

**OYSTER RIVER  
COOPERATIVE SCHOOL DISTRICT**

**Annual Financial Statements**

**For the Year Ended June 30, 2017**

Oyster River Cooperative School District

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**Additional Offices:**

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

## INDEPENDENT AUDITORS' REPORT

To the School Board  
Oyster River Cooperative School District

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oyster River Cooperative 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 unmodified audit opinion on the governmental activities, the major funds and the aggregate remaining fund information.

## **Opinions**

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

## **Other Matters**

### *Emphasis of Matter*

As discussed in Note 17 to the financial statements, the District did not obtain a new actuarial valuation to calculate its net OPEB obligation on the government-wide financial statements as required under Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 41 to 43. 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oyster River Cooperative School District's basic financial statements. The accompanying supplementary information and Schedule of Nonmajor Funds appearing on page 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Melanson Heath*

January 22, 2018

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

As management of the Oyster River Cooperative 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 other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all assets, 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., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

**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 and deferred outflows exceeded liabilities and deferred inflows by \$731,431 (i.e., net position), a change of \$(927,541) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$1,653,378, a change of \$(1,220,440) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$(62,277), a change of \$(517,023) in comparison to the prior year.

### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,984,051	\$ 4,117,118
Capital assets	<u>36,581,122</u>	<u>35,983,251</u>
Total assets	39,565,173	40,100,369
Deferred outflows	8,873,942	4,152,750
Current liabilities	3,071,247	3,010,189
Noncurrent liabilities	<u>44,094,134</u>	<u>36,759,922</u>
Total liabilities	47,165,381	39,770,111
Deferred inflows	542,303	2,824,036
Net position:		
Net investment in capital assets	27,772,786	25,626,909
Restricted	160,876	140,267
Unrestricted	<u>(27,202,231)</u>	<u>(24,108,204)</u>
Total net position	<u>\$ 731,431</u>	<u>\$ 1,658,972</u>

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net position was \$731,431, a change of \$(927,541) from the prior year.

The largest portion of net position, \$27,772,786, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, 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, \$160,876, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(27,202,231) primarily resulting from the District's unfunded net pension liability.



CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues		
Charges for services	\$ 669,109	\$ 591,365
Operating grants and contributions	767,971	870,714
General revenues and transfers:		
Property taxes	37,398,612	36,234,896
Tuition	1,822,334	1,565,043
Grants and contributions not restricted to specific programs	1,019,118	1,109,982
Investment income	42,357	18,537
Other	<u>252,586</u>	<u>203,771</u>
Total revenues	41,972,087	40,594,308
Expenses:		
Instruction	27,173,844	23,704,205
Other School Services:		
Student	3,661,783	3,302,482
Instruction staff	998,679	1,001,193
General administration	1,265,832	1,133,505
School administration	1,788,058	1,591,450
Business	496,325	245,772
Operation and maintenance	4,222,235	4,258,025
Student transportation	1,814,545	1,853,475
Other	1,172,756	1,163,096
Interest expense	<u>305,571</u>	<u>379,767</u>
Total expenses	<u>42,899,628</u>	<u>38,632,970</u>
Change in net position	(927,541)	1,961,338
Net position - beginning of year	<u>1,658,972</u>	<u>(302,366)</u>
Net position - end of year	<u>\$ 731,431</u>	<u>\$ 1,658,972</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(927,541). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (1,437,881)
Other governmental funds operations	217,441
Depreciation expense in excess of principal debt service	(247,358)
Change in long-term liabilities	<u>540,257</u>
Total	<u>\$ (927,541)</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$1,653,378, a change of \$(1,220,440) in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ (1,437,881)
Nonmajor fund activity	<u>217,441</u>
Total	<u>\$ (1,220,440)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$(62,277), while total fund balance was \$1,492,502. 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>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ (62,277)	\$ 454,746	\$ (517,023)	-0.2%
Total fund balance	\$ 1,492,502	\$ 2,930,383	\$ (1,437,881)	3.7%

The fund balance of the general fund changed by \$(1,437,881) during the current fiscal year. Key factors in this change are as follows:

Revenues less than budget	\$ (525,629)
Expenditures less than budget	743,883
Current year encumbrances over prior year	7,728
Use of fund balance as a funding source	(797,474)
Change in capital reserve fund	10,939
Other	<u>(877,328)</u>
Total	<u>\$ (1,437,881)</u>

Included in the total general fund balance are the District's capital reserve accounts with the following balances:

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
Capital Reserve	\$ <u>934,145</u>	\$ <u>923,206</u>	\$ <u>10,939</u>
Total	<u>\$ 934,145</u>	<u>\$ 923,206</u>	<u>\$ 10,939</u>

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There are no differences between the original budget and the final amended budget.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year-end amounted to \$36,581,122 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings.

