

WINDHAM SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2017

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Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the School Board
Windham School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Windham School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The District's 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.

Auditors' Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Windham School District, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for all budgeted funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the OPEB and Pension schedules appearing on pages 41 to 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 District's internal control over financial reporting and compliance.

Melanson Heath

January 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Windham School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the General Fund, Food Service Fund, Grants Fund, Summer Program Fund, Laptop Program Fund, WHS Music Lessons Fund, and Adult Ed Fund. A budgetary comparison statement has been provided to demonstrate compliance with these budgets.

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$26,748,945 (i.e., net position), a change of \$4,756,169 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,608,421, a change of \$3,630,216 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,423,209, a change of \$2,909,330 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 8,398,248	\$ 3,806,859
Noncurrent assets	<u>66,751,295</u>	<u>65,534,668</u>
Total assets	75,149,543	69,341,527
Deferred outflows	11,897,634	3,247,218
Current liabilities	4,342,759	3,597,641
Noncurrent liabilities	<u>54,856,174</u>	<u>42,404,706</u>
Total liabilities	59,198,933	46,002,347
Deferred inflows	1,099,299	1,438,213
Net position:		
Net investment in capital assets	49,381,069	47,136,965
Restricted	399,543	305,963
Unrestricted	<u>(23,031,667)</u>	<u>(22,294,743)</u>
Total net position	<u>\$ 26,748,945</u>	<u>\$ 25,148,185</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 718,286	\$ 743,169
Operating grants and contributions	788,251	794,505
Capital grants and contributions	723,426	1,000,824
General revenues:		
School assessment	40,241,031	38,955,348
Tuition	164,962	175,173
Grants and contributions not restricted to specific programs	9,183,009	3,589,944
Investment income	11,569	52
Miscellaneous	<u>605,773</u>	<u>841,577</u>
Total revenues	52,436,307	46,100,592

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Expenses:		
Instruction:		
Regular programs	11,908,139	11,812,605
Special programs	6,036,431	5,525,592
Vocational programs	106,574	103,787
Other instructional programs	837,372	820,757
Support services:		
Student services	2,644,111	2,450,684
Instructional staff	1,939,922	1,725,380
General administration	165,549	168,393
Executive administration	1,054,102	992,746
School administration	1,194,612	1,198,562
Business office	452,700	437,371
Operations and maintenance	2,580,742	3,059,029
Student transportation	2,503,290	2,342,626
Other support services	13,516,058	10,426,175
Food service operations	847,917	906,323
Interest	531,903	577,227
Depreciation	1,360,716	1,242,367
Total expenses	<u>47,680,138</u>	<u>43,789,624</u>
Change in net position	4,756,169	2,310,968
Net position - beginning of year, as restated*	<u>21,992,776</u>	<u>22,837,217</u>
Net position - end of year	<u>\$ 26,748,945</u>	<u>\$ 25,148,185</u>

*See Note 17

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net position was \$26,748,945, a change of \$4,756,169 from the prior year.

The largest portion of net position, \$49,381,069, reflects our investment in capital assets (e.g., land, buildings and improvements, land improvements, machinery, equipment and vehicles, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$399,543, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is in a deficit of \$(23,031,667), primarily resulting from the unfunded net OPEB liability (see Note 12) and unfunded net pension liability (see Note 13).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$4,756,169. Key elements of this change are as follows:

Governmental funds operating results	\$ 3,630,216
Purchase of capital assets, net of capital lease proceeds	2,067,597
Principal debt service in excess of depreciation expense	1,091,081
Change in accrued interest liability	22,966
Changes related to net pension liability	(1,972,922)
Changes related to net OPEB liability	(149,703)
Change in compensated absence liability	<u>66,934</u>
Total	<u>\$ 4,756,169</u>

D. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$6,608,421, a change of \$3,630,216 in comparison with the prior year. Key elements of this change are as follows:

General Fund revenues and other financing sources in excess of expenditures.	\$ 4,428,026
Food Service Fund revenues in excess of expenditures.	27,750
Capital Projects Fund expenditures in excess of revenues.	(891,390)
Nonmajor Governmental Funds revenues in excess of expenditures	<u>65,830</u>
Total	<u>\$ 3,630,216</u>

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,423,209, while total fund balance was \$7,100,268. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 4,423,209	\$ 1,513,879	\$ 2,909,330	9.5%
Total fund balance	\$ 7,100,268	\$ 2,672,242	\$ 4,428,026	15.2%

The fund balance of the General Fund changed by \$4,428,026 during the current fiscal year. Key factors related to this change are as follows:

Use of fund balance - reduce taxes	\$ (1,513,879)
Use of fund balance - reserves	(709,368)
Revenues in excess of budget	3,253,173
Expenditures less than budget	1,996,686
Change in capital reserve	1,485,242
Other GAAP adjustments	<u>(83,828)</u>
Total	<u>\$ 4,428,026</u>

