

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

HAMPTON FALLS SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Hampton Falls School District
Hampton Falls, New Hampshire

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

***Hampton Falls School District
Independent Auditor's Report***

Other Matters

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

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

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

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

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

March 4, 2019

*Plodzik & Sanderson
Professional Association*

HAMPTON FALLS SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**

As management of New Hampshire School Administrative Unit (SAU) #21, the Hampton Falls School District (the District), we offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 34 (GASBS-34).

This section is a summary of the District's financial activities based on currently known facts, decisions, and conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and we encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position for the year ending June 30, 2018, was (\$776,065). Net position decreased by (\$403,098), or -108.08%, between July 1, 2017 and June 30, 2018. The District's total net position consisted of (\$379,791) in the net investment in capital assets, \$1,964 in restricted net position and an unrestricted net position balance of (\$398,238).
- The District's total liabilities of \$10,159,887 consisted of obligations (due in more than one year) for bonds and unamortized bond premium totaling \$4,559,231, compensated absences and other postemployment benefits totaling \$1,064,237, and net pension liability of \$4,402,405.
 - During the year, the District's expenses totaled \$6,134,806, with 48.22% for instruction (\$2,958,365).
 - Total revenues were \$5,731,708 and consist of charges for services, operating and capital grants restricted for specific programs, and general revenues (consisting of local and state property tax assessments and grants and contributions not restricted to specific programs). Local and state assessments generate 92.11% of the District's revenue.
 - The food service program experienced a year-end deficit of (\$19,062) with the difference funded from the general fund.
 - The fiscal year end balances for the governmental fund were categorized as follows:
 - Nonspendable = \$4,782
 - Restricted = \$4,005,210
 - Committed = \$237,861
 - Assigned = \$41,578
 - Unassigned = \$59,861
- The School District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2018. The beginning net position for governmental activities was restated by (\$499,074) for the OPEB provided by NHRS and (\$139,573) for the District's local OPEB plan to retroactively report the increase/decrease in the net OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- Student enrollment decreased by 10 students. Enrollment totaled 243 as of October 1, 2016 and 233 as of October 1, 2017.

HAMPTON FALLS SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**

OVERVIEW OF FINANCIAL STATEMENTS

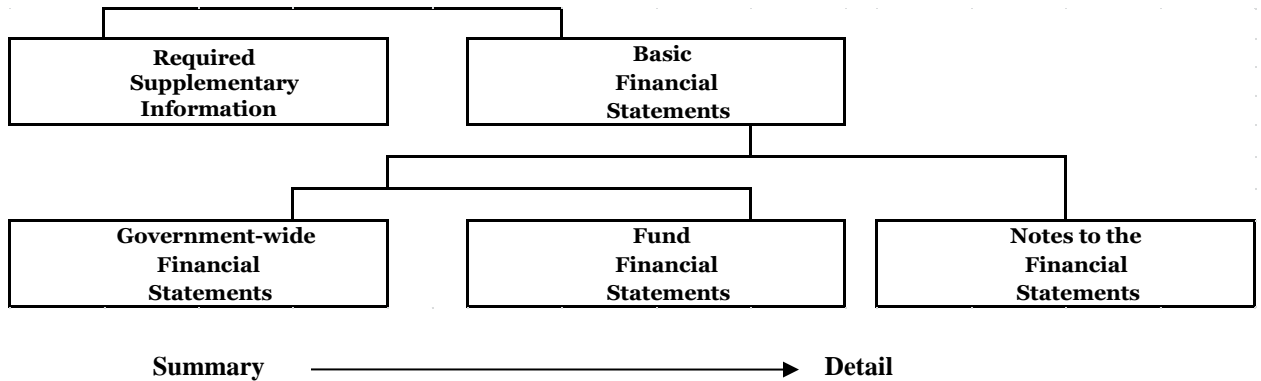
This discussion and analysis is intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes, and related financial/compliance information. Our annual financial report consists of four elements: 1) government-wide financial statements;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

The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The following exhibit shows how the required parts of this annual report are arranged and related to one another.

**Required Components of the Annual Financial Report
Figure 1**



HAMPTON FALLS SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**

Figure 2

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

HAMPTON FALLS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
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The remainder of this overview section of MD&A explains the structure and contents of each of the statements:

Government-wide Financial Statements

The government-wide financial statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as “governmental activities.” Intergovernmental revenues include local, state and federal monies. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements focus on the individual parts of the government and report the District’s operations in more detail than the government-wide statements. Fund definitions are part of a state mandated uniform accounting system and chart of accounts for all New Hampshire school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District’s funds can be divided into two categories: governmental funds and fiduciary funds. Only those governmental activities that are considered significant or “major” funds are reported in individual columns in the fund financial statements.

The District’s basic services are accounted for in the governmental funds and include the general, major capital project, and special revenue funds (federal grant fund and food service fund).

Fiduciary funds are agency funds which account for resources held in a purely custodial capacity consisting of the student activities funds. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Financial Statements

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

HAMPTON FALLS SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's net position totaled (\$776,065) at June 30, 2018, a decrease of (\$403,098) from the previous fiscal year.

The largest portion of the District's net position reflects the unfunded liabilities at the State Retirement System. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves generally cannot be used to liquidate these liabilities. A condensed version of the District's Statement of Net Position is shown below.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention thus the depreciated value of a District asset, as reflected in these reports, does not reflect an asset's useful, market or replacement value.

Hampton Falls School District Governmental Activities Summary of Net Position Two Year Comparison				
	<u>2018</u>	<u>2017</u>	<u>Change 2017-2018</u>	<u>% Change 2017-2018</u>
Assets				
Current Assets	\$ 4,474,426	\$ 818,685	\$ 3,655,741	447%
Capital Assets	4,179,440	4,206,802	(27,362)	-0.65%
Total Assets	<u>8,653,866</u>	<u>5,025,487</u>	<u>3,628,379</u>	<u>72.20%</u>
Deferred Outflows of Resources	<u>981,193</u>	<u>1,458,758</u>	<u>(477,565)</u>	<u>-32.74%</u>
Liabilities				
Other Liabilities	134,014	110,494	23,520	21.29%
Long Term Liabilities	10,025,873	6,650,731	3,375,142	50.75%
Total Liabilities	<u>10,159,887</u>	<u>6,761,225</u>	<u>3,398,662</u>	<u>50.27%</u>
Deferred Inflows of Resources	<u>251,237</u>	<u>95,987</u>	<u>155,250</u>	<u>161.74%</u>
Net Position				
Net Investment in Capital Assets	(379,791)	3,580,002	(3,959,793)	-110.61%
Restricted Net Position	1,964	10,528	(8,564)	-81.34%
Unrestricted Net Position	(398,238)	(3,963,497)	3,565,259	89.95%
Total Net Position	<u>\$ (776,065)</u>	<u>\$ (372,967)</u>	<u>\$ (403,098)</u>	<u>-108.08%</u>

HAMPTON FALLS SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**

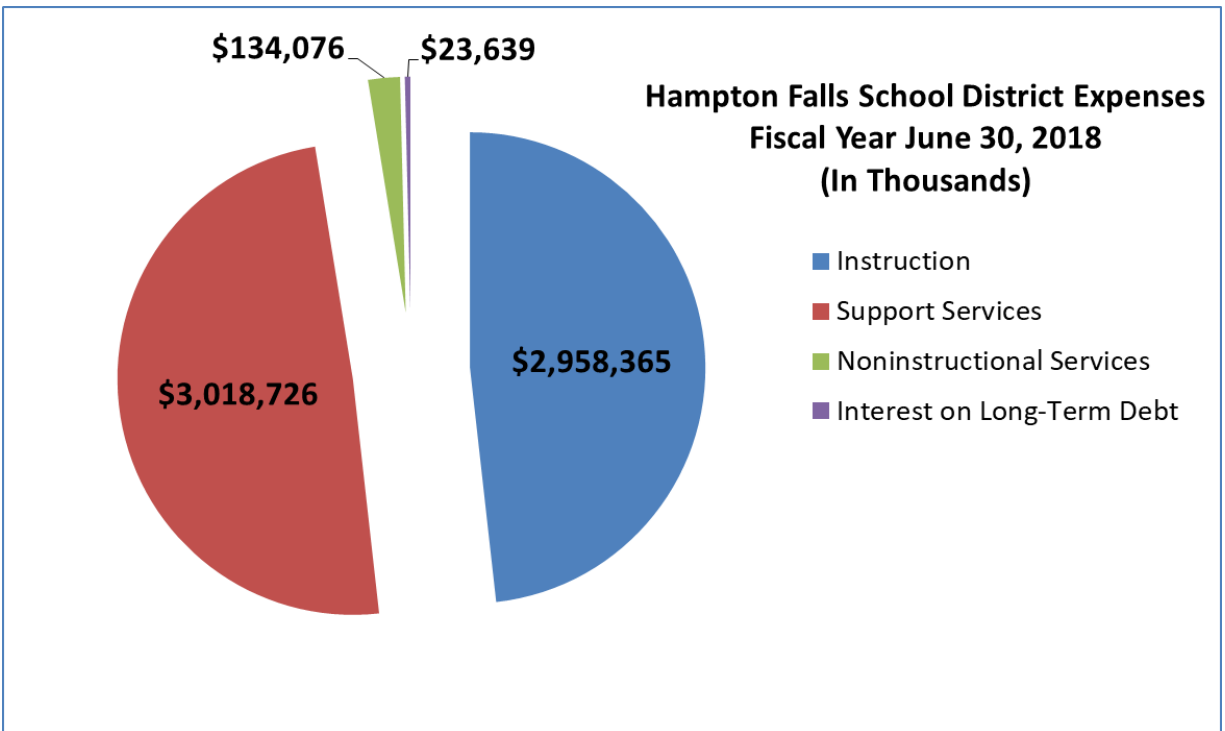
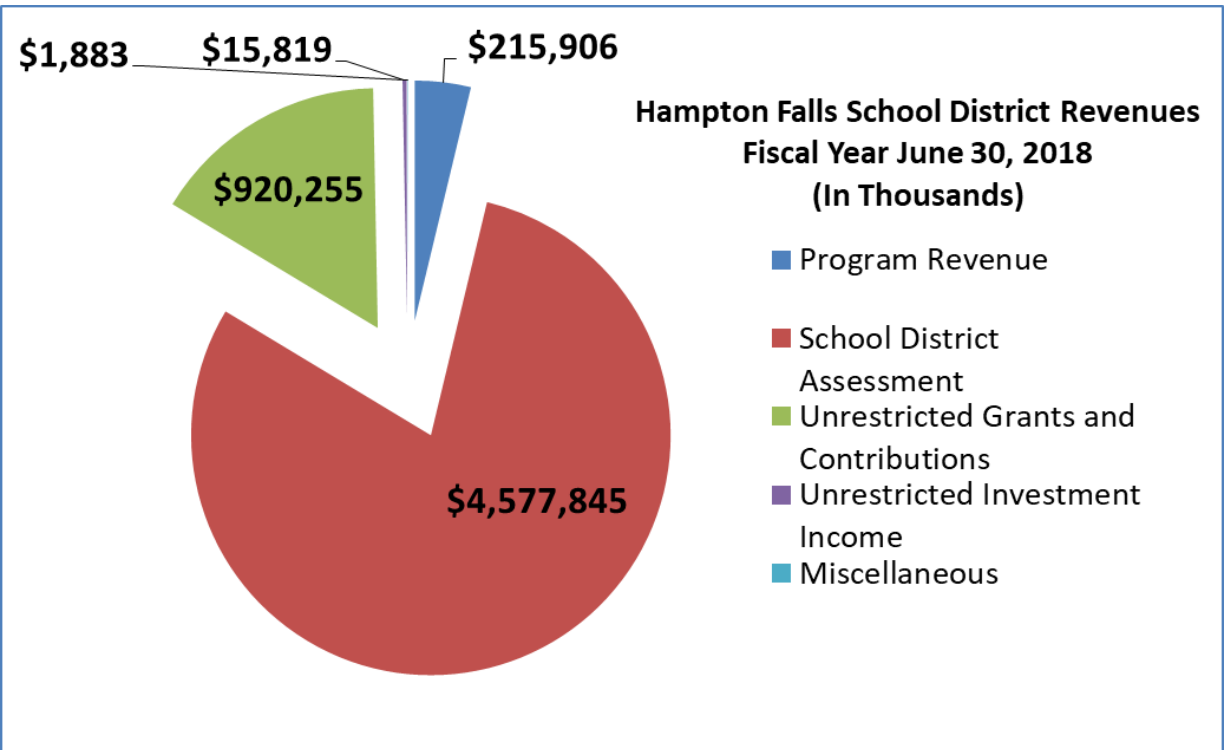
Statement of Activities

79.87% of the District's total revenues come from the school district assessment while 16.06% is derived from grants and contributions not restricted to specific programs. The District's expenses cover a range of services, the largest of which are school instruction (48.22% of total expenses) and support services (49.21% of total expenses). Below is a condensed version of the District's Statement of Activities followed by charts showing the breakdown of the District's total expenses and revenues.

Hampton Falls School District Governmental Activities Statement of Activities Two Year Comparison				
	June 30, <u>2018</u>	June 30, <u>2017</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Program Revenue				
Charges for Services	\$ 93,370	\$ 93,993	\$ (623)	-0.66%
Operating Grants & Contributions	122,536	141,180	(18,644)	-13.21%
General Revenue				
School District Assessment	4,577,845	4,729,950	(152,105)	-3.22%
Unrestricted Grants and Contributions	920,255	1,042,510	(122,255)	-11.73%
Unrestricted Investment Income	15,819	1,171	14,648	1250.90%
Miscellaneous	1,883	194	1,689	870.62%
Total Revenues	<u>\$ 5,731,708</u>	<u>\$ 6,008,998</u>	<u>\$ (277,290)</u>	<u>-4.61%</u>
Program Expenses				
Instruction	\$ 2,958,365	\$ 2,731,946	\$ 226,419	8.29%
Support Services:				
Student	137,474	128,079	9,395	7.34%
Instructional Staff	216,438	222,565	(6,127)	-2.75%
General Administration	61,210	49,475	11,735	23.72%
Executive Administration	104,914	106,961	(2,047)	-1.91%
School Administration	149,749	156,317	(6,568)	-4.20%
Operation and Maintenance of Plant	734,223	475,073	259,150	54.55%
Student Transportation	233,818	219,635	14,183	6.46%
Other	1,380,900	1,523,302	(142,402)	-9.35%
Noninstructional Services	134,076	132,535	1,541	1.16%
Interest on Long-Term Debt	23,639	26,969	(3,330)	-12.35%
Total Expenses	<u>6,134,806</u>	<u>5,772,857</u>	<u>361,949</u>	<u>6.27%</u>
Change in Net Position	(403,098)	236,141	(639,239)	-270.70%
Net Position, beginning, as restated	<u>(372,967)</u>	<u>(609,108)</u>	<u>236,141</u>	<u>38.77%</u>
Net Position, ending	<u>\$ (776,065)</u>	<u>\$ (372,967)</u>	<u>\$ (403,098)</u>	<u>-108.08%</u>

HAMPTON FALLS SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**



HAMPTON FALLS SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**

INDIVIDUAL FUND FINANCIAL ANALYSIS

General Fund

The general fund is what most people think of as “the budget” since it is the focal point of the First Session of Annual Meeting (Deliberative) and largely supported by locally raised taxes. The general fund ended the fiscal year with an unassigned fund balance of \$64,192.

The general fund is supported by \$4.58 million from local assessments, \$920 thousand from state sources, \$17 thousand from federal sources, and a small portion from other local sources. General fund expenditures are primarily for instruction (\$2.84 million) and support services (\$2.73 million), followed by debt payments (\$92 thousand), and \$119 thousand for facilities acquisition and construction.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

- General fund actual revenues totaling \$5,519,486 exceeded budgeted revenues by \$11,559 (0.21%).
 - **Local sources** totaling \$3,935 slightly exceeded the budget of \$50 due to investment earnings.
 - **State sources** totaling \$920,255 slightly exceeded the budget by \$2,223 due to other state funding.
 - **Federal sources** totaling \$17,451 exceeded the budget by \$5,451 due to increased other federal funding.
- General fund expenditures, including encumbrances to the subsequent year, totaling \$5,786,666 were less than appropriations totaling \$5,851,436, including encumbrances from the prior year, by \$64,770 (1.11%). Significant general fund budget variances occurred in these functions:
 - **Instruction** totaling \$2,841,200 is the largest expense of the District and was below budget by \$27,436 due to savings in tuition account, offset by costs in salary accounts.
 - **General Administration** totaling \$57,262 was above budget by (\$15,718) due to legal costs.
 - **Other** totaling \$1,314,518 was below budget by \$27,381 primarily due to savings in benefits.
 - **Student transportation** totaling \$233,079 was below budget by \$27,703 primarily due to savings in field trip, special education, and other transportation.

HAMPTON FALLS SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2018, the District reported capital assets of \$4,179,440 (net of accumulated depreciation), which consist of a broad range of capital assets, including land & improvements, construction in progress, buildings & improvements, machinery and equipment. Additions in assets totaling \$95,706 during the year include:

Window Shades	\$6,297.00
HVAC Compressor, Dryer, Tank Drain	\$5,175.00
Security System	\$14,409.24
Chrome Books	\$10,825.00
Eckman Design work for LA addition/renovations	\$59,000.00

Hampton Falls School District				
Governmental Activities				
Capital Assets				
Two Year Comparison				
	<u>Governmental Activities</u>		<u>Increase</u>	<u>% Increase</u>
	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Land	\$ 1,045,750	\$ 1,045,750	\$ -	0.00%
Construction in Progress	59,000	-	59,000	100.00%
Building & Building Improvements	4,527,694	4,521,397	6,297	0.14%
Machinery, Equipment & Vehicles	<u>320,227</u>	<u>289,818</u>	<u>30,409</u>	<u>10.49%</u>
Total Historical Costs	5,952,671	5,856,965	95,706	1.63%
Total Accumulated Depreciation	<u>(1,773,231)</u>	<u>(1,650,163)</u>	<u>(123,068)</u>	<u>-7.46%</u>
Net Capital Assets	<u>\$ 4,179,440</u>	<u>\$ 4,206,802</u>	<u>\$ (27,362)</u>	<u>-0.65%</u>

HAMPTON FALLS SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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Long-Term Debt

The table below illustrates the long-term debt of the District as of June 30, 2018. The District has a Bond for renovations and expansion of the facility. The compensated balances were calculated on vacation days for all eligible employees and sick days for those employees eligible for compensation at retirement. With the approval of GASB 75, all local governments are required to calculate the costs associated with post-employment benefits. Note 10 provides a summary calculation of the net OPEB obligation. In accordance with GASB 68, the calculated value of the unfunded state retirement assigned to the District for FY 2018 is noted, Note 9.

Hampton Falls School District Governmental Activities Long Term Debt Two Year Comparison				
	Governmental Activities		Increase (Decrease)	% Increase (Decrease)
	2018	2017 (as restated)		
General Obligation Bonds	\$ 4,559,231	\$ 626,800	\$ 3,932,431	627.38%
Compensated Absences	260,339	270,609	(10,270)	-3.80%
Other Postemployment Benefits	803,898	829,633	(25,735)	-3.10%
Net Pension Liability	4,402,405	4,923,689	(521,284)	-10.59%
Total Long Term Debt	\$ 10,025,873	\$ 6,650,731	\$ 3,375,142	50.75%

FUTURE BUDGETARY IMPLICATIONS

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

- The State shifting cost responsibilities to local governments may have an impact on taxation calculations.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens and creditors with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about the report or would like to request additional information, contact Matthew Ferreira, Business Administrator for SAU #21 located at 2 Alumni Drive, Hampton, New Hampshire 03842, via phone at 603-926-8992 ext. 107 or email at mferreira@sau21.org.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,267,684
Other receivables	960
Intergovernmental receivable	201,000
Inventory	4,331
Prepaid items	451
Capital assets, not being depreciated	1,104,750
Capital assets, net of accumulated depreciation	3,074,690
Total assets	8,653,866
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	941,689
Amounts related to other postemployment benefits	39,504
Total deferred outflows of resources	981,193
LIABILITIES	
Accounts payable	90,120
Accrued salaries and benefits	35,014
Accrued interest payable	8,880
Noncurrent obligations:	
Due within one year	67,100
Due in more than one year	9,958,773
Total liabilities	10,159,887
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	243,735
Amounts related to other postemployment benefits	7,502
Total deferred inflows of resources	251,237
NET POSITION	
Net investment in capital assets	(379,791)
Restricted	1,964
Unrestricted	(398,238)
Total net position	\$ (776,065)

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

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

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 2,958,365	\$ -	\$ 98,631	\$ (2,859,734)
Support services:				
Student	137,474	-	-	(137,474)
Instructional staff	216,438	-	-	(216,438)
General administration	61,210	-	1,948	(59,262)
Executive administration	104,914	-	-	(104,914)
School administration	149,749	-	-	(149,749)
Operation and maintenance of plant	734,223	-	313	(733,910)
Student transportation	233,818	-	-	(233,818)
Other	1,380,900	-	-	(1,380,900)
Noninstructional services	134,076	93,370	21,644	(19,062)
Interest on long-term debt	23,639	-	-	(23,639)
Total governmental activities	<u>\$ 6,134,806</u>	<u>\$ 93,370</u>	<u>\$ 122,536</u>	<u>(5,918,900)</u>
General revenues:				
School district assessment				4,577,845
Grants and contributions not restricted to specific programs				920,255
Interest				15,819
Miscellaneous				1,883
Total general revenues				<u>5,515,802</u>
Change in net position				(403,098)
Net position, beginning, as restated (see Note 14)				<u>(372,967)</u>
Net position, ending				<u>\$ (776,065)</u>

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

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

	General	Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 264,438	\$ 4,003,246	\$ -	\$ 4,267,684
Receivables:				
Accounts	960	-	-	960
Intergovernmental	189,078	-	11,922	201,000
Interfund receivables	12,694	-	-	12,694
Inventory	-	-	4,331	4,331
Prepaid items	451	-	-	451
Total assets	<u>\$ 467,621</u>	<u>\$ 4,003,246</u>	<u>\$ 16,253</u>	<u>\$ 4,487,120</u>
LIABILITIES				
Accounts payable	\$ 86,561	\$ -	\$ 3,559	\$ 90,120
Accrued salaries and benefits	35,014	-	-	35,014
Interfund payable	-	-	12,694	12,694
Total liabilities	<u>121,575</u>	<u>-</u>	<u>16,253</u>	<u>137,828</u>
FUND BALANCES (DEFICIT)				
Nonspendable	451	-	4,331	4,782
Restricted	1,964	4,003,246	-	4,005,210
Committed	237,861	-	-	237,861
Assigned	41,578	-	-	41,578
Unassigned (deficit)	64,192	-	(4,331)	59,861
Total fund balances	<u>346,046</u>	<u>4,003,246</u>	<u>-</u>	<u>4,349,292</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 467,621</u>	<u>\$ 4,003,246</u>	<u>\$ 16,253</u>	<u>\$ 4,487,120</u>

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 4,349,292
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 5,952,671	
Less accumulated depreciation	<u>(1,773,231)</u>	4,179,440
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 941,689	
Deferred inflows of resources related to pensions	(243,735)	
Deferred outflows of resources related to OPEB	39,504	
Deferred inflows of resources related to OPEB	<u>(7,502)</u>	729,956
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (12,694)	
Payables	<u>12,694</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(8,880)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 4,332,800	
Unamortized bond premium	226,431	
Compensated absences	260,339	
Other postemployment benefits	803,898	
Net pension liability	<u>4,402,405</u>	<u>(10,025,873)</u>
Net position of governmental activities (Exhibit A)		<u>\$ (776,065)</u>

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

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

	General	Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 4,577,845	\$ -	\$ -	\$ 4,577,845
Other local	13,987	3,715	93,370	111,072
State	920,255	-	1,366	921,621
Federal	17,451	-	103,719	121,170
Total revenues	<u>5,529,538</u>	<u>3,715</u>	<u>198,455</u>	<u>5,731,708</u>
EXPENDITURES				
Current:				
Instruction	2,858,077	-	81,493	2,939,570
Support services:				
Student	134,897	-	-	134,897
Instructional staff	216,910	-	-	216,910
General administration	59,262	-	1,948	61,210
Executive administration	104,914	-	-	104,914
School administration	158,412	-	-	158,412
Operation and maintenance of plant	590,442	-	-	590,442
Student transportation	233,818	-	-	233,818
Other	1,314,743	-	-	1,314,743
Noninstructional services	-	-	134,076	134,076
Debt service:				
Principal	65,000	-	-	65,000
Interest	26,953	-	-	26,953
Facilities acquisition and construction	119,287	-	-	119,287
Total expenditures	<u>5,882,715</u>	<u>-</u>	<u>217,517</u>	<u>6,100,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(353,177)</u>	<u>3,715</u>	<u>(19,062)</u>	<u>(368,524)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	19,062	19,062
Transfers out	(19,062)	-	-	(19,062)
Bond issued	-	3,787,800	-	3,787,800
Premium on issuance	-	211,731	-	211,731
Total other financing sources (uses)	<u>(19,062)</u>	<u>3,999,531</u>	<u>19,062</u>	<u>3,999,531</u>
Net change in fund balances	(372,239)	4,003,246	-	3,631,007
Fund balances, beginning	718,285	-	-	718,285
Fund balances, ending	<u>\$ 346,046</u>	<u>\$ 4,003,246</u>	<u>\$ -</u>	<u>\$ 4,349,292</u>

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

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

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 3,631,007
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 95,706	
Depreciation expense	(123,068)	
		(27,362)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (19,062)	
Transfers out	19,062	
		-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Issuance of bond and bond premium	\$ (3,999,531)	
Principal repayment of bond	65,000	
Amortization of bond premium	2,100	
		(3,932,431)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 1,214	
Decrease in compensated absences payable	10,270	
Net Increase in deferred outflows and inflows of resources related to other postemployment benefits	(10,141)	
Net increase in net pension liability and deferred outflows and inflows of resources related to pensions	(75,655)	
		(74,312)
Change in net position of governmental activities (Exhibit B)		\$ (403,098)

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

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
School district assessment	\$ 4,577,845	\$ 4,577,845	\$ 4,577,845	\$ -
Other local	50	50	3,935	3,885
State	918,032	918,032	920,255	2,223
Federal	12,000	12,000	17,451	5,451
Total revenues	<u>5,507,927</u>	<u>5,507,927</u>	<u>5,519,486</u>	<u>11,559</u>
EXPENDITURES				
Current:				
Instruction	2,823,636	2,868,636	2,841,200	27,436
Support services:				
Student	132,530	132,530	134,897	(2,367)
Instructional staff	223,188	223,188	217,600	5,588
General administration	41,544	41,544	57,262	(15,718)
Executive administration	104,914	104,914	104,914	-
School administration	159,315	159,315	158,426	889
Operation and maintenance of plant	515,042	520,217	513,530	6,687
Student transportation	260,460	260,460	233,079	27,381
Other	1,342,221	1,342,221	1,314,518	27,703
Debt service:				
Principal	65,000	65,000	65,000	-
Interest	26,953	26,953	26,953	-
Facilities acquisition and construction	106,458	106,458	119,287	(12,829)
Total expenditures	<u>5,801,261</u>	<u>5,851,436</u>	<u>5,786,666</u>	<u>64,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(293,334)</u>	<u>(343,509)</u>	<u>(267,180)</u>	<u>76,329</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	50,175	50,175	-
Transfers out	(102,716)	(102,716)	(69,062)	33,654
Total other financing sources (uses)	<u>(102,716)</u>	<u>(52,541)</u>	<u>(18,887)</u>	<u>33,654</u>
Net change in fund balance	<u>\$ (396,050)</u>	<u>\$ (396,050)</u>	(286,067)	<u>\$ 109,983</u>
Decrease in nonspendable fund balance			24	
Decrease in restricted fund balance			4,805	
Unassigned fund balance, beginning			<u>345,430</u>	
Unassigned fund balance, ending			<u>\$ 64,192</u>	

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

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

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 38,993</u>
LIABILITIES	
Due to student groups	<u>\$ 38,993</u>

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

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

1-B Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

Capital Project Fund – the capital project fund accounts for the activity pertaining to the construction/renovation of Lincoln Akerman School.

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

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

1-D Cash and Cash Equivalents

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

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

1-E Receivables

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

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

1-F Inventory

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

1-G Prepaid Items

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

1-H Capital Assets

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

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

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

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

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

Capital Asset Class:	<u>Years</u>
Buildings and building improvements	20 - 80
Equipment, and vehicles	5 - 10

1-I Interfund Activities

Interfund activities are reported as follows:

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

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

1-J Accounts Payable

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

1-K Deferred Outflows/Inflows of Resources

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

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

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

1-L Long-term Obligations

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

In the fund financial statements, governmental fund types report bond premiums, and bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premium received on debt issuances are reported as other financing sources.

1-M Compensated Absences

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

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

1-N Defined Benefit Pension Plan

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

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

1-O Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

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

1-P Net Position/Fund Balances

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

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

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

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

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

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

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

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

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

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

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

1-Q Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual

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meeting, the School District adopts a budget for the current year for the general fund, as well as the nonmajor food service fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2018, \$346,050 of the beginning general fund unassigned fund balance was applied for this purpose and \$50,000 was voted to be used to fund a 2017-2018 warrant article.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 5,569,661
Adjustments:	
Basis difference:	
Capital lease inception	
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	10,052
To remove transfer from the blended expendable trust funds to the general fund	<u>(50,175)</u>
Per Exhibit C-3 (GAAP Basis)	<u><u>\$ 5,529,538</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 5,855,728
Adjustments:	
Basis difference:	
Encumbrances, beginning	137,627
Encumbrances, ending	(41,578)
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust fund	<u>(50,000)</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 5,901,777</u></u>

2-C Accounting Change/Restatement

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

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resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources as follows:

	Local OPEB	State OPEB	Total OPEB
Change in total OPEB liability under current standards, July 1	\$ (139,573)	\$ (566,952)	\$ (706,525)
Initial balance of deferred outflows of resources	-	67,878	67,878
Cumulative restatement related to GASB No. 75 implementation (see Note 14)	<u>\$ (139,573)</u>	<u>\$ (499,074)</u>	<u>\$ (638,647)</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$4,306,677 and the bank balances totaled \$4,322,218.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 4,267,684
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E)	<u>38,993</u>
Total cash and cash equivalents	<u>\$ 4,306,677</u>

NOTE 4 – RECEIVABLES

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

NOTE 5 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 1,045,750	\$ -	\$ 1,045,750
Construction in progress	-	<u>59,000</u>	<u>59,000</u>
Total capital assets not being depreciated	<u>1,045,750</u>	<u>59,000</u>	<u>1,104,750</u>
Being depreciated:			
Buildings and building improvements	4,521,397	6,297	4,527,694
Equipment and vehicles	<u>289,818</u>	<u>30,409</u>	<u>320,227</u>
Total capital assets being depreciated	<u>4,811,215</u>	<u>36,706</u>	<u>4,847,921</u>
Total capital assets	<u>5,856,965</u>	<u>95,706</u>	<u>5,952,671</u>
Less accumulated depreciation:			
Buildings and building improvements	(1,476,487)	(103,606)	(1,580,093)
Equipment and vehicles	<u>(173,676)</u>	<u>(19,462)</u>	<u>(193,138)</u>
Total accumulated depreciation	<u>(1,650,163)</u>	<u>(123,068)</u>	<u>(1,773,231)</u>
Net book value, capital assets being depreciated	<u>3,161,052</u>	<u>(86,362)</u>	<u>3,074,690</u>
Net book value, all capital assets	<u>\$ 4,206,802</u>	<u>\$ (27,362)</u>	<u>\$ 4,179,440</u>

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

Instruction	\$ 14,271
Support services:	
Operation and maintenance of plant	<u>108,797</u>
Total depreciation expense	<u>\$ 123,068</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	<u>\$ 12,694</u>

The interfund transfers in the amount of \$19,062 during the year ended June 30, 2018 consists of transfers from the general fund to the food service fund to cover an operating deficit at year-end.

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

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources of \$981,193 and \$251,237 respectively reported in the government-wide activities at June 30, 2018 consist of deferred amounts related to pensions and OPEB, see Notes 9 and 10 for further information.

NOTE 8 – LONG-TERM LIABILITIES

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

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 610,000	\$ 3,787,800	\$ (65,000)	\$ 4,332,800	\$ 65,000
Premium	16,800	211,731	(2,100)	226,431	2,100
Total bonds payable	<u>626,800</u>	<u>3,999,531</u>	<u>(67,100)</u>	<u>4,559,231</u>	<u>67,100</u>
Compensated absences	270,609	10,628	(20,898)	260,339	-
Net other postemployment benefits	829,633	17,547	(43,282)	803,898	-
Pension related liability	4,923,689	-	(521,284)	4,402,405	-
Total long-term liabilities	<u>\$ 6,650,731</u>	<u>\$ 4,027,706</u>	<u>\$ (652,564)</u>	<u>\$ 10,025,873</u>	<u>\$ 67,100</u>

Long-term bonds are comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2018</u>
General obligation bonds payable:					
Land acquisition	\$ 1,168,000	2005	2025	3.05-5.00%	\$ 545,000
School renovations	\$ 3,787,800	2018	2039	3.35%	<u>3,787,800</u>
					<u>\$ 4,332,800</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 65,000	\$ 130,495	\$ 195,495
2020	187,800	176,276	364,076
2021	200,000	166,436	366,436
2022	210,000	156,153	366,153
2023	215,000	145,396	360,396
2024-2028	970,000	572,772	1,542,772
2029-2033	1,010,000	355,863	1,365,863
2034-2038	1,205,000	164,253	1,369,253
2039-2040	270,000	5,029	275,029
Totals	<u>\$ 4,332,800</u>	<u>\$ 1,872,673</u>	<u>\$ 6,205,473</u>

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the School District contributed 15.70% for teachers and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$401,319, which was paid in full.

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Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the School District reported a liability of \$4,402,405 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on a projection of the School District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the School District’s proportion was 0.09% which was an decrease of 0.0031% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$477,115. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 88,328	\$ 131,638
Net difference between projected and actual investment earnings on pension plan investments	-	56,067
Changes in assumptions	442,060	-
Differences between expected and actual experience	9,982	56,030
Contributions subsequent to the measurement date	401,319	-
Total	\$ 941,689	\$ 243,735

The \$401,319 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Fiscal Year Ending June 30,	
	2018	\$ 91,161
	2019	183,553
	2020	120,045
	2021	(98,124)
	Thereafter	-
	Totals	\$ 296,635

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

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

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

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

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

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Following is a table presenting target allocations and long-term rates of return for 2017:

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

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 5,799,948	\$ 4,402,405	\$ 3,257,174

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

10-A New Hampshire Retirement System (NHRS)

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

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

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

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

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2017, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$39,504, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the School District reported a liability of \$523,670 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB liability was based on a projection of the School District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the School District’s proportion was 0.11% which was an decrease of 0.0026% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$30,011. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 3,758
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,652
Contributions subsequent to the measurement date	39,504	-
Total	\$ 39,504	\$ 5,410

The \$39,504 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Fiscal Year Ending June 30,	
2018	\$ 4,171
2019	413
2020	413
2021	413
Thereafter	-
Totals	<u>\$ 5,410</u>

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

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

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

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

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

Following is a table presenting target allocations and long-term rates of return for 2017:

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

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 569,909	\$ 523,670	\$ 483,608

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

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

10-B Retiree Health Benefit Program

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

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

Employees Covered by Benefit Terms – At July 1, 2016, there were 39 active employees covered by the benefit terms.

Total OPEB Liability – The School District’s total OPEB liability of \$280,228 was measured as of July 1, 2017 and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$280,228 in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.87%
Healthcare Cost Trend Rates:	
Current Year Trend	8.00%
Second Year Trend	7.50%
Decrement	0.50%
Ultimate Trend	5.50%
Year Ultimate Trend is Reached	2075

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.

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

Changes in the Total OPEB Liability -

	<u>June 30, 2018</u>
Total OPEB liability beginning of year, as restated	\$ 262,681
Changes for the year:	
Service cost	15,714
Interest	9,861
Change in actuarial cost method	(2,115)
Benefit payments	<u>(5,913)</u>
Total OPEB liability end of year	<u>\$ 280,228</u>

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2017 actuarial valuation was prepared using a discount rate of 3.87%. If the discount rate were 1% higher than what was used the OPEB liability would increase to \$302,141 or by 7.82%. If the discount rate were 1% lower than what was used the OPEB liability would decrease to \$259,946 or by 7.24%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 3.87%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 302,141</u>	<u>\$ 280,228</u>	<u>\$ 259,946</u>

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2017 actuarial valuation was prepared using an initial trend rate of 7.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$315,050 or by 12.43%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$250,498 or by 10.61%.

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline 7.50%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 250,498</u>	<u>\$ 280,228</u>	<u>\$ 315,050</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the School District recognized OPEB expense of \$25,552. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u>
	<u>Inflows of</u>
	<u>Resources</u>
Changes in assumptions	<u>\$ 2,092</u>

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

<u>Fiscal Year Ending</u>	
<u>June 30,</u>	
2018	\$ 372
2019	372
2020	372
2021	372
2022	372
Thereafter	<u>232</u>
Totals	<u>\$ 2,092</u>

HAMPTON FALLS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2018 are as follows:

Current:		
Instruction:		
Regular programs	\$	1,620
Special programs		1,863
Other		131
Total instruction		<u>3,614</u>
Support services:		
Instructional staff		700
School administration		14
Operation and maintenance of plant		37,250
Total support services		<u>37,964</u>
Total encumbrances	\$	<u>41,578</u>

NOTE 12 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Net investment in capital assets:		
Net book value of all capital assets	\$	4,179,440
Less:		
General obligation bonds payable	(4,332,800)	
Unamortized bond premiums	<u>(226,431)</u>	
Total net investment in capital assets	<u>(379,791)</u>	
Restricted for donations	1,964	
Unrestricted	<u>(398,238)</u>	
Total net position	\$	<u>(776,065)</u>

NOTE 13 – GOVERNMENTAL FUND BALANCES

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

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid	\$ 451	\$ -	\$ -	\$ 451
Inventory	-	-	4,331	4,331
Total nonspendable fund balance	<u>451</u>	<u>-</u>	<u>4,331</u>	<u>4,782</u>
Restricted:				
Grants and donations	1,964	-	-	1,964
Bond proceeds	-	4,003,246	-	4,003,246
Total restricted fund balance	<u>1,964</u>	<u>4,003,246</u>	<u>-</u>	<u>4,005,210</u>
Committed:				
Expendable trust	187,861	-	-	187,861
Voted appropriations - March 2018	50,000	-	-	50,000
Total committed fund balance	<u>237,861</u>	<u>-</u>	<u>-</u>	<u>237,861</u>
Assigned:				
Encumbrances	<u>41,578</u>	<u>-</u>	<u>-</u>	<u>41,578</u>
Unassigned:				
Unassigned (deficit)	<u>64,192</u>	<u>-</u>	<u>(4,331)</u>	<u>59,861</u>
Total governmental fund balances	<u>\$ 346,046</u>	<u>\$ 4,003,246</u>	<u>\$ -</u>	<u>\$ 4,349,292</u>

HAMPTON FALLS SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 14 – PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (638,647)
To restate for adjustment to prior year deferred outflows of resources related to pensions	109,623
Net position, as previously reported	156,057
Net position, as restated	\$ (372,967)

NOTE 15 – RISK MANAGEMENT

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

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

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

NOTE 16 – CONTINGENT LIABILITIES

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

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through March 4, 2019, the date the June 30, 2018 financial statements were available to be issued, and noted the following:

In September 2018 the School District signed a construction contract with Eckman Construction Company Inc. for the construction/renovation of the Lincoln Akerman School. The initial guaranteed maximum price of the contract is \$4,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

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

	June 30,				
	2013	2014	2015	2016	2017
School District's proportion of the net pension liability	0.09%	0.09%	0.09%	0.09%	0.09%
School District's proportionate share of the net pension liability	\$ 3,778,666	\$ 3,483,620	\$ 3,626,325	\$ 4,923,689	\$ 4,402,405
School District's covered payroll	\$ 2,450,675	\$ 2,570,008	\$ 2,620,727	\$ 2,667,407	\$ 2,630,933
School District's proportionate share of the net pension liability as a percentage of its covered payroll	154.19%	135.55%	138.37%	184.59%	167.33%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%

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

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

	June 30,				
	2013	2014	2015	2016	2017
Contractually required contribution	\$ 218,315	\$ 301,090	\$ 307,101	\$ 331,554	\$ 327,937
Contributions in relation to the contractually required contributions	<u>218,315</u>	<u>301,090</u>	<u>307,101</u>	<u>331,554</u>	<u>327,937</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 2,450,675</u>	<u>\$ 2,570,008</u>	<u>\$ 2,620,727</u>	<u>\$ 2,667,407</u>	<u>\$ 2,630,933</u>
Contributions as a percentage of covered payroll	8.91%	11.72%	11.72%	12.43%	12.46%

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

HAMPTON FALLS SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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

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

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

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

Other Information:

Notes Contribution rates for Fiscal Year 2017 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

EXHIBIT H
HAMPTON FALLS SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2016	2017
School District's proportion of the net OPEB liability	0.12%	0.11%
School District's proportionate share of the net OPEB liability (asset)	\$ 566,952	\$ 523,670
School District's covered payroll	\$ 2,667,407	\$ 2,630,933
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	21.25%	19.90%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%

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

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

	June 30,	
	2016	2017
Contractually required contribution	\$ 68,050	\$ 67,882
Contributions in relation to the contractually required contribution	<u>68,050</u>	<u>67,882</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 2,667,407</u>	<u>\$ 2,630,933</u>
Contributions as a percentage of covered payroll	2.55%	2.58%

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

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

	June 30,
	2018
OPEB liability, beginning of year, as restated	\$ 262,681
Changes for the year:	
Service cost	15,714
Interest	9,861
Change in actuarial cost method	(2,115)
Benefit payments	(5,913)
OPEB liability, end of year	\$ 280,228
Covered payroll	\$ 2,380,002
Total OPEB liability as a percentage of covered payroll	11.77%

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

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

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

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

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

Methods and Assumptions:

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

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

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

COMBINING AND INDIVIDUAL FUND SCHEDULES

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

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 4,577,845	\$ 4,577,845	\$ -
Other local sources:			
Investment earnings	50	2,131	2,081
Miscellaneous	-	1,804	1,804
Total from other local sources	<u>50</u>	<u>3,935</u>	<u>3,885</u>
State sources:			
Adequacy aid (grant)	216,538	216,538	-
Adequacy aid (tax)	701,494	701,494	-
Other state aid	-	2,223	2,223
Total from state sources	<u>918,032</u>	<u>920,255</u>	<u>2,223</u>
Federal sources:			
Medicaid	12,000	11,713	(287)
Other	-	5,738	5,738
Total from federal sources	<u>12,000</u>	<u>17,451</u>	<u>5,451</u>
Other financing sources:			
Transfers in	<u>50,175</u>	<u>50,175</u>	<u>-</u>
Total revenues and other financing sources	5,558,102	<u>\$ 5,569,661</u>	<u>\$ 11,559</u>
Use of fund balance to reduce school district assessment	346,050		
Use of fund balance - appropriated	50,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 5,954,152</u>		

SCHEDULE 2
HAMPTON FALLS SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 241	\$ 1,689,477	\$ 1,711,590	\$ 1,620	\$ (23,492)
Special programs	19,160	1,123,270	1,087,845	1,863	52,722
Other	1,090	55,889	58,642	131	(1,794)
Total instruction	<u>20,491</u>	<u>2,868,636</u>	<u>2,858,077</u>	<u>3,614</u>	<u>27,436</u>
Support services:					
Student	-	132,530	134,897	-	(2,367)
Instructional staff	10	223,188	216,910	700	5,588
General administration	2,000	41,544	59,262	-	(15,718)
Executive administration	-	104,914	104,914	-	-
School administration	-	159,315	158,412	14	889
Operation and maintenance of plant	114,162	520,217	590,442	37,250	6,687
Student transportation	739	260,460	233,818	-	27,381
Other	225	1,342,221	1,314,743	-	27,703
Total support services	<u>117,136</u>	<u>2,784,389</u>	<u>2,813,398</u>	<u>37,964</u>	<u>50,163</u>
Debt service:					
Principal of long-term debt	-	65,000	65,000	-	-
Interest on long-term debt	-	26,953	26,953	-	-
Total debt service	<u>-</u>	<u>91,953</u>	<u>91,953</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>-</u>	<u>106,458</u>	<u>119,287</u>	<u>-</u>	<u>(12,829)</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>102,716</u>	<u>69,062</u>	<u>-</u>	<u>33,654</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 137,627</u>	<u>\$ 5,954,152</u>	<u>\$ 5,951,777</u>	<u>\$ 41,578</u>	<u>\$ 98,424</u>

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

Unassigned fund balance, beginning		\$ 345,430
Changes:		
Unassigned fund balance used to reduce school district assessment		(346,050)
Unassigned fund balance appropriated for use in 2017-2018		(50,000)
2017-2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 11,559	
Unexpended balance of appropriations (Schedule 2)	<u>98,424</u>	
2017-2018 Budget surplus		109,983
Decrease in nonspendable fund balance		24
Decrease in restricted fund balance		<u>4,805</u>
Unassigned fund balance, ending		<u><u>\$ 64,192</u></u>

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

	<u>Special Revenue Funds</u>		
	<u>Grants</u>	<u>Food Service</u>	<u>Total</u>
ASSETS			
Intergovernmental receivable	\$ 11,094	\$ 828	\$ 11,922
Inventory	-	4,331	4,331
Total assets	<u>\$ 11,094</u>	<u>\$ 5,159</u>	<u>\$ 16,253</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 3,559	\$ 3,559
Interfund payable	11,094	1,600	12,694
Total liabilities	<u>11,094</u>	<u>5,159</u>	<u>16,253</u>
Fund balances (Deficit):			
Nonspendable	-	4,331	4,331
Unassigned (deficit)	-	(4,331)	(4,331)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,094</u>	<u>\$ 5,159</u>	<u>\$ 16,253</u>

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

	<u>Special Revenue Funds</u>		
	<u>Grants</u>	<u>Food Service</u>	<u>Total</u>
Revenues:			
Local	\$ -	\$ 93,370	\$ 93,370
State	-	1,366	1,366
Federal	83,441	20,278	103,719
Total revenues	<u>83,441</u>	<u>115,014</u>	<u>198,455</u>
Expenditures:			
Current:			
Instruction	81,493	-	81,493
Support services:			
General administration	1,948	-	1,948
Noninstructional services	-	134,076	134,076
Total expenditures	<u>83,441</u>	<u>134,076</u>	<u>217,517</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>(19,062)</u>	<u>(19,062)</u>
Other financing sources:			
Transfers in	<u>-</u>	<u>19,062</u>	<u>19,062</u>
Net change in fund balances	-	-	-
Fund balances, beginning	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHEDULE 6
HAMPTON FALLS SCHOOL DISTRICT
Lincoln Akerman School Student Activities Fund
Schedule of Changes in Student Activities Fund
For the Fiscal Year Ended June 30, 2018

<u>Balance,</u> <u>beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance,</u> <u>ending</u>
<u>\$ 40,425</u>	<u>\$ 105,396</u>	<u>\$ 106,828</u>	<u>\$ 38,993</u>