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

Additions to:

Depreciable Assets:

Track & Field Project	\$ 2,711,492
Caterpillar Model C18 Standby Generator Set	258,720
Replace the (6) existing LAARS Boilers with (2) HPT Modcon Boilers	114,997
Reroofing at Mast Way Elementary School of Boiler Room and Gym	89,760
2017-IC-CE Bus (139295)	85,361
2017-IC-CE Bus (139296)	85,361
Heating Plant Replacement at the Mast Way Elementary School	79,870
Middle School Generator	48,500
Cust. PwrEdgeR730 E5-2640 v4	33,000
2016 Ford Super Duty F-350	32,656

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

**Long-term debt.** At the end of the current fiscal year, total bonds payable outstanding was \$8,195,000, all of which was backed by the full faith and credit of the District.

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

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Oyster River Cooperative 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:

Office of Business Manager  
Oyster River Cooperative School District  
36 Coe Drive  
Durham, New Hampshire 03824

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 1,766,338
Receivables, net of allowance for uncollectibles:	
Departmental and other	51,794
Due from fiduciary funds	8,500
Intergovernmental	1,099,828
Other assets	57,591
Noncurrent:	
Capital assets:	
Land and construction in progress	142,869
Other assets, net of accumulated depreciation	36,438,253
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	<u>8,873,942</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>48,439,115</b>
<b>LIABILITIES</b>	
Current:	
Accounts payable	115,606
Accrued liabilities	483,374
Other current liabilities	833,782
Current portion of long-term liabilities:	
Bonds payable	1,285,000
Other	353,485
Noncurrent:	
Bonds payable, net of current portion	6,910,000
Net pension liability	33,078,564
Net OPEB obligation	2,498,678
Other, net of current portion	1,606,892
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	509,498
Other	<u>32,805</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>47,707,684</b>
<b>NET POSITION</b>	
Net investment in capital assets	27,772,786
Restricted for:	
Grants and other statutory restrictions	130,097
Permanent funds:	
Expendable	30,779
Unrestricted	<u>(27,202,231)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u><u>731,431</u></u></b>

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

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Instruction	\$ 27,173,844	\$ -	\$ 605,982	\$ (26,567,862)
Other school services:				
Student	3,661,783	643,421	-	(3,018,362)
Instructional staff	998,679	-	153,927	(844,752)
General administration	1,265,832	-	-	(1,265,832)
School administration	1,788,058	-	-	(1,788,058)
Business	496,325	-	-	(496,325)
Operation and maintenance	4,222,235	-	-	(4,222,235)
Student transportation	1,814,545	25,688	-	(1,788,857)
Other	1,172,756	-	8,062	(1,164,694)
Interest expense	305,571	-	-	(305,571)
Total Governmental Activities	<u>\$ 42,899,628</u>	<u>\$ 669,109</u>	<u>\$ 767,971</u>	(41,462,548)
<b>General Revenues and Transfers:</b>				
				37,398,612
				1,822,334
				1,019,118
				42,357
				<u>252,586</u>
				40,535,007
				(927,541)
<b>Net Position:</b>				
				<u>1,658,972</u>
				<u>\$ 731,431</u>

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

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<u>General</u>	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and short-term investments	\$ 1,766,338	\$ -	\$ 1,766,338
Receivables:			
Departmental and other	39,586	12,208	51,794
Intergovernmental	934,145	165,683	1,099,828
Due from other funds	1,006,659	150,476	1,157,135
Other assets	<u>57,591</u>	<u>-</u>	<u>57,591</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,804,319</u></b>	<b>\$ <u>328,367</u></b>	<b>\$ <u>4,132,686</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 107,869	\$ 7,737	\$ 115,606
Accrued liabilities	348,480	-	348,480
Due to other funds	1,021,686	126,949	1,148,635
Other liabilities	<u>833,782</u>	<u>-</u>	<u>833,782</u>
<b>TOTAL LIABILITIES</b>	<b>2,311,817</b>	<b>134,686</b>	<b>2,446,503</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	-	32,805	32,805
<b>FUND BALANCES</b>			
Nonspendable	57,591	-	57,591
Restricted	-	160,876	160,876
Committed	1,434,145	-	1,434,145
Assigned	63,043	-	63,043
Unassigned	<u>(62,277)</u>	<u>-</u>	<u>(62,277)</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,492,502</u></b>	<b><u>160,876</u></b>	<b><u>1,653,378</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ <u>3,804,319</u></b>	<b>\$ <u>328,367</u></b>	<b>\$ <u>4,132,686</u></b>