Included in the total General Fund balance are the District's reserve funds with the following balances:

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
Repair and Replace Septic Fund	\$ 1,646	\$ 1,646	\$ -
Paving and Parking Repairs Fund	27,187	27,184	3
Building Roof Repairs and Replacement Fund	42,208	42,204	4
Building and Grounds Maintenance Fund	18,595	18,593	2
Capital Needs and Building and Grounds Maintenance Fund	<u>2,100,276</u>	<u>615,043</u>	<u>1,485,233</u>
Total	<u>\$ 2,189,912</u>	<u>\$ 704,670</u>	<u>\$ 1,485,242</u>

E. BUDGETARY HIGHLIGHTS

Differences between the original and the final amended budget resulted in an overall change in appropriations of \$709,368. This change relates to a use of voted reserves (fund balance) for various purposes.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$66,751,295 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, machinery, equipment and vehicles, and construction in progress.

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

Purchase of:	
Buildings and improvements	\$ 287,677
Machinery, equipment, and vehicles	1,134,279
Construction in progress	<u>1,155,387</u>
Subtotal	2,577,343
Current year depreciation	<u>(1,360,716)</u>
Increase in capital assets	<u>\$ 1,216,627</u>

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding, including bond premium, was \$15,901,670, all of which was backed by the full faith and credit of the District.

Additional information on long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Windham School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Windham School District
19 Haverhill Road
Windham, New Hampshire 03087

WINDHAM SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and short-term investments	\$ 5,944,955
Receivables:	
Accounts	42,060
Intergovernmental	174,855
Due from Trustee of Trust Funds	2,189,912
Other assets	12,296
Inventory	34,170
Total Current Assets	8,398,248
Noncurrent Assets:	
Capital assets:	
Land	3,300,000
Construction in progress	1,155,387
Other assets, net of accumulated depreciation	62,295,908
Total Noncurrent Assets	66,751,295
Total Assets	75,149,543
Deferred Outflows of Resources:	
Related to pensions	11,191,622
Related to OPEB	706,012
Total Deferred Outflows of Resources	11,897,634
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	87,047,177
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current Liabilities:	
Accounts payable	1,560,956
Intergovernmental payable	33,665
Accrued liabilities	87,678
Other liabilities	107,528
Accrued interest	238,774
Current portion of noncurrent liabilities:	
Bonds payable	1,848,526
Capital leases payable	267,709
Compensated absences	197,923
Total Current Liabilities	4,342,759
Noncurrent Liabilities:	
Bonds payable, net of current portion	14,053,144
Capital leases payable, net of current portion	309,457
Compensated absences	335,662
Net OPEB liability	4,694,842
Net pension liability	35,463,069
Total Noncurrent Liabilities	54,856,174
Total Liabilities	59,198,933
Deferred Inflows of Resources:	
Gain on bond refunding	208,636
Related to pensions	447,810
Related to OPEB	442,853
Total Deferred Inflows of Resources	1,099,299
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	60,298,232
NET POSITION	
Net investment in capital assets	49,381,069
Restricted	399,543
Unrestricted	(23,031,667)
TOTAL NET POSITION	\$ 26,748,945

The accompanying notes are an integral part of these financial statements.

WINDHAM SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expenses) Revenues and Change in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental Activities:					
Instruction:					
Regular programs	\$ 11,908,139	\$ -	\$ 90,508	\$ -	\$ (11,817,631)
Special programs	6,036,431	-	537,831	-	(5,498,600)
Vocational programs	106,574	-	-	-	(106,574)
Other instructional programs	837,372	-	-	-	(837,372)
Support services:					
Student services	2,644,111	-	-	-	(2,644,111)
Instructional staff	1,939,922	-	-	-	(1,939,922)
General administration	165,549	-	-	-	(165,549)
Executive administration	1,054,102	-	-	-	(1,054,102)
School administration	1,194,612	-	-	-	(1,194,612)
Business office	452,700	-	-	-	(452,700)
Operations and maintenance	2,580,742	-	-	-	(2,580,742)
Student transportation	2,503,290	-	-	-	(2,503,290)
Other support services	13,516,058	-	-	-	(13,516,058)
Food service operations	847,917	718,286	159,912	-	30,281
Interest	531,903	-	-	723,426	191,523
Depreciation	1,360,716	-	-	-	(1,360,716)
Total Governmental Activities	\$ 47,680,138	\$ 718,286	\$ 788,251	\$ 723,426	(45,450,175)
General Revenues:					
					40,241,031
					164,962
					9,183,009
					11,569
					605,773
					50,206,344
					4,756,169
Net Position:					
					21,992,776
					\$ 26,748,945

The accompanying notes are an integral part of these financial statements.

