionate Share of the Net Pension Liability**  
For the Year Ended June 30, 2018

<u>Measurement Period Ended</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2017	0.50099176%	\$ 24,638,739	\$ 14,939,773	164.92%	62.66%
June 30, 2016	0.52318724%	\$ 27,820,980	\$ 14,358,222	193.76%	58.30%
June 30, 2015	0.51600614%	\$ 20,441,723	\$ 14,930,013	136.92%	65.47%
June 30, 2014	0.50884388%	\$ 19,099,891	\$ 14,230,939	134.21%	66.32%
June 30, 2013	0.49614063%	\$ 21,352,823	\$ 13,906,874	153.54%	59.81%

*See accompanying notes to the required supplementary information*

SCHEDULE 6  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Schedule of District Contributions**  
For the Year Ended June 30, 2018

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	\$ 2,187,770	\$ (2,187,770)	\$ -	\$ 15,037,771	14.55%
June 30, 2017	\$ 1,835,348	\$ (1,835,348)	\$ -	\$ 14,939,773	12.28%
June 30, 2016	\$ 1,760,847	\$ (1,760,847)	\$ -	\$ 14,358,222	12.26%
June 30, 2015	\$ 1,731,149	\$ (1,731,149)	\$ -	\$ 14,930,013	11.60%
June 30, 2014	\$ 1,651,234	\$ (1,651,234)	\$ -	\$ 14,230,942	11.60%
June 30, 2013	\$ 1,233,806	\$ (1,233,806)	\$ -	\$ 13,906,873	8.87%

*See accompanying notes to the required supplementary information*

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2018

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

*General Fund*

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the District. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). General Fund budgetary revenues were adjusted for non-budgetary activity. General Fund budgetary expenditures and other financing uses were adjusted for encumbrances.

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 32,666,067	\$ 32,303,566
Encumbrances, June 30, 2017		(312,008)
Encumbrances, June 30, 2018		290,077
Non-budgetary activity	<u>(5,059)</u>	
Per Schedule 1	<u>\$ 32,661,008</u>	<u>\$ 32,281,635</u>

*Major Special Revenue Funds*

The District adopts its budgets under regulations of the New Hampshire Departments of Education and Revenue Administration which differ from accounting principles generally accepted in the United States of America. Consequently, budgetary information is not presented for the Federal Projects Fund as the information is neither practical nor meaningful.

**NOTE 2—GENERAL FUND BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund at June 30, 2018 are as follows:

<b>Nonspendable:</b>	
Prepaid expenses	\$ 58,081
<b>Restricted for:</b>	
Donations	21,705
<b>Unassigned:</b>	<u>1,504,483</u>
	<u>\$ 1,584,269</u>

**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
For the Year Ended June 30, 2018

**NOTE 3 – SCHEDULE OF CHANGES IN THE DISTRICT’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS**

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the District’s proportionate share of the net OPEB liability, and schedule of District OPEB contributions. The District implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

**NOTE 4 – SCHEDULE OF CHANGES IN THE DISTRICT’S TOTAL OPEB LIABILITY AND RELATED RATIOS**

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the District’s total OPEB liability and related ratios. The District implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**NOTE 5—SCHEDULE OF CHANGES IN THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF DISTRICT CONTRIBUTIONS**

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the district’s proportionate share of the net pension liability, and schedule of district contributions. The District implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

***Changes in Actuarial Assumptions***

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE I  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	<u>Expenditures</u>
<b>DEPARTMENT OF AGRICULTURE</b>		
Pass Through Payments from New Hampshire Department of Education		
<b>Child Nutrition Cluster</b>		
School Breakfast Program	10.553	\$ 12,613
National School Lunch Program	10.555	
School Lunch		115,425
Commodities		42,773
		<u>158,198</u>
<b>Total Child Nutrition Cluster</b>		<u>170,811</u>
<b>Total Department of Agriculture</b>		<u>170,811</u>
<b>DEPARTMENT OF EDUCATION</b>		
Pass Through Payments from New Hampshire Department of Education		
Title I Grants to Local Educational Agencies	84.010	
#70128		5,967
#71623		5,164
#80128		157,221
		<u>168,352</u>
<b>Special Education Cluster</b>		
Special Education - Grants to States	84.027	
#72558		14,966
#72659		1,844
#82586		409,427
		<u>426,237</u>
Special Education - Preschool Grants	84.173	
#82586		9,666
<b>Total Special Education Cluster</b>		<u>435,903</u>
Mathematics and Science Partnerships	84.366	
#85194		31,128
Supporting Effective Instruction State Grants	84.367	
#78892		5,000
#84927		29,347
		<u>34,347</u>
<b>Total Department of Education</b>		<u>669,730</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Pass Through Payments from New Hampshire Department of Health and Human Services		
Substance Abuse and Mental Health Services Projects of Regional Significance	93.243	
#1041177		79,138
Pass Through Payments from New Hampshire Department of Education		
Pregnancy Assistance Fund Program	93.500	
#89004		1,148
<b>Total Department of Health and Human Services</b>		<u>80,286</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 920,827</u>

*See notes to schedule of expenditures of federal awards*



**SANBORN REGIONAL SCHOOL DISTRICT**  
**NOTES TO 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 award activity of Sanborn Regional School District (the “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 District, it is not intended to and does not present the financial position or changes in net position of the 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 in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

**NOTE 3—INDIRECT COST RATE**

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

**NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal financial assistance revenues have been reported as intergovernmental revenues in the District's basic financial statements in the following funds:

Major Governmental Fund:	
Federal Project Fund	\$ 750,016
Nonmajor Governmental Funds:	
Food Service Fund	<u>128,038</u>
	<u>\$ 878,054</u>

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

Independent Auditor's Report

To the School Board  
Sanborn Regional School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanborn Regional School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Sanborn Regional School District's basic financial statements, and have issued our report thereon dated January 16, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Vachon Cloutier & Company PC*

Manchester, New Hampshire  
January 16, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the School Board  
Sanborn Regional School District

**Report on Compliance for Each Major Federal Program**

We have audited Sanborn Regional School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sanborn Regional School District's major federal programs for the year ended June 30, 2018. Sanborn Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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



Manchester, New Hampshire  
January 16, 2019

**Sanborn Regional School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018**

**Section I—Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:	<u>unmodified – all reporting units</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	<u>  X  </u> no	
Significant deficiency(ies) identified	_____ yes	<u>  X  </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u>  X  </u> no	

**Federal Awards**

Internal Control over major programs:			
Material weakness(es) identified?	_____ yes	<u>  X  </u> no	
Significant deficiency(ies) identified	_____ yes	<u>  X  </u> none reported	
Type of auditor’s report issued on compliance for major programs:		<u>unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	<u>  X  </u> no	

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B program: \$ 750,000

Auditee qualified as low-risk auditee?   X   yes        no

## **Section II—Financial Statement Findings**

There were no findings relating to the financial statements required to be reported by GAGAS.

## **Section III—Federal Award Findings and Questioned Costs**

There were no findings and questioned costs as defined under 2 CFR 200.516(a).

SCHEDULE A  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
June 30, 2018

	Facilities Revolving Fund	Food Service Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>			
Accounts receivable	\$ 13,464	\$ 9,235	\$ 22,699
Due from other governments		8,900	8,900
Due from other funds	<u>232,535</u>	<u>39,772</u>	<u>272,307</u>
Total Assets	<u>245,999</u>	<u>57,907</u>	<u>303,906</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>\$ 245,999</u>	<u>\$ 57,907</u>	<u>\$ 303,906</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 7,283		\$ 7,283
Unearned food service sales		\$ 12,014	12,014
Total Liabilities	<u>7,283</u>	<u>12,014</u>	<u>19,297</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted		45,893	45,893
Committed	<u>238,716</u>		<u>238,716</u>
Total Fund Balances	<u>238,716</u>	<u>45,893</u>	<u>284,609</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 245,999</u>	<u>\$ 57,907</u>	<u>\$ 303,906</u>



SCHEDULE B  
**SANBORN REGIONAL SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Funds**  
For the Year Ended June 30, 2018

	Facilities Revolving Fund	Food Service Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Intergovernmental		\$ 135,564	\$ 135,564
Charges for services	\$ 22,741	391,953	414,694
Total Revenues	<u>22,741</u>	<u>527,517</u>	<u>550,258</u>
Expenditures:			
Current operations:			
Instruction	65,930		65,930
Operation and maintenance of plant	19,366		19,366
Food service		562,338	562,338
Total Expenditures	<u>85,296</u>	<u>562,338</u>	<u>647,634</u>
Excess revenues (under) expenditures	<u>(62,555)</u>	<u>(34,821)</u>	<u>(97,376)</u>
Other financing sources			
Transfer in		30,000	30,000
Total other financing sources	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Net change in fund balances	(62,555)	(4,821)	(67,376)
Fund balances - beginning	<u>301,271</u>	<u>50,714</u>	<u>351,985</u>
Fund balances - ending	<u>\$ 238,716</u>	<u>\$ 45,893</u>	<u>\$ 284,609</u>