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

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

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

JUNE 30, 2017

<b>Total governmental fund balances</b>	\$	1,653,378
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		36,581,122
• Long-term receivable not reported in governmental funds		(134,894)
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(45,732,619)
• Other		<u>8,364,444</u>
<b>Net position of governmental activities</b>	\$	<u><u>731,431</u></u>

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



OYSTER RIVER COOPERATIVE SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 37,398,612	\$ -	\$ 37,398,612
Tuition	1,822,334	-	1,822,334
Intergovernmental	688,388	759,909	1,448,297
Medicaid	338,792	-	338,792
Charges for service	25,688	643,421	669,109
Investment income	39,711	2,646	42,357
Other	<u>34,573</u>	<u>218,013</u>	<u>252,586</u>
Total Revenues	40,348,098	1,623,989	41,972,087
<b>Expenditures:</b>			
Current:			
Instruction	24,487,974	556,329	25,044,303
Other school services:			
Student	3,503,600	6,224	3,509,824
Instructional staff	926,540	26,677	953,217
General administration	1,206,801	-	1,206,801
School administration	1,714,058	-	1,714,058
Business	569,782	21,999	591,781
Operation and maintenance	3,968,488	1,793,178	5,761,666
Student transportation	1,796,833	-	1,796,833
Other	1,157,353	-	1,157,353
Debt service	<u>1,456,691</u>	<u>-</u>	<u>1,456,691</u>
Total Expenditures	<u>40,788,120</u>	<u>2,404,407</u>	<u>43,192,527</u>
Excess (deficiency) of revenues over expenditures	(440,022)	(780,418)	(1,220,440)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	1,060,100	1,060,100
Transfers out	<u>(997,859)</u>	<u>(62,241)</u>	<u>(1,060,100)</u>
Total Other Financing Sources (Uses)	<u>(997,859)</u>	<u>997,859</u>	<u>-</u>
Change in fund balance	(1,437,881)	217,441	(1,220,440)
Fund Balance, at Beginning of Year, as restated	<u>2,930,383</u>	<u>(56,565)</u>	<u>2,873,818</u>
Fund Balance, at End of Year	<u>\$ 1,492,502</u>	<u>\$ 160,876</u>	<u>\$ 1,653,378</u>

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

OYSTER RIVER COOPERATIVE 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

<b>Net changes in fund balances - total government funds</b>	\$ (1,220,440)														
<ul style="list-style-type: none"> <li>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: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases, net of disposals</td> <td style="text-align: right;">1,980,229</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(1,382,358)</td> </tr> </table> </li> <li>The issuance of long-term debt (e.g., bonds and leases) 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: <table> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">1,135,000</td> </tr> <tr> <td style="padding-left: 40px;">Repayments of capital leases</td> <td style="text-align: right;">216,174</td> </tr> <tr> <td style="padding-left: 40px;">Change in net pension liability</td> <td style="text-align: right;">(8,326,521)</td> </tr> <tr> <td style="padding-left: 40px;">Change in net OPEB liability</td> <td style="text-align: right;">(453,899)</td> </tr> <tr> <td style="padding-left: 40px;">Other</td> <td style="text-align: right;"><u>7,124,274</u></td> </tr> </table> </li> </ul>		Capital outlay purchases, net of disposals	1,980,229	Depreciation	(1,382,358)	Repayments of debt	1,135,000	Repayments of capital leases	216,174	Change in net pension liability	(8,326,521)	Change in net OPEB liability	(453,899)	Other	<u>7,124,274</u>
Capital outlay purchases, net of disposals	1,980,229														
Depreciation	(1,382,358)														
Repayments of debt	1,135,000														
Repayments of capital leases	216,174														
Change in net pension liability	(8,326,521)														
Change in net OPEB liability	(453,899)														
Other	<u>7,124,274</u>														
<b>Change in net position of governmental activities</b>	<u><u>\$ (927,541)</u></u>														