WINDHAM SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Food Service Fund	Grants Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short-term investments	\$ 5,482,256	\$ 218,579	\$ -	\$ -	\$ 244,120	\$ 5,944,955
Receivables:						
Accounts	41,410	-	-	-	650	42,060
Intergovernmental	-	9,214	165,641	-	-	174,855
Due from Trustee of Trust Funds	2,189,912	-	-	-	-	2,189,912
Due from other funds	168,544	-	-	-	-	168,544
Other assets	12,052	-	-	-	244	12,296
Inventory	-	34,170	-	-	-	34,170
TOTAL ASSETS	\$ 7,894,174	\$ 261,963	\$ 165,641	\$ -	\$ 245,014	\$ 8,566,792
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 668,763	\$ -	\$ -	\$ 891,390	\$ 803	\$ 1,560,956
Intergovernmental payable	33,665	-	-	-	-	33,665
Accrued liabilities	83,828	-	-	-	3,850	87,678
Due to other funds	-	-	165,641	-	2,903	168,544
Other liabilities	7,650	37,689	-	-	62,189	107,528
Total Liabilities	793,906	37,689	165,641	891,390	69,745	1,958,371
Fund Balances:						
Nonspendable	-	34,170	-	-	-	34,170
Restricted	-	190,104	-	-	178,172	368,276
Committed	2,189,912	-	-	-	-	2,189,912
Assigned	487,147	-	-	-	-	487,147
Unassigned	4,423,209	-	-	(891,390)	(2,903)	3,528,916
Total Fund Balances	7,100,268	224,274	-	(891,390)	175,269	6,608,421
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,894,174	\$ 261,963	\$ 165,641	\$ -	\$ 245,014	\$ 8,566,792

The accompanying notes are an integral part of these financial statements.

WINDHAM SCHOOL DISTRICT

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION**

JUNE 30, 2017

Total governmental fund balances	\$ 6,608,421
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	66,751,295
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(238,774)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(15,901,670)
Capital leases payable	(577,166)
Compensated absences	(533,585)
• Net OPEB liability and related deferred outflows/inflows of resources are not due and payable in the current period nor require the use of current financial resources and, therefore, are not reported in the governmental funds.	(4,431,683)
• Net pension liability and related deferred outflows/inflows of resources are not due and payable in the current period nor require the use of current financial resources and, therefore, are not reported in the governmental funds.	(24,719,257)
• Reduction in principal of long-term debt is deferred and amortized over the remaining life of the reissued debt.	<u>(208,636)</u>
Net position of governmental activities	\$ <u>26,748,945</u>

The accompanying notes are an integral part of these financial statements.

WINDHAM SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Food Service Fund	Grants Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
School assessment	\$ 40,241,031	\$ -	\$ -	\$ -	\$ -	\$ 40,241,031
Tuition	67,600	-	-	-	97,362	164,962
Charges for services	-	718,286	-	-	-	718,286
Intergovernmental	9,906,435	159,912	628,339	-	-	10,694,686
Investment income	11,569	-	-	-	-	11,569
Miscellaneous	<u>344,864</u>	<u>10,707</u>	<u>-</u>	<u>-</u>	<u>193,495</u>	<u>549,066</u>
Total Revenues	50,571,499	888,905	628,339	-	290,857	52,379,600
Expenditures:						
Instruction:						
Regular programs	11,870,193	-	44,390	-	18,544	11,933,127
Special programs	5,501,462	-	537,831	-	26	6,039,319
Vocational programs	106,574	-	-	-	-	106,574
Other instructional programs	744,612	-	-	-	97,840	842,452
Support services:						
Student services	2,610,568	-	-	-	47,644	2,658,212
Instructional staff	2,494,017	-	46,118	-	35,653	2,575,788
General administration	163,197	-	-	-	-	163,197
Executive administration	1,054,102	-	-	-	-	1,054,102
School administration	1,259,552	-	-	-	4,640	1,264,192
Business office	442,344	-	-	-	-	442,344
Operations and maintenance	3,518,321	-	-	-	8,014	3,526,335
Student transportation	2,503,290	-	-	-	-	2,503,290
Other support services	11,380,767	-	-	-	12,666	11,393,433
Food service operations	-	861,155	-	-	-	861,155
Capital improvements and acquisitions	374,350	-	-	891,390	-	1,265,740
Debt service:						
Principal	2,075,000	-	-	-	-	2,075,000
Interest	<u>554,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>554,870</u>
Total Expenditures	<u>46,653,219</u>	<u>861,155</u>	<u>628,339</u>	<u>891,390</u>	<u>225,027</u>	<u>49,259,130</u>
Excess (deficiency) of revenues over expenditures	3,918,280	27,750	-	(891,390)	65,830	3,120,470
Other Financing Sources (Uses):						
Proceeds of capital lease	<u>509,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509,746</u>
Total Other Financing Sources (Uses)	<u>509,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509,746</u>
Change in fund balance	4,428,026	27,750	-	(891,390)	65,830	3,630,216
Fund Equity, at Beginning of Year, as reclassified	<u>2,672,242</u>	<u>196,524</u>	<u>-</u>	<u>-</u>	<u>109,439</u>	<u>2,978,205</u>
Fund Equity, at End of Year	<u>\$ 7,100,268</u>	<u>\$ 224,274</u>	<u>\$ -</u>	<u>\$ (891,390)</u>	<u>\$ 175,269</u>	<u>\$ 6,608,421</u>

The accompanying notes are an integral part of these financial statements.

WINDHAM SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - total governmental funds	\$ 3,630,216
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay	2,577,343
Depreciation	(1,360,716)
<ul style="list-style-type: none"> • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Repayment of bonds	2,075,000
Amortization of bond premium	33,526
Amortization of gain on bond refunding	23,183
Proceeds of capital leases	(509,746)
Repayments of capital leases	320,088
<ul style="list-style-type: none"> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	22,966
<ul style="list-style-type: none"> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: 	
Net pension liability and related deferred outflows and inflows of resources	(1,972,922)
Net OPEB liability and related deferred outflows and inflows of resources	(149,703)
Compensated absences	66,934
	66,934
Change in net position of governmental activities	\$ <u><u>4,756,169</u></u>

The accompanying notes are an integral part of these financial statements.

WINDHAM SCHOOL DISTRICT

ALL BUDGETED FUNDS

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	From Prior Years' Budget	From Reserve Funds	Transfers		
Revenues:						
General Fund:						
School assessment	\$ 40,241,031	\$ -	\$ -	\$ -	\$ 40,241,031	\$ -
Tuition	-	-	-	-	67,600	67,600
Intergovernmental	6,932,570	-	-	-	9,906,435	2,973,865
Investment income	-	-	-	-	11,452	11,452
Miscellaneous	144,608	-	-	-	344,864	200,256
Total General Fund	47,318,209	-	-	-	50,571,382	3,253,173
Food Service Fund	974,104	-	-	-	888,905	(85,199)
Grants Fund	639,216	-	-	-	628,339	(10,877)
Nonmajor Governmental Funds:						
Summer programs	78,117	-	-	-	86,184	8,067
Laptop Program	17,400	-	-	-	35,045	17,645
WHS Music Lessons	11,842	-	-	-	11,178	(664)
Adult Ed	1,077	-	-	-	-	(1,077)
Total Revenues	49,039,965	-	-	-	52,221,033	3,181,068
Expenditures and Other Financing Uses:						
General Fund:						
Instruction:						
Regular programs	12,426,484	-	-	(3,906)	12,422,578	11,870,193
Special programs	5,892,436	-	-	(223,648)	5,668,788	5,501,462
Vocational programs	49,957	-	-	-	49,957	106,574
Other instructional programs	767,226	3,932	-	5,889	777,047	744,612
Support services:						
Student services	2,627,971	-	-	122,221	2,750,192	2,610,568
Instructional staff	2,066,209	1,221	490,000	92,830	2,650,260	1,984,271
General administration	157,008	25	-	5,975	163,008	163,197
Executive administration	1,013,476	-	-	47,334	1,060,810	1,054,102
School administration	1,268,495	-	-	26,250	1,294,745	1,259,552
Business office	406,070	-	-	56,570	462,640	442,344
Operations and maintenance	3,277,322	212,780	-	(329,385)	3,160,717	3,518,321
Student transportation	2,625,323	-	-	59,091	2,684,414	2,503,290
Other support services	12,026,117	1,410	-	(205,046)	11,822,481	11,296,939
Capital improvements and acquisitions	100,000	-	-	345,825	445,825	374,350
Debt service:						
Principal	2,075,000	-	-	-	2,075,000	2,075,000
Interest	564,869	-	-	-	564,869	554,870
Other financing uses:						
Transfers to reserve funds	1,485,125	-	-	-	1,485,125	1,485,125
Transfers to food service fund	3,000	-	-	-	3,000	-
Total General Fund	48,832,088	219,368	490,000	-	49,541,456	47,544,770
Food Service Fund	974,104	-	-	-	974,104	861,155
Grants Fund	639,216	-	-	-	639,216	628,339
Nonmajor Governmental Funds:						
Summer programs	78,117	-	-	-	78,117	75,567
Laptop Program	17,400	-	-	-	17,400	35,453
WHS Music Lessons	11,842	-	-	-	11,842	11,115
Adult Ed	1,077	-	-	-	1,077	-
Total Expenditures and Other Financing Uses	50,553,844	219,368	490,000	-	51,263,212	49,156,399
Excess (deficiency) of revenues over expenditures and other financing uses before other financing sources	(1,513,879)	(219,368)	(490,000)	-	(2,223,247)	3,064,634
Other Financing Sources:						
Use of fund balance - reduce taxes	1,513,879	-	-	-	1,513,879	1,513,879
Use of fund balance - reserves	-	219,368	490,000	-	709,368	709,368
Total Other Financing Sources	1,513,879	219,368	490,000	-	2,223,247	2,223,247
Excess (deficiency) of revenues and other sources over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,287,881

The accompanying notes are an integral part of these financial statements.

WINDHAM SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Agency Funds
ASSETS	
Cash and short-term investments	\$ <u>187,121</u>
Total Assets	\$ <u><u>187,121</u></u>
LIABILITIES	
Due to student groups	\$ <u>187,121</u>
Total Liabilities	\$ <u><u>187,121</u></u>

The accompanying notes are an integral part of these financial statements.

WINDHAM SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions:	\$ <u> -</u>
Total additions	-
Deductions:	
Scholarships	<u> 1,500</u>
Total deductions	<u> 1,500</u>
 Net increase (decrease)	 (1,500)
Net position:	
Beginning of year	<u> 1,500</u>
 End of year	 \$ <u><u> -</u></u>

The accompanying notes are an integral part of these financial statements.

WINDHAM SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Windham School District (the District) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District is a municipal corporation governed by an elected School Board. As required by Generally Accepted Accounting Principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. School assessments and other items not properly included among program revenues are reported instead as *general revenues*.

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

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. Revenues are recorded when earned and expenses are recorded when a 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

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. Typically, revenue items are considered to be measurable and available only when cash is received by the District. 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.

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *Food Service Fund* accounts for the District's food service program.
- The *Grants Fund* accounts for the District's state and federal grant programs.
- The *Capital Projects Fund* accounts for the District's building project.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The District reports the following fiduciary funds:

- *Private-Purpose Trust Funds* are used to account for trust arrangements under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- *Agency Funds* are used to account for money held by the District on behalf of others (e.g., student activity funds).

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposit accounts. A cash and investment 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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

F. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory includes food, paper products, cleaning materials, and commodities for use in the District's food service program.

G. Capital Assets

Capital assets, which include land, buildings and improvements, land improvements, machinery, equipment and vehicles and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-100
Land improvements	25
Machinery, equipment, and vehicles	5-25

H. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits based on the employee's length of service. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. *Use of Estimates*

The preparation of basic financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. *Budgetary Information*

At its annual meeting, the District adopts a budget for the next fiscal year. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end.

B. *Budgetary Basis*

The final appropriations appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all transfers and supplemental appropriations.

C. *Budget/GAAP Reconciliation*

The budgetary data for the General Fund, Food Service Fund, Grants Fund, Laptop Program Fund, WHS Music Lessons Fund, and Adult Ed Fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance

with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 52,379,600	\$ 49,259,130
Other financing sources/uses (GAAP basis)	<u>509,746</u>	<u>-</u>
Subtotal (GAAP Basis)	52,889,346	49,259,130
Reverse capital lease proceeds	(509,746)	(509,746)
Reverse reserve fund activity	(117)	1,485,125
Reverse unbudgeted funds activity	(158,450)	(994,282)
Reverse unbudgeted retirement accrual	<u>-</u>	<u>(83,828)</u>
Budgetary Basis	<u>\$ 52,221,033</u>	<u>\$ 49,156,399</u>

D. Deficit Fund Equity

The following funds had deficit balances as of June 30, 2017:

Music lessons fund	\$ (2,903)
Capital projects fund	<u>(891,390)</u>
Total	<u>\$ (894,293)</u>

The deficits in these funds will be eliminated through future departmental revenues and proceeds of bonds issued in the subsequent year (see Note 16).

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. RSA 197:23-a limits “deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus”. The District does not have a deposit policy for custodial credit risk.

As of June 30, 2017, none of the District’s bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Receivables

Receivables consist primarily of reimbursements requested from Federal, State, and local agencies for expenditures incurred in fiscal year 2017, and amounts due from the Town of Windham Trustee of Trust Funds.

5. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is a summary of the June 30, 2017 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 168,544	\$ -
Grants Fund	-	165,641
Nonmajor Governmental Funds	-	2,903
Total	<u>\$ 168,544</u>	<u>\$ 168,544</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 66,477,365	\$ 287,677	\$ -	\$ 66,765,042
Land improvements	446,127	-	-	446,127
Machinery, equipment, and vehicles	<u>3,132,165</u>	<u>1,134,279</u>	<u>-</u>	<u>4,266,444</u>
Total capital assets, being depreciated	70,055,657	1,421,956	-	71,477,613
Less accumulated depreciation for:				
Buildings and improvements	(6,163,204)	(724,031)	-	(6,887,235)
Land improvements	(100,965)	(17,912)	-	(118,877)
Machinery, equipment, and vehicles	<u>(1,556,820)</u>	<u>(618,773)</u>	<u>-</u>	<u>(2,175,593)</u>
Total accumulated depreciation	<u>(7,820,989)</u>	<u>(1,360,716)</u>	<u>-</u>	<u>(9,181,705)</u>
Total capital assets, being depreciated, net	62,234,668	61,240	-	62,295,908
Capital assets, not being depreciated:				
Land	3,300,000	-	-	3,300,000
Construction in progress	<u>-</u>	<u>1,155,387</u>	<u>-</u>	<u>1,155,387</u>
Total capital assets, not being depreciated	<u>3,300,000</u>	<u>1,155,387</u>	<u>-</u>	<u>4,455,387</u>
Governmental activities capital assets, net	<u>\$ 65,534,668</u>	<u>\$ 1,216,627</u>	<u>\$ -</u>	<u>\$ 66,751,295</u>

7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to the District's net OPEB and net pension liabilities are more fully discussed in Note 12 and Note 13, respectively.

8. Capital Lease Obligations

The District is the lessee of certain equipment under capital leases expiring in various years through 2022. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2017:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 275,952
2019	207,830
2020	92,948
2021	8,931
2022	<u>4,465</u>
Total minimum lease payments	590,126
Less amounts representing interest	<u>(12,960)</u>
Present Value of Minimum Lease Payments	<u>\$ 577,166</u>

Equipment financed by capital leases totaling \$1,484,978 are reported in capital assets, net of \$732,928 accumulated depreciation.

9. Long-Term Debt

A. General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/17</u>
New school	2025	1.5 - 5.0%	\$ 15,045,000
Additional high school bond	2018	4 - 5.25%	<u>740,000</u>
Total Governmental Activities			<u>\$ 15,785,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,815,000	\$ 507,476	\$ 2,322,476
2019	2,070,000	451,713	2,521,713
2020	1,700,000	391,000	2,091,000
2021	1,700,000	340,000	2,040,000
2022	1,700,000	289,000	1,989,000
2023-2026	<u>6,800,000</u>	<u>607,750</u>	<u>7,407,750</u>
Total	<u>\$ 15,785,000</u>	<u>\$ 2,586,939</u>	<u>\$ 18,371,939</u>

The General Fund has been designated as the source to repay the long-term debt outstanding as of June 30, 2017.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/16</u>	Additions	Reductions	Total Balance <u>6/30/17</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 17,860	\$ -	\$ (2,075)	\$ 15,785	\$ (1,815)	\$ 13,970
Bond premium	<u>150</u>	<u>-</u>	<u>(33)</u>	<u>117</u>	<u>(34)</u>	<u>83</u>
Subtotal	18,010	-	(2,108)	15,902	(1,849)	14,053
Capital leases payable	387	510	(320)	577	(268)	309
Compensated absences	600	-	(67)	533	(197)	336
Net OPEB liability	4,282	758	(345)	4,695	-	4,695
Net pension liability	<u>24,787</u>	<u>10,676</u>	<u>-</u>	<u>35,463</u>	<u>-</u>	<u>35,463</u>
Totals	<u>\$ 48,066</u>	<u>\$ 11,944</u>	<u>\$ (2,840)</u>	<u>\$ 57,170</u>	<u>\$ (2,314)</u>	<u>\$ 54,856</u>

D. Advance Refunding

In fiscal year 2015, the District advance refunded the new school bond issue by creating a separate irrevocable trust fund. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2026. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's financial statements. As of June 30, 2017, the amount of defeased debt outstanding, but removed from the governmental activities, was \$15,300,000.

10. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to the District's net OPEB and net pension liabilities are more fully discussed in Note 12 and Note 13, respectively, as well as the unamortized portion of the gain on refunded debt in Note 9.

11. Fund Balances

The District's fund balance classification policies and procedures are as follows:

Nonspendable funds are either unspendable in the current form (i.e., inventory) or can never be spent.

Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be spent.

Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the District (i.e., School Board).

Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for.

Unassigned funds are available to be spent in future periods.

The following is a summary of fund balances at June 30, 2017:

	General Fund	Food Service Fund	Grants Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ -	\$ 34,170	\$ -	\$ -	\$ -	\$ 34,170
Total Nonspendable	-	34,170	-	-	-	34,170
Restricted:						
GBS summer program	-	-	-	-	2,587	2,587
Summer program	-	-	-	-	15,600	15,600
Donations	-	-	-	-	71,684	71,684
Laptop program	-	-	-	-	45,863	45,863
Adult education	-	-	-	-	306	306
Parking	-	-	-	-	14,450	14,450
Guidance	-	-	-	-	5,975	5,975
Class gifts	-	-	-	-	17,097	17,097
Principal accounts	-	-	-	-	4,610	4,610
Food service	-	190,104	-	-	-	190,104
Total Restricted	-	190,104	-	-	178,172	368,276
Committed:						
Repair and replace septic fund	1,646	-	-	-	-	1,646
Paving and parking repairs fund	27,187	-	-	-	-	27,187
Building roof repairs and replacement fund	42,208	-	-	-	-	42,208
Building and grounds maintenance fund	18,595	-	-	-	-	18,595
Capital needs and building and grounds maintenance fund	2,100,276	-	-	-	-	2,100,276
Total Committed	2,189,912	-	-	-	-	2,189,912
Assigned:						
Use of fund balance for future projects	234,325	-	-	-	-	234,325
Warrant article #9	100,000	-	-	-	-	100,000
Encumbrances	152,822	-	-	-	-	152,822
Total Assigned	487,147	-	-	-	-	487,147
Unassigned:						
Funds in deficit	-	-	-	(891,390)	(2,903)	(894,293)
Remaining fund balance	4,423,209	-	-	-	-	4,423,209
Total Unassigned	4,423,209	-	-	(891,390)	(2,903)	3,528,916
Total Fund Balances	\$ 7,100,268	\$ 224,274	\$ -	\$ (891,390)	\$ 175,269	\$ 6,608,421

12. Other Post-Employment Benefits – OPEB (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB also are addressed.

A. General Information About the OPEB Plan

Retirees and their covered dependents are eligible to participate in the District's medical and dental program. All active employees who retire from the District and meet the eligibility criteria will receive these benefits. The District provides a maximum subsidy to teachers based on the dollar amount the District pays prior to retirement. For future retirees, as of July 1, 2017, the subsidy is 94% of the premium cost for medical benefits and 100% for individual and 85% for two-person coverage for dental benefits. The subsidy terminates at age 65. Non-teacher retirees of the District that participate in the plan pay 100% of the medical and dental premiums. Since retirees are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration. This increased rate is an implicit subsidy the District pays for the retirees.

The benefits, benefit levels, employee contributions and employer contributions are based on requirements of the New Hampshire Retirement System (NHRS) and governed by RSA 100-A:50.

The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

As of June 30, 2017, the measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	63
Active employees	<u>475</u>
Total participants covered by OPEB plan	<u><u>538</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$4,694,842 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

C. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 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	3.56%
Healthcare cost trend rates	
Current year trend	9.00%
Second year trend	8.50%
Decrement	0.50%
Ultimate trend	5.00%
Year ultimate trend is reached	2026
Salary increases	3.25%

The discount rate was based on the index provided by the Fidelity 20-Year GO Municipal Bond Index based on the 20-year AA municipal bond rate as of June 30, 2017.

Mortality rates were based on the RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 2011.

D. Changes in the Total OPEB Liability

Total OPEB liability at July 1, 2016	\$ 4,281,980
Changes for the year:	
Service cost	355,736
Interest	120,035
Changes in assumptions	(474,485)
Differences between expected and actual experience	756,441
Benefit payments	<u>(344,865)</u>
Net Changes	<u>412,862</u>
Total OPEB liability at June 30, 2017	<u><u>\$ 4,694,842</u></u>

Differences between expected and actual experience reflect demographic changes and changes in premiums.

Changes of assumptions and other inputs reflect the following:

- The discount rate has been reduced from 4.50% in the last full valuation to 2.92% as of July 1, 2016 and to 3.56% as of June 30, 2017. This change caused an increase in the District's liabilities.
- The actuarial cost method has been updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level Percentage of Salary. This change has caused a decrease in the District's liabilities.

- The salary scale assumption has been updated to match those used in the New Hampshire Retirement System (NHRS) actuarial valuation as of June 30, 2016. This change has caused a decrease in the District's liabilities.
- The mortality table has been updated from RP-2000 Combined Mortality Table fully generational using Scale AA to SOA RPG-2015 Total Dataset Mortality Table fully generational using Scale MP-2015. The impact of this change is a decrease in the District's liabilities.
- Healthcare trend rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%. This change caused an increase in the District's liabilities.
- Retirement rates have been updated to those used in the New Hampshire Retirement System (NHRS) actuarial valuation as of June 30, 2016 for teachers and general employees. The impact of this change is a decrease in the District's liabilities.

E. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (2.56%) or one percentage-point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 4,961,716	\$ 4,694,842	\$ 4,433,905

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage-point lower (8.0%) or one percentage-point higher (10.0%) than the current healthcare cost trend rate:

	1% Decrease 8.00%	Healthcare Cost Trend Rate 9.00%	1% Increase 10.00%
Total OPEB liability	\$4,267,559	\$4,694,842	\$5,195,404

G. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized an OPEB expense of \$494,568. At June 30, 2017, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 706,012	\$ -
Changes of assumptions	<u>-</u>	<u>442,853</u>
Total	<u>\$ 706,012</u>	<u>\$ 442,853</u>

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

<u>Year ended June 30:</u>	
2018	\$ (18,797)
2019	(18,797)
2020	(18,797)
2021	(18,797)
2022	(18,797)
Thereafter	<u>(169,174)</u>
Total	<u>\$ (263,159)</u>

13. New Hampshire Retirement System (GASB 68)

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System, a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Section 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police

officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS' annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

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

Group II members 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 a 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 benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and teachers. The District makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.17% to 15.67% of covered compensation. The District's contributions to NHRS for the year ended June 30, 2017 were \$2,503,795, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At June 30, 2017, the District reported a liability of \$35,463,069 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2016 (measured as of June 30, 2015), the District's proportion was .62569705 percent. At June 30, 2017 (measured as of June 30, 2016), the District's proportion was .66690048 percent, which was an increase of .04120343 percent from its previous year proportion.

For the year ended June 30, 2017, the District recognized pension expense of \$4,476,020. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,551	\$ 447,810
Changes of assumptions	4,364,377	-
Net difference between projected and actual earnings on pension plan investments	2,218,752	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,006,147	-
Contributions subsequent to the measurement date (fiscal year 2017)	<u>2,503,795</u>	<u>-</u>
Total	<u>\$ 11,191,622</u>	<u>\$ 447,810</u>

\$2,503,795 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ (1,787,658)
2019	(1,787,658)
2020	(2,519,534)
2021	(2,037,733)
2022	<u>(107,434)</u>
Total	<u>\$ (8,240,017)</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The long-term expected rate of return on pension plan investments 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 rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
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	4.75%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.64%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	1.71%
Absolute Return Fixed Income	7.00	1.08%
Total fixed income	25.00	
Private Equity	5.00	6.25%
Private Debt	5.00	4.75%
Opportunistic	5.00	3.68%
Total alternative investments	15.00	
Real Estate	10.00	3.25%
Total	100.00 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. This is a decrease of .50% from the previous valuation and has contributed to the significant deferred outflow of resources balance for changes of

assumptions. The projection of cash flows used to determine the discount rate assumed that the 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 and 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 45,567,628	\$ 35,463,069	\$ 27,082,939

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NHRS financial report.

14. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

15. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the District is involved. The District’s management is of the opinion that the potential future settlement of these issues would not affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

16. Subsequent Event

On June 6, 2017, the District issued a \$34,012,800 bond with a maturity date of August 15, 2037 and an interest rate of 2.6744%. Bond proceeds were received on August 15, 2017 and will be reflected in the District’s fiscal year 2018 financial statements. This bond is to be used to finance the purchase of four acres of land and renovations and additions at Golden Brook School and Windham Middle School.

17. Beginning Net Position Restatement and Beginning Fund Balance Reclassification

The District’s beginning net position has been restated from the previous fiscal year to conform to GASB Statement No. 75. In accordance with Statement No. 75, the District has elected to apply the standard prospectively and not recalculate OPEB related deferred outflows and inflows of resources for prior periods.

	Governmental Activities
As previously reported	\$ 25,148,185
Restate for implementation of GASB 75	<u>(3,155,409)</u>
As restated	<u>\$ 21,992,776</u>

The beginning (July 1, 2016) fund balances of the District have been reclassified as follows:

	General Fund	Food Service Fund	Grants Fund	Summer Program Fund	Nonmajor Governmental Fund	Total Governmental Funds
As previously reported	\$ 2,672,242	\$ 196,524	\$ -	\$ 7,571	\$ 101,868	\$ 2,978,205
Reclassification of funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,571)</u>	<u>7,571</u>	<u>-</u>
As restated	<u>\$ 2,672,242</u>	<u>\$ 196,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,439</u>	<u>\$ 2,978,205</u>

WINDHAM SCHOOL DISTRICT

SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

Schedule of Changes in Net OPEB Liability

	<u>2017</u>
Total OPEB liability - beginning	\$ 4,281,980
Changes for the year:	
Service cost	355,736
Interest	120,035
Changes in assumptions	(474,485)
Differences between expected and actual experience	756,441
Benefit payments	<u>(344,865)</u>
Net change in total OPEB liability	<u>412,862</u>
Total OPEB liability - ending	4,694,842
Plan fiduciary net position	<u>-</u>
Net OPEB liability	\$ <u><u>4,694,842</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%
Covered payroll	\$ 24,171,945
Total OPEB liability as a percentage of covered payroll	19.42%

Schedule of Contributions

	<u>2017</u>
Actuarially determined contribution	\$ 344,865
Contributions in relation to the actuarially determined contribution	<u>(344,865)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

WINDHAM SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2015	June 30, 2014	0.61916242%	\$ 23,240,792	\$ 16,556,572	140.37%	66.32%
June 30, 2016	June 30, 2015	0.62569705%	\$ 24,787,158	\$ 17,800,388	139.25%	65.47%
June 30, 2017	June 30, 2016	0.66690048%	\$ 35,463,069	\$ 19,185,643	184.84%	58.30%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to financial statements for summary of significant actuarial methods and assumptions affecting the trends in the information above.

See Independent Auditors' Report.

WINDHAM SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2015	\$ 2,089,497	\$ (2,089,497)	\$ -	\$ 17,800,388	11.74%
June 30, 2016	\$ 2,388,728	\$ (2,388,728)	\$ -	\$ 19,185,643	12.45%
June 30, 2017	\$ 2,503,795	\$ (2,503,795)	\$ -	\$ 20,152,128	12.42%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.