

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

SEABROOK SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Seabrook School District, as of June 30, 2018, and the respective changes in financial position and, the respective budgetary comparison for the general fund and grants fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

**Seabrook 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 School District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of the School 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 Seabrook School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards – In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019 on our consideration of the Seabrook School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seabrook School District's internal control over financial reporting and compliance.



March 4, 2019

PLODZIK & SANDERSON
Professional Association

SEABROOK 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 Seabrook 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 (\$4,507,210). Net position increased by \$763,121, or 14.48%, between July 1, 2017 and June 30, 2018. The District's total net position consisted of \$5,216,838 in the net investment in capital assets, \$109,257 in restricted net position and an unrestricted net position balance of (\$9,833,305).
- The District's total liabilities of \$13,403,501 consisted primarily of net pension liability of \$9,933,546.
 - During the year, the District's expenses totaled \$13,522,375, with 47.80% for instruction (\$6,463,994).
 - Total revenues were \$14,285,496 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 88.55% of the District's revenue.
- The fiscal year end balances for the governmental funds were categorized as follows:
 - Nonspendable = \$8,828
 - Restricted = \$102,418
 - Committed = \$505,395
 - Assigned = \$72,130
 - Unassigned = \$293,499
- 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 (\$1,154,665) for the OPEB provided by NHRS and (\$668,423) 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 13 students. Enrollment totaled 736 as of October 1, 2016 and 723 as of October 1, 2017.

SEABROOK 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

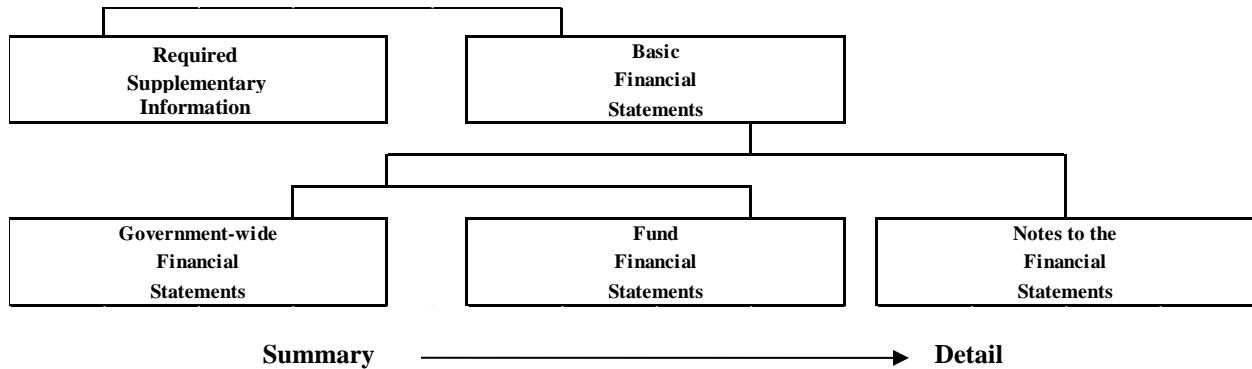
This discussion and analysis is intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes, and related financial/compliance information. Our annual financial report consists of five elements: 1) government-wide financial statements; 2) fund financial statements 3) notes to the financial statements; 4) required supplemental information including this discussion and analysis; and 5) federal awards information. 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**



SEABROOK 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

SEABROOK SCHOOL DISTRICT

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

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 and special revenue (federal grant fund and food service fund) funds.

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.

SEABROOK 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 (\$4,507,210) at June 30, 2018, an increase of \$763,121 over 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.

Seabrook School District Two-Year Comparison Summary of Net Position				
	<u>2018</u>	<u>2017</u> <u>(as restated)</u>	<u>Change</u> <u>2017-2018</u>	<u>%</u> <u>Change</u> <u>2017-2018</u>
<u>Assets</u>				
Current Assets	\$ 1,220,587	\$ 1,950,969	\$ (730,382)	-37%
Capital Assets	6,129,912	5,564,182	565,730	10.17%
Total assets	<u>7,350,499</u>	<u>7,515,151</u>	<u>(164,652)</u>	<u>-2.19%</u>
Deferred outflows of resources	<u>2,122,322</u>	<u>3,082,848</u>	<u>(960,526)</u>	<u>-31.16%</u>
<u>Liabilities</u>				
Long Term Liabilities	13,160,604	14,392,878	(1,232,274)	-8.56%
Other Liabilities	242,897	127,233	115,664	90.91%
Total Liabilities	<u>13,403,501</u>	<u>14,520,111</u>	<u>(1,116,610)</u>	<u>-7.69%</u>
Deferred inflows of resources	<u>576,530</u>	<u>1,348,219</u>	<u>(771,689)</u>	<u>-57.24%</u>
Net Investment in Capital Assets	5,216,838	4,532,435	684,403	15.10%
Restricted Net Position	109,257	37,151	72,106	194.09%
Unrestricted Net Position	<u>(9,833,305)</u>	<u>(9,839,917)</u>	<u>6,612</u>	<u>0.07%</u>
Total Net Position	<u>\$ (4,507,210)</u>	<u>\$ (5,270,331)</u>	<u>\$ 763,121</u>	<u>14.48%</u>

SEABROOK 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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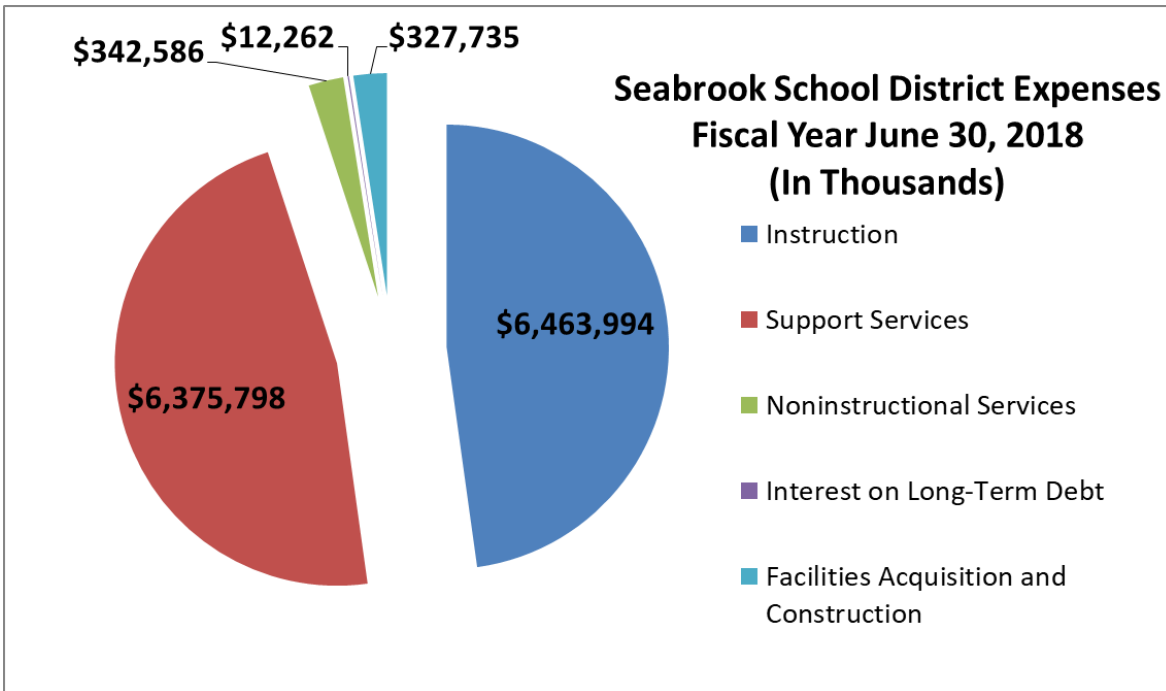
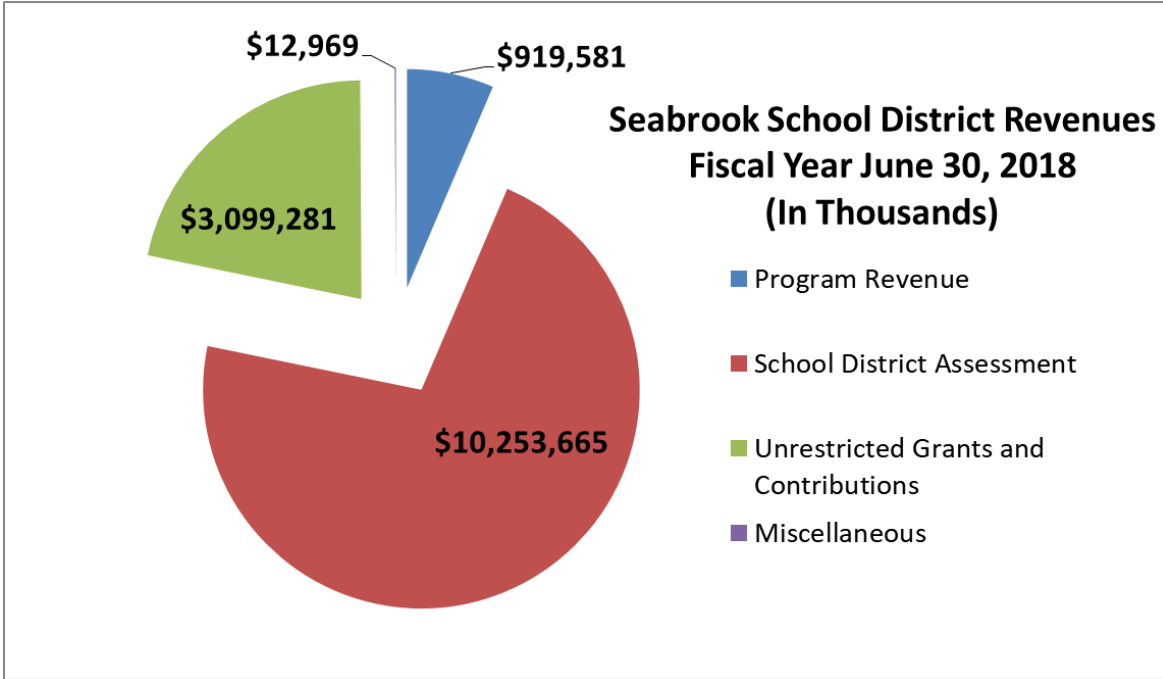
Statement of Activities

Total expenditures of \$13.52 million were approximately \$763 thousand less than revenue of \$14.29 million. 71.78% of the District's total revenues come from the school district assessment while 21.70% 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 (47.80% of total expenses) and support services (47.15% 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.

Seabrook 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	\$ 90,998	\$ 92,695	\$ (1,697)	-1.83%
Operating Grants & Contributions	790,981	867,318	(76,337)	-8.80%
Capital Grants & Contributions	37,602	37,602	-	0.00%
General Revenue:				
School District Assessment	10,253,665	9,019,617	1,234,048	13.68%
Unrestricted Grants and Contributions	3,099,281	3,049,903	49,378	1.62%
Miscellaneous	12,969	6,297	6,672	105.96%
Total Revenues	<u>14,285,496</u>	<u>13,073,432</u>	<u>1,212,064</u>	<u>9.27%</u>
Program Expenses:				
Instruction	\$ 6,463,994	\$ 6,216,294	\$ 247,700	3.98%
Support Services:				
Student	505,884	448,236	57,648	12.86%
Instructional Staff	650,658	568,147	82,511	14.52%
General Administration	77,007	66,627	10,380	15.58%
Executive Administration	412,505	391,602	20,903	5.34%
School Administration	569,864	422,134	147,730	35.00%
Operation and Maintenance of Plant	754,585	1,188,561	(433,976)	-36.51%
Student Transportation	797,328	788,532	8,796	1.12%
Other	2,935,702	3,058,783	(123,081)	-4.02%
Noninstructional Services	342,586	422,110	(79,524)	-18.84%
Interest on Long-Term Debt	12,262	13,008	(746)	-5.73%
Total Expenses	<u>13,522,375</u>	<u>13,584,034</u>	<u>(61,659)</u>	<u>-0.45%</u>
Change in Net Position	763,121	(510,602)	1,273,723	249.46%
Change Related to Implementation of GASB #75	-	(1,823,088)	1,823,088	100.00%
Net Position, beginning (as restated)	<u>(5,270,331)</u>	<u>(2,936,641)</u>	<u>(2,333,690)</u>	<u>-79.47%</u>
Net Position, ending	<u>\$ (4,507,210)</u>	<u>\$ (5,270,331)</u>	<u>\$ 763,121</u>	<u>14.48%</u>

SEABROOK SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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SEABROOK 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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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 \$293,499.

The general fund is supported by \$10.25 million from local assessments, \$3.14 million from state sources, \$30 thousand from federal sources, and \$10 thousand from other local sources. General fund expenditures are primarily for support services (\$6.78 million) followed by instruction (\$6.06 million), debt payments (\$135 thousand), and \$218 thousand for facilities acquisition and construction.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

- General fund actual revenues totaling \$13,430,746 was below budgeted revenues by (\$9,836) or -0.07%.
 - **Local sources** totaling \$9,863 exceeded budget by \$7,438 due to an increase in investment earnings and miscellaneous funding.
 - **State sources** totaling \$3,136,883 exceeded budget by \$22,391 due to an increase in special education aid and other aid.
 - **Federal sources** totaling \$30,335 was below budget by \$(39,665) due to a decrease in Medicaid funding.

- General fund expenditures, including encumbrances to the subsequent year, totaling \$13,186,899 were less than appropriations totaling \$13,629,410, including encumbrances from the prior year, by \$442,511 (3.25%). Significant general fund budget variances occurred in these functions:
 - **Instruction** totaling \$6,056,934 was below budget by \$134,410 due to savings in salary and professional services accounts.
 - **Student Transportation** totaling \$789,917 exceeded budget by (\$13,739) due to special education and other transportation accounts.
 - **Operation and maintenance of plant** totaling \$979,151 exceeded budget by (\$40,371) due to repair and maintenance and renovations accounts.
 - **School Administration** totaling \$555,512 exceeded budget by (\$18,231) primarily due to salary accounts.
 - **Other** totaling \$2,881,779 was below budget by \$347,698 primarily due to savings in benefits.

SEABROOK 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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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2018, the District reported capital assets of \$6,129,912 (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 \$1,037,464 during the year include:

Chrome books; Charging stations; Comp Equip	\$57,071
Window shades	\$7,897
Gym Doors	\$10,000
Playground / Outdoor equipment	\$15,305
Eye Wash Stations	\$5,580
Sprinkler System - SES	\$367,623
Water Main	\$28,000
Kitchen Boiler/Steamer	\$7,015
Windows	\$505,473
Boiler	\$33,500

Seabrook School District Governmental Activities Capital Assets Two Year Comparison				
	<u>Governmental Activities</u>		Increase	% Increase
	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Land	\$ 12,400	\$ 12,400	\$ -	0.00%
Building & Building Improvements	8,292,009	7,311,616	980,393	13.41%
Machinery, Equipment & Vehicles	<u>2,765,387</u>	<u>2,708,316</u>	<u>57,071</u>	<u>2.11%</u>
Total Historical Costs	11,069,796	10,032,332	1,037,464	10.34%
Total Accumulated Depreciation	<u>(4,939,884)</u>	<u>(4,468,150)</u>	<u>(471,734)</u>	<u>-10.56%</u>
Net Capital Assets	<u>\$ 6,129,912</u>	<u>\$ 5,564,182</u>	<u>\$ 565,730</u>	<u>10.17%</u>

SEABROOK 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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Long-Term Debt

The table below illustrates the long-term debt of the District as of June 30, 2018. The District has a Qualified Zone Academy Bond for energy improvements on 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 9 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 8.

Seabrook School District Governmental Activities Long Term Debt Two Year Comparison				
	Governmental Activities			
	<u>2018</u>	<u>2017</u> <u>(as restated)</u>	Increase <u>(Decrease)</u>	% Increase <u>(Decrease)</u>
General Obligation Bonds	\$ 913,074	\$ 1,031,747	\$ (118,673)	-11.50%
Compensated Absences	314,099	290,122	23,977	8.26%
Other Postemployment Benefits	1,999,885	2,109,929	(110,044)	-5.22%
Net Pension Liability	<u>9,933,546</u>	<u>10,961,080</u>	<u>(1,027,534)</u>	<u>-9.37%</u>
Total Long Term Debt	<u>\$ 13,160,604</u>	<u>\$ 14,392,878</u>	<u>\$ (1,232,274)</u>	<u>-8.56%</u>

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 mferreira@sau21.org.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 907,247
Investments	465
Other receivables	17,355
Intergovernmental receivable	286,692
Inventory	6,839
Prepaid items	1,989
Capital assets, not being depreciated	12,400
Capital assets, net of accumulated depreciation	6,117,512
Total assets	7,350,499
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	2,029,468
Amounts related to other postemployment benefits	92,854
Total deferred outflows of resources	2,122,322
LIABILITIES	
Accounts payable	190,734
Accrued salaries and benefits	22,596
Accrued interest payable	29,567
Noncurrent obligations:	
Due within one year	118,673
Due in more than one year	13,041,931
Total liabilities	13,403,501
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	24,987
Amounts related to pensions	534,273
Amounts related to other postemployment benefits	17,270
Total deferred inflows of resources	576,530
NET POSITION	
Net investment in capital assets	5,216,838
Restricted	109,257
Unrestricted	(9,833,305)
Total net position	\$ (4,507,210)

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

EXHIBIT B
SEABROOK 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>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 6,463,994	\$ -	\$ 430,307	\$ -	\$ (6,033,687)
Support services:					
Student	505,884	-	-	-	(505,884)
Instructional staff	650,658	-	41,303	-	(609,355)
General administration	77,007	-	21,962	-	(55,045)
Executive administration	412,505	-	-	-	(412,505)
School administration	569,864	-	-	-	(569,864)
Operation and maintenance of plant	754,585	-	-	-	(754,585)
Student transportation	797,328	-	7,411	-	(789,917)
Other	2,935,702	-	-	-	(2,935,702)
Noninstructional services	342,586	90,998	289,998	-	38,410
Interest on long-term debt	12,262	-	-	-	(12,262)
Facilities acquisition and construction	-	-	-	37,602	37,602
Total governmental activities	<u>\$ 13,522,375</u>	<u>\$ 90,998</u>	<u>\$ 790,981</u>	<u>\$ 37,602</u>	<u>(12,602,794)</u>
General revenues:					
School district assessment					10,253,665
Grants and contributions not restricted to specific programs					3,099,281
Miscellaneous					12,969
Total general revenues					<u>13,365,915</u>
Change in net position					763,121
Net position, beginning, as restated (see Note 13)					<u>(5,270,331)</u>
Net position, ending					<u>\$ (4,507,210)</u>

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

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

	General	Grants	Other Governmental Fund (Food Service)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 851,130	\$ -	\$ 56,117	\$ 907,247
Investments	465	-	-	465
Receivables:				
Accounts	17,355	-	-	17,355
Intergovernmental	190,430	81,823	14,439	286,692
Interfund receivables	81,823	-	-	81,823
Inventory	-	-	6,839	6,839
Prepaid items	1,989	-	-	1,989
Total assets	<u>\$ 1,143,192</u>	<u>\$ 81,823</u>	<u>\$ 77,395</u>	<u>\$ 1,302,410</u>
LIABILITIES				
Accounts payable	\$ 186,343	\$ -	\$ 4,391	\$ 190,734
Accrued salaries and benefits	22,596	-	-	22,596
Interfund payable	-	81,823	-	81,823
Total liabilities	<u>208,939</u>	<u>81,823</u>	<u>4,391</u>	<u>295,153</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	24,987	-	-	24,987
FUND BALANCES				
Nonspendable	1,989	-	6,839	8,828
Restricted	36,253	-	66,165	102,418
Committed	505,395	-	-	505,395
Assigned	72,130	-	-	72,130
Unassigned	293,499	-	-	293,499
Total fund balances	<u>909,266</u>	<u>-</u>	<u>73,004</u>	<u>982,270</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,143,192</u>	<u>\$ 81,823</u>	<u>\$ 77,395</u>	<u>\$ 1,302,410</u>

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

EXHIBIT C-2
SEABROOK 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)		\$ 982,270
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	\$ 11,069,796	
Less accumulated depreciation	<u>(4,939,884)</u>	6,129,912
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	\$ 2,029,468	
Deferred inflows of resources related to pensions	(534,273)	
Deferred outflows of resources related to OPEB	92,854	
Deferred inflows of resources related to OPEB	<u>(17,270)</u>	1,570,779
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (81,823)	
Payables	<u>81,823</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(29,567)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 913,074	
Compensated absences	314,099	
Other postemployment benefits	1,999,885	
Net pension liability	<u>9,933,546</u>	<u>(13,160,604)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (4,507,210)</u></u>

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

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

	General	Grants	Other Governmental Fund (Food Service)	Total Governmental Funds
REVENUES				
School district assessment	\$ 10,253,665	\$ -	\$ -	\$ 10,253,665
Other local	12,969	-	90,998	103,967
State	3,136,883	-	5,688	3,142,571
Federal	30,335	470,648	284,310	785,293
Total revenues	<u>13,433,852</u>	<u>470,648</u>	<u>380,996</u>	<u>14,285,496</u>
EXPENDITURES				
Current:				
Instruction	6,061,410	399,972	-	6,461,382
Support services:				
Student	505,884	-	-	505,884
Instructional staff	596,129	41,303	-	637,432
General administration	55,040	21,962	-	77,002
Executive administration	412,505	-	-	412,505
School administration	555,512	-	-	555,512
Operation and maintenance of plant	998,957	-	-	998,957
Student transportation	789,917	7,411	-	797,328
Other	2,882,139	-	-	2,882,139
Noninstructional services	-	-	342,567	342,567
Debt service:				
Principal	118,673	-	-	118,673
Interest	16,104	-	-	16,104
Facilities acquisition and construction	326,742	-	-	326,742
Total expenditures	<u>13,319,012</u>	<u>470,648</u>	<u>342,567</u>	<u>14,132,227</u>
Net change in fund balances	114,840	-	38,429	153,269
Fund balances, beginning	794,426	-	34,575	829,001
Fund balances, ending	<u>\$ 909,266</u>	<u>\$ -</u>	<u>\$ 73,004</u>	<u>\$ 982,270</u>

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

EXHIBIT C-4
SEABROOK 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)		\$ 153,269
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:</p>		
Capitalized capital outlay		\$ 1,037,464
Depreciation expense		<u>(471,734)</u>
		565,730
<p>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.</p>		
Principal repayment of bond		118,673
<p>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.</p>		
Decrease in accrued interest expense		\$ 3,842
Net increase in compensated absences payable		(23,977)
Change in net OPEB liability and deferred outflows and inflows of resources related to OPEB		27,964
Change in net pension liability and deferred outflows and inflows of resources related to pensions		<u>(82,380)</u>
		<u>(74,551)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 763,121</u></u>

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

EXHIBIT D-1
SEABROOK 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	\$ 10,253,665	\$ 10,253,665	\$ 10,253,665	\$ -
Other local	500	2,425	9,863	7,438
State	3,114,492	3,114,492	3,136,883	22,391
Federal	70,000	70,000	30,335	(39,665)
Total revenues	<u>13,438,657</u>	<u>13,440,582</u>	<u>13,430,746</u>	<u>(9,836)</u>
EXPENDITURES				
Current:				
Instruction	6,189,419	6,191,344	6,056,934	134,410
Support services:				
Student	503,023	503,023	505,884	(2,861)
Instructional staff	607,631	607,631	597,694	9,937
General administration	52,061	52,061	55,040	(2,979)
Executive administration	412,505	412,505	412,505	-
School administration	537,281	537,281	555,512	(18,231)
Operation and maintenance of plant	938,780	938,780	979,151	(40,371)
Student transportation	776,178	776,178	789,917	(13,739)
Other	3,229,477	3,229,477	2,881,779	347,698
Debt service:				
Principal	118,673	118,673	118,673	-
Interest	12,252	12,252	16,104	(3,852)
Facilities acquisition and construction	250,205	250,205	217,706	32,499
Total expenditures	<u>13,627,485</u>	<u>13,629,410</u>	<u>13,186,899</u>	<u>442,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(188,828)</u>	<u>(188,828)</u>	<u>243,847</u>	<u>432,675</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	30,220	30,221	-	(30,221)
Transfers out	(100,000)	(100,001)	(100,000)	1
Total other financing sources (uses)	<u>(69,780)</u>	<u>(69,780)</u>	<u>(100,000)</u>	<u>(30,220)</u>
Net change in fund balance	<u>\$ (258,608)</u>	<u>\$ (258,608)</u>	143,847	<u>\$ 402,455</u>
Increase in nonspendable fund balance			(279)	
Increase in restricted fund balance			(33,677)	
Decrease in committed fund balance			25,000	
Unassigned fund balance, beginning			158,608	
Unassigned fund balance, ending			<u>\$ 293,499</u>	

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Federal	\$ -	\$ 556,384	\$ 470,648	\$(85,736)
EXPENDITURES				
Current:				
Instruction	-	493,817	399,972	93,845
Support services:				
Instructional staff	-	40,266	41,303	(1,037)
General administration	-	13,901	21,962	(8,061)
Student transportation	-	8,400	7,411	989
Total expenditures	<u>-</u>	<u>556,384</u>	<u>470,648</u>	<u>85,736</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ -</u>	

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

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

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 38,023</u>
LIABILITIES	
Due to student groups	<u>\$ 38,023</u>

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

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

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SEABROOK 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 Seabrook School District, in Seabrook, 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 Seabrook 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 or capital requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

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

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.

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

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

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

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

The School District reports the following major governmental funds:

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

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

Nonmajor Funds – The School District also reports one nonmajor governmental fund, the food service fund.

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position. This fund accounts 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 Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the School District to invest in the following type of obligations:

- Obligations of the United States government;
- The public deposit investment pool established pursuant to RSA 383:22;

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

- Savings bank deposits; and
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the School District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurement of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using the net asset value (NAV) as a practical expedient to estimate fair value, the School District categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the School District has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. The School District's holdings in New Hampshire Public Deposit Investment Pool (NHPDIP) would be examples of Level 2 investments.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments. The School District held no Level 3 investments as of June 30, 2018.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level of the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the School District and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified as Level 1. Corporate fixed income securities and certain government securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair value for shares in registered mutual funds and exchange traded funds are based on published share prices and classified in Level 1.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the School District held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) which are categorized in Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the School District in accordance with the NHPDIP's information statement.

1-F 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.

1-G 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.

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1-H 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-I Capital Assets

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

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

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

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

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

Capital Asset Class:	<u>Years</u>
Buildings and building improvements	10-80
Equipment and vehicles	5-15

1-J 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-K 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-L Deferred Outflows/Inflows of Resources

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

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

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1-M Long-term Obligations

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

1-N Compensated Absences

The School District's policy allows certain employees to earn varying amounts of vacation and vested stipend benefits 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, vested stipend benefits, 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-O 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-P Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

1-Q Net Position/Fund Balances

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

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

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

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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-R Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2018, \$258,608 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 13,430,746
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	3,106
Per Exhibit C-3 (GAAP Basis)	<u>\$ 13,433,852</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 13,286,899
Adjustments:	
Basis difference:	
Encumbrances, beginning	452,324
Encumbrances, ending	(320,211)
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust funds	(100,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 13,319,012</u>

2-C Accounting Change/Restatement

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

	<u>Local OPEB</u>	<u>State OPEB</u>	<u>Total OPEB</u>
Change in total OPEB liability under current standards, July 1	\$ (668,423)	\$ (1,312,329)	\$ (1,980,752)
Initial balance of deferred outflows of resources	-	157,664	157,664
Cumulative restatement related to GASB No. 75 implementation (see Note 13)	<u>\$ (668,423)</u>	<u>\$ (1,154,665)</u>	<u>\$ (1,823,088)</u>

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DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$945,270 and the bank balances totaled \$1,186,408.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 907,247
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	<u>38,023</u>
Total cash and cash equivalents	<u><u>\$ 945,270</u></u>

NOTE 4 – RECEIVABLES

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

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Balance, ending</u>
At cost:			
Not being depreciated:			
Land	\$ 12,400	\$ -	\$ 12,400
Being depreciated:			
Buildings and building improvements	7,311,616	980,393	8,292,009
Equipment and vehicles	<u>2,708,316</u>	<u>57,071</u>	<u>2,765,387</u>
Total capital assets being depreciated	<u>10,019,932</u>	<u>1,037,464</u>	<u>11,057,396</u>
Total capital assets	<u>10,032,332</u>	<u>1,037,464</u>	<u>11,069,796</u>
Less accumulated depreciation:			
Buildings and building improvements	(2,629,478)	(197,897)	(2,827,375)
Equipment and vehicles	<u>(1,838,672)</u>	<u>(273,837)</u>	<u>(2,112,509)</u>
Total accumulated depreciation	<u>(4,468,150)</u>	<u>(471,734)</u>	<u>(4,939,884)</u>
Net book value, capital assets being depreciated	<u>5,551,782</u>	<u>565,730</u>	<u>6,117,512</u>
Net book value, all capital assets	<u><u>\$ 5,564,182</u></u>	<u><u>\$ 565,730</u></u>	<u><u>\$ 6,129,912</u></u>

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

Instruction	\$ 66,645
Support services:	
Operation and maintenance of plant	<u>405,089</u>
Total depreciation expense	<u><u>\$ 471,734</u></u>

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NOTE 6 – INTERFUND BALANCES

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

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 81,823

NOTE 7 – LONG-TERM LIABILITIES

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

	Balance July 1, 2017 (as restated)	Additions	Reductions	Balance June 30, 2018	Due Within One Year
General obligation bond	\$ 1,031,747	\$ -	\$ (118,673)	\$ 913,074	\$ 118,673
Compensated absences	290,122	54,176	(30,199)	314,099	-
Net other postemployment benefits	2,109,929	-	(110,044)	1,999,885	-
Pension related liability	10,961,080	-	(1,027,534)	9,933,546	-
Total long-term liabilities	\$14,392,878	\$ 54,176	\$ (1,286,450)	\$ 13,160,604	\$ 118,673

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2018
General obligation bond payable: QZAB	\$ 1,780,093	2010	2025	1.26%	\$ 913,074

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 118,673	\$ 60,786	\$ 179,459
2020	118,673	52,337	171,010
2021	118,673	43,887	162,560
2022	135,673	34,832	170,505
2023	138,673	25,066	163,739
2024-2028	282,709	20,320	303,029
Totals	\$ 913,074	\$ 237,228	\$ 1,150,302

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 8 – DEFINED BENEFIT PENSION PLAN

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

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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 \$935,158, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the School District reported a liability of \$9,933,546 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 0.20198374% which was a decrease of 0.00414476% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$1,018,074. 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	\$ 74,327	\$ 281,338
Net difference between projected and actual investment earnings on pension plan investments	-	126,509
Changes in assumptions	997,459	-
Differences between expected and actual experience	22,524	126,426
Contributions subsequent to the measurement date	935,158	-
Total	<u>\$ 2,029,468</u>	<u>\$ 534,273</u>

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The \$935,158 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,	
2019	\$ 147,210
2020	371,584
2021	242,823
2022	(201,580)
Thereafter	-
Totals	<u>\$ 560,037</u>

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

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

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

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

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

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

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	<u>\$ 13,086,948</u>	<u>\$ 9,933,546</u>	<u>\$ 7,349,458</u>

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 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

9–A New Hampshire Retirement System (NHRS)

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

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

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

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

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year

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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 \$92,854, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the School District reported a liability of \$1,217,242 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 0.26621863% which was a decrease of 0.00486474% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$73,620. 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	\$ -	\$ 7,077
Net difference between projected and actual investment earnings on OPEB plan investments	-	3,841
Contributions subsequent to the measurement date	92,854	-
Total	\$ 92,854	\$ 10,918

The \$92,854 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	
June 30,	
2018	\$ (8,037)
2019	(960)
2020	(960)
2021	(961)
Thereafter	-
Totals	\$ (10,918)

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.

SEABROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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>	

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	<u>\$ 1,324,721</u>	<u>\$ 1,217,242</u>	<u>\$ 1,124,119</u>

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

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

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9-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 postemployment 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 HealthTrust.

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

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	<u>95</u>
Total participants covered by OPEB plan	<u><u>104</u></u>

Total OPEB Liability – The School District’s total OPEB liability of \$782,643 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 782,643 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	7.50%
Second Year Trend	7.00%
Decrement	0.50%
Ultimate Trend	3.80%
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.

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	\$ 797,600
Changes for the year:	
Service cost	30,275
Interest	28,455
Assumption changes and difference between actual and expected experience	(7,580)
Benefit payments	<u>(66,107)</u>
Total OPEB liability end of year	<u><u>\$ 782,643</u></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 decrease to \$725,997 or by 7.24%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$843,844 or by 7.82%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 3.87%</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 843,844</u>	<u>\$ 782,643</u>	<u>\$ 725,997</u>

SEABROOK SCHOOL DISTRICT
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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 \$879,897 or by 12.43%. If the trend rate were 1% lower than what was used the OPEB liability would increase to \$699,610 or by 10.61%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.50%	1% Increase
Total OPEB Liability	\$ 699,610	\$ 782,643	\$ 879,897

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 \$57,501. 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
	Inflows of
	<u>Resources</u>
Changes in assumptions	\$ 6,352

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	
<u>June 30,</u>	
2018	\$(1,128)
2019	(1,128)
2020	(1,128)
2021	(1,128)
2022	(1,128)
Thereafter	<u>(712)</u>
Totals	<u>\$ (6,352)</u>

NOTE 10 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2018 are as follows:

	Committed Fund Balance	Assigned Fund Balance	Total
Current:			
Support services:			
Instructional staff	\$ -	\$ 3,480	\$ 3,480
Operation and maintenance of plant	-	68,650	68,650
Total support services	-	72,130	72,130
Facilities acquisition and construction	248,081	-	248,081
Total encumbrances	\$ 248,081	\$ 72,130	\$ 320,211

SEABROOK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 – 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	\$ 6,129,912
Less:	
General obligation bond payable	(913,074)
Total net investment in capital assets	<u>5,216,838</u>
Restricted for:	
General fund donations	36,253
Food service	73,004
Total restricted fund balance	<u>109,257</u>
Unrestricted	<u>(9,833,305)</u>
Total net position	<u><u>\$ (4,507,210)</u></u>

NOTE 12 – GOVERNMENTAL FUND BALANCES

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

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
Nonspendable:			
Prepaid	\$ 1,989	\$ -	\$ 1,989
Inventory	-	6,839	6,839
Total nonspendable fund balance	<u>1,989</u>	<u>6,839</u>	<u>8,828</u>
Restricted:			
Food service	-	66,165	66,165
Donations	36,253	-	36,253
Total restricted fund balance	<u>36,253</u>	<u>66,165</u>	<u>102,418</u>
Committed:			
Expendable trust	182,314	-	182,314
Nonlapsing appropriations	248,081	-	248,081
Voted appropriation - March 2018	75,000	-	75,000
Total committed fund balance	<u>505,395</u>	<u>-</u>	<u>505,395</u>
Assigned:			
Encumbrances	72,130	-	72,130
Unassigned	<u>293,499</u>	<u>-</u>	<u>293,499</u>
Total governmental fund balances	<u><u>\$ 909,266</u></u>	<u><u>\$ 73,004</u></u>	<u><u>\$ 982,270</u></u>

NOTE 13 – PRIOR PERIOD ADJUSTMENT

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

	Government-wide Statements
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (1,823,088)
Net position, as previously reported	<u>(3,447,243)</u>
Net position, as restated	<u><u>\$ (5,270,331)</u></u>

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

NOTE 14 – 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 15 – 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 16 – 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 no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2014	2015	June 30, 2016	2017	2018
School District's proportion of the net pension liability	0.21%	0.21%	0.21%	0.21%	0.20%
School District's proportionate share of the net pension liability	\$ 8,852,899	\$ 7,947,264	\$ 8,358,000	\$ 10,961,080	\$ 9,933,546
School District's covered payroll	\$ 5,720,193	\$ 5,817,050	\$ 5,888,252	\$ 5,904,545	\$ 6,159,759
School District's proportionate share of the net pension liability as a percentage of its covered payroll	154.77%	136.62%	141.94%	185.64%	161.27%
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
SEABROOK SCHOOL DISTRICT
Schedule of School District Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 511,481	\$ 686,884	\$ 707,810	\$ 738,103	\$ 739,954
Contributions in relation to the contractually required contributions	<u>511,481</u>	<u>686,884</u>	<u>707,810</u>	<u>738,103</u>	<u>739,954</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 5,720,193</u>	<u>\$ 5,817,050</u>	<u>\$ 5,888,252</u>	<u>\$ 5,904,545</u>	<u>\$ 6,159,759</u>
Contributions as a percentage of covered payroll	8.94%	11.81%	12.02%	12.50%	12.01%

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

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

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

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

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

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

Other Information:

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

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

	June 30,	
	2017	2018
School District's proportion of the net OPEB liability	0.27%	0.27%
School District's proportionate share of the net OPEB liability	\$1,312,329	\$ 1,217,242
School District's covered payroll	\$5,904,545	\$ 6,159,759
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	22.23%	19.76%
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
SEABROOK SCHOOL DISTRICT
Schedule of School District Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2018

	June 30,	
	2017	2018
Contractually required contribution	\$ 157,516	\$ 157,788
Contributions in relation to the contractually required contribution	<u>157,516</u>	<u>157,788</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 5,904,545</u>	<u>\$ 6,159,759</u>
Contributions as a percentage of covered payroll	2.67%	2.56%

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

EXHIBIT J
SEABROOK 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

	<u>June 30,</u> <u>2018</u>
OPEB liability, beginning of year	\$ 797,600
Changes for the year:	
Service cost	30,275
Interest	28,455
Assumption changes and difference between actual and expected experience	(7,580)
Benefit payments	<u>(66,107)</u>
OPEB liability, end of year	<u>\$ 782,643</u>
Covered payroll	<u>\$ 6,647,059</u>
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.

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

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 10,253,665	\$ 10,253,665	\$ -
Other local sources:			
Investment earnings	500	4,103	3,603
Miscellaneous	1,925	5,760	3,835
Total from other local sources	<u>2,425</u>	<u>9,863</u>	<u>7,438</u>
State sources:			
Adequacy aid (grant)	628,674	628,863	189
Adequacy aid (tax)	2,395,856	2,395,856	-
School building aid	37,602	37,602	-
Catastrophic aid	52,360	59,233	6,873
Other state aid	-	15,329	15,329
Total from state sources	<u>3,114,492</u>	<u>3,136,883</u>	<u>22,391</u>
Federal sources:			
Medicaid	70,000	30,335	(39,665)
Other financing sources:			
Transfers in	30,221	-	(30,221)
Total revenues and other financing sources	13,470,803	<u>\$ 13,430,746</u>	<u>\$ (40,057)</u>
Use of fund balance to reduce school district assessment	258,608		
Total revenues, other financing sources, and use of fund balance	<u>\$ 13,729,411</u>		

SCHEDULE 2
SEABROOK 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	\$ 1,351	\$ 4,242,181	\$ 4,146,457	\$ -	\$ 97,075
Special programs	-	1,842,736	1,811,119	-	31,617
Other	-	81,233	78,842	-	2,391
Non-public programs	3,125	25,194	24,992	-	3,327
Total instruction	<u>4,476</u>	<u>6,191,344</u>	<u>6,061,410</u>	<u>-</u>	<u>134,410</u>
Support services:					
Student	-	503,023	505,884	-	(2,861)
Instructional staff	1,915	607,631	596,129	3,480	9,937
General administration	-	52,061	55,040	-	(2,979)
Executive administration	-	412,505	412,505	-	-
School administration	-	537,281	555,512	-	(18,231)
Operation and maintenance of plant	88,456	938,780	998,957	68,650	(40,371)
Student transportation	-	776,178	789,917	-	(13,739)
Other	360	3,229,477	2,882,139	-	347,698
Total support services	<u>90,731</u>	<u>7,056,936</u>	<u>6,796,083</u>	<u>72,130</u>	<u>279,454</u>
Debt service:					
Principal of long-term debt	-	118,673	118,673	-	-
Interest on long-term debt	-	12,252	16,104	-	(3,852)
Total debt service	<u>-</u>	<u>130,925</u>	<u>134,777</u>	<u>-</u>	<u>(3,852)</u>
Facilities acquisition and construction	<u>357,117</u>	<u>250,205</u>	<u>326,742</u>	<u>248,081</u>	<u>32,499</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>100,001</u>	<u>100,000</u>	<u>-</u>	<u>1</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 452,324</u>	<u>\$ 13,729,411</u>	<u>\$ 13,419,012</u>	<u>\$ 320,211</u>	<u>\$ 442,512</u>

SCHEDULE 3
SEABROOK 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		\$ 158,608
Changes:		
Unassigned fund balance used to reduce school district assessment		(258,608)
2017-2018 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (40,057)	
Unexpended balance of appropriations (Schedule 2)	<u>442,512</u>	
2017-2018 Budget surplus		402,455
Increase in nonspendable fund balance		(279)
Increase in restricted fund balance		(33,677)
Decrease in committed fund balance		<u>25,000</u>
Unassigned fund balance, ending		<u><u>\$ 293,499</u></u>

SCHEDULE 4
SEABROOK SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2018

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Seabrook Elementary	\$ 13,927	\$ 16,725	\$ 15,653	\$ 14,999
Seabrook Middle	19,739	106,918	103,633	23,024
Totals	<u>\$ 33,666</u>	<u>\$ 123,643</u>	<u>\$ 119,286</u>	<u>\$ 38,023</u>

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Seabrook School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Seabrook School District's basic financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sheryl A. Pratt, CPA

PLODZIK & SANDERSON
Professional Association

March 4, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited the Seabrook School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Seabrook School District's major federal programs for the year ended date. The Seabrook School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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



March 4, 2019

PLODZIK & SANDERSON
Professional Association

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 45,010
National School Lunch Program <i>(note 4)</i>	10.555	N/A	-	159,740
Summer Food Service Program for Children	10.559	N/A	-	4,401
<i>CLUSTER TOTAL</i>			-	209,151
Child and Adult Care Food Program	10.558	N/A	-	27,316
Fresh Fruit and Vegetable Program	10.582	N/A	-	47,843
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I - Part A 2017	84.010	70129	-	12,412
Title I - Part A 2018	84.010	80129	-	245,145
<i>PROGRAM TOTAL</i>			-	257,557
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA 2017	84.027	72587	-	34,240
IDEA 2018	84.027	82566	-	142,945
Special Education - Preschool Grants				
Preschool 2017	84.173	72587	-	2,134
Preschool 2018	84.173	82566	-	463
<i>CLUSTER TOTAL</i>			-	179,782
Supporting Effective Instruction State Grant:				
Title II - Part A	84.367	64928	-	9,818
Title II - Part A	84.367	74928	-	20,175
<i>PROGRAM TOTAL</i>			-	29,993
Passed Through the Hampton School District, New Hampshire				
English Language Acquisition State Grants:				
Title III	84.365	60814	-	1,161
Title III	84.365	70820	-	2,155
<i>PROGRAM TOTAL</i>			-	3,316
Total Expenditures of Federal Awards			\$ -	\$ 754,958

The accompanying notes are an integral part of this schedule.

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

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

Note 4. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2018 the value of food donations received was \$20,760.