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

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and other sources:</b>				
Property taxes	\$ 37,397,544	\$ 37,397,544	\$ 37,397,544	\$ -
Tuition	1,884,500	1,884,500	1,822,334	(62,166)
Intergovernmental	703,742	703,742	688,388	(15,354)
Medicaid	275,000	275,000	338,792	63,792
Charges for services	34,000	34,000	25,688	(8,312)
Investment income	4,500	4,500	6,338	1,838
Other revenues	540,000	540,000	34,573	(505,427)
Other financing sources:				
Use of fund balance	<u>797,474</u>	<u>797,474</u>	<u>797,474</u>	<u>-</u>
Total Revenues and Other Sources	41,636,760	41,636,760	41,111,131	(525,629)
<b>Expenditures and other uses:</b>				
Instruction	24,425,495	24,425,495	24,380,556	44,939
Student	3,455,343	3,455,343	3,503,600	(48,257)
Instructional staff	969,098	969,098	911,878	57,220
General administration	1,238,909	1,238,909	1,206,801	32,108
School administration	1,718,241	1,718,241	1,715,904	2,337
Business	579,992	579,992	569,782	10,210
Operation and maintenance	3,945,638	3,945,638	3,937,488	8,150
Student transportation	1,900,845	1,900,845	1,790,877	109,968
Other	1,224,089	1,224,089	1,157,353	66,736
Debt service	1,479,110	1,479,110	1,456,691	22,419
Other financing uses:				
Transfers out	<u>700,000</u>	<u>700,000</u>	<u>261,947</u>	<u>438,053</u>
Total Expenditures and Other Uses	<u>41,636,760</u>	<u>41,636,760</u>	<u>40,892,877</u>	<u>743,883</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,254</u>	<u>\$ 218,254</u>

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

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ -	\$ 189,575
Intergovernmental receivable	<u>159,445</u>	<u>-</u>
Total Assets	159,445	189,575
<b><u>LIABILITIES AND NET POSITION</u></b>		
Due to other funds	8,500	-
Other liabilities	<u>-</u>	<u>189,575</u>
Total Liabilities	<u>8,500</u>	<u>189,575</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust	<u>\$ 150,945</u>	<u>\$ -</u>

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

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment income	\$ 5,071
Contributions	<u>9,475</u>
Total additions	14,546
 <b>Deductions:</b>	
Other	<u>8,500</u>
Total deductions	<u>8,500</u>
Net increase	6,046
 <b>Net position:</b>	
Beginning of year	<u>144,899</u>
End of year	<u><u>\$ 150,945</u></u>

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

# OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Oyster River Cooperative 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 primary District. For the most part, the effect of interfund 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 is 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. Taxes 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 and major individual enterprise 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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. All other 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 general government, except those required to be accounted for in another fund.

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 Government reports the following fiduciary funds:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit private organizations or other non-capital reserve District trust funds.

The *agency fund* is used to account for money held by the District on behalf of others (e.g., student activity funds). Agency funds report only assets and liabilities and, therefore, have no measurement focus.

**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 deposits, certificates of deposits, and savings 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. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, 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 \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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	40
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

*G. Compensated Absences*

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and fiduciary fund 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.

*H. 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.

*I. 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 the current assets/deferred outflows and current liabilities/deferred inflows. 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 consists 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.

*J. 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.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

*B. Budgetary Basis*

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

*C. Budget/GAAP Reconciliation*

The budgetary data for the general 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 of the general fund 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.

<u>General Fund</u>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 40,348,098	\$ 40,788,120
Other financing sources/uses (GAAP basis)	<u>-</u>	<u>997,859</u>
Subtotal (GAAP Basis)	40,348,098	41,785,979
Reverse beginning of year appropriation carryforwards from expenditures	-	(55,315)
Add end-of-year appropriation carryforwards from expenditures	-	63,043
Other GAAP adjustments	(1,068)	(878,396)
To eliminate capital reserve activity	(33,373)	(22,434)
Recognize use of fund balance as funding source	<u>797,474</u>	<u>-</u>
Budgetary basis	<u>\$ 41,111,131</u>	<u>\$ 40,892,877</u>

### **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 deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Pursuant to NH Statute, “the treasurer shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall 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 District.” The District does not have a deposit policy for custodial credit risk.

As of June 30, 2017, none of the District’s bank balance of \$3,276,724 was exposed to custodial credit risk as uninsured or uncollateralized. The underlying securities of the District’s deposit in repurchase agreements of \$2,662,067 are held by the investment’s counterparty, not in the name of the District.

**4. Departmental Receivables**

Departmental receivables consist of reimbursements requested from various local agencies for expenditures incurred in fiscal 2017.

**5. Intergovernmental Receivables**

This balance represents capital reserve funds held by the Town's Trustees of the Trust funds, as well as amounts requested from Federal and State agencies for expenditures incurred in fiscal 2017.

**6. 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 an analysis 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	\$ 1,006,659	\$ 1,021,686
Special Revenue Funds:	74,613	51,086
Capital Project Funds:	75,863	75,863
Trust and Agency Funds:		
Private Purpose Trust	<u>-</u>	<u>8,500</u>
Total	<u>\$ 1,157,135</u>	<u>\$ 1,157,135</u>

**Transfers**

The District reports interfund transfers between various funds. Most transfers results from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of the June 30, 2017 major interfund transfers.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 997,859
Nonmajor Funds:		
Special Revenue Funds:		
Permanent Trust Fund	-	62,241
Capital Project Funds:	<u>1,060,100</u>	<u>-</u>
Subtotal Nonmajor Funds	1,060,100	62,241
Grand Total	\$ <u>1,060,100</u>	\$ <u>1,060,100</u>

## 7. 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>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 42,482,793	\$ 2,915,381	\$ -	\$ 45,398,174
Machinery, equipment, and furnishings	<u>4,628,004</u>	<u>761,985</u>	<u>(221,960)</u>	<u>5,168,029</u>
Total capital assets, being depreciated	47,110,797	3,677,366	(221,960)	50,566,203
Less accumulated depreciation for:				
Buildings and improvements	(11,248,137)	(855,790)	-	(12,103,927)
Machinery, equipment, and furnishings	<u>(1,719,415)</u>	<u>(526,568)</u>	<u>221,960</u>	<u>(2,024,023)</u>
Total accumulated depreciation	<u>(12,967,552)</u>	<u>(1,382,358)</u>	<u>221,960</u>	<u>(14,127,950)</u>
Total capital assets, being depreciated, net	34,143,245	2,295,008	-	36,438,253
Capital assets, not being depreciated:				
Land	142,869	-	-	142,869
Construction in progress	<u>1,697,137</u>	<u>-</u>	<u>(1,697,137)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,840,006</u>	<u>-</u>	<u>(1,697,137)</u>	<u>142,869</u>
Governmental activities capital assets, net	\$ <u>35,983,251</u>	\$ <u>2,295,008</u>	\$ <u>(1,697,137)</u>	\$ <u>36,581,122</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:	
Instruction	\$ 930,091
Support services:	
School administration	5,278
Operation and maintenance	205,815
Student transportation	240,713
Other	<u>461</u>
Total depreciation expense - governmental activities	\$ <u>1,382,358</u>

**8. 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 pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 16.

**9. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent 2017 expenditures paid after June 30, 2017.

**10. Other Current Liabilities**

Other current liabilities primarily represent 2017 medical and dental withholding payables paid after June 30, 2017.

**11. Capital Lease Obligations**

The District is the lessee of certain equipment under capital and operating leases expiring in various years through fiscal year 2020. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2017:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2018	\$ 225,759
2019	225,759
2020	<u>174,693</u>
Total minimum lease payments	626,211
Less amounts representing interest	<u>(12,875)</u>
Present Value of Minimum Lease Payments	<u>\$ 613,336</u>

**12. 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</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/17</u>
High School Additions and Renovations	11/01/21	3.10-4.70%	\$ 575,000
High School Addition	08/15/22	3.50-4.70%	6,120,000
Field Track	07/01/25	1.88%	<u>1,500,000</u>
Total Governmental Activities:			<u>\$ 8,195,000</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</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,285,000	\$ 303,215	\$ 1,588,215
2019	1,285,000	251,261	1,536,261
2020	1,285,000	209,630	1,494,630
2021	1,285,000	232,650	1,517,650
2022	1,285,000	134,498	1,419,498
2023-2027	<u>1,770,000</u>	<u>137,091</u>	<u>1,907,091</u>
Total	<u>\$ 8,195,000</u>	<u>\$ 1,268,345</u>	<u>\$ 9,463,345</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation 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:

	<u>Total</u> <u>Balance</u> <u>7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total</u> <u>Balance</u> <u>6/30/17</u>	<u>Less</u> <u>Current</u> <u>Portion</u>	<u>Equals</u> <u>Long-Term</u> <u>Portion</u> <u>6/30/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 9,330,000	\$ -	\$ (1,135,000)	\$ 8,195,000	\$ (1,285,000)	\$ 6,910,000
Net pension liability	24,752,043	8,326,521	-	33,078,564	-	33,078,564
OPEB liability	2,044,779	453,899	-	2,498,678	-	2,498,678
Other:						
Lease payable	829,510	-	(216,174)	613,336	(218,781)	394,555
Compensated absences	<u>1,449,738</u>	<u>-</u>	<u>(102,697)</u>	<u>1,347,041</u>	<u>(134,704)</u>	<u>1,212,337</u>
Total Other	<u>2,279,248</u>	<u>-</u>	<u>(318,871)</u>	<u>1,960,377</u>	<u>(353,485)</u>	<u>1,606,892</u>
Totals	<u>\$ 38,406,070</u>	<u>\$ 8,780,420</u>	<u>\$ (1,453,871)</u>	<u>\$ 45,732,619</u>	<u>\$ (1,638,485)</u>	<u>\$ 44,094,134</u>

### 13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The District reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 16. Unavailable revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

### 14. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The District has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2017:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved by the School Board, capital reserve funds set aside by School Board vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.



Assigned - Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various District departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the District's fund balances at June 30, 2017:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Prepaid expenditures	\$ 57,591	\$ -	\$ 57,591
Total Nonexpendable	57,591	-	57,591
Restricted			
Special revenue funds	-	130,097	130,097
Expendable permanent funds	-	30,779	30,779
Total Restricted	-	160,876	160,876
Committed			
Capital reserve funds	934,145	-	934,145
Reserved for expenditures	500,000	-	500,000
Total Committed	1,434,145	-	1,434,145
Assigned			
Encumbrances	63,043	-	63,043
Total Assigned	63,043	-	63,043
Unassigned			
Unassigned	(62,277)	-	(62,277)
Total Unassigned	(62,277)	-	(62,277)
Total Fund Balance	\$ 1,492,502	\$ 160,876	\$ 1,653,378

## 15. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which can differ in respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purpose.

The following summarizes the specific difference between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$	(62,277)
Unavailable revenue		32,805
Other GAAP entries		<u>815,674</u>
Tax Rate Setting Balance	\$	<u><u>786,202</u></u>

**16. Retirement System**

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 New Hampshire Retirement System (NHRS), 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 Sections 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.

Members of Group I 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, 11.55% for police and 11.80% for fire. The District makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 25.32% of covered compensation. The District's contributions to NHRS for the year ended June 30, 2017 were \$2,382,996, 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' 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 \$33,078,564 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, the District's proportion was 0.622 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$3,704,063. 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	\$ 91,925	\$ 417,700
Changes of assumptions	4,070,920	-
Net difference between projected and actual earnings on pension plan investments	2,069,565	-
Changes in proportion and differences between contributions and proportionate share of contributions	258,536	91,798
Contributions subsequent to the measurement date	<u>2,382,996</u>	<u>-</u>
Total	<u>\$ 8,873,942</u>	<u>\$ 509,498</u>

\$2,382,996 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 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:

2017	\$ 1,196,464
2018	1,196,464
2019	1,940,811
2020	1,572,782
2021	<u>74,927</u>
Total	<u>\$ 5,981,448</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 tables 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.

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%
Real estate	10.00	3.25%
Opportunistic	5.00	3.68%
Total alternative investments	25.00	
Total	100.00 %	

#### G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2016	\$ 42,503,702	\$ 33,078,564	\$ 25,261,907

*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.

**17. Other Post-Employment Benefits – OPEB (GASB 45)**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when future retirees earn their post-employment benefits, rather than when they use their post-employment benefits. To the extent that an entity does not fund its actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

The District did not obtain an updated actuarial valuation as required by GASB No. 45. The most recent actuarial valuation, dated July 1, 2014, included forecast information for 2016 that the District used to record its net OPEB obligation. There have been no major changes in the number of plan partici-

pants and the District believes this information accurately reflects the net OPEB obligation at June 30, 2017.

A. Plan Description

The District provides its eligible retirees, including in some cases their beneficiaries (as governed by RSA 100-A:50), the ability to purchase health and prescription insurance at the District's group rates. Although the District does not supplement the cost of these plans, GASB Statement 45 requires the District to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of June 30, 2017, there were 9 retiree subscribers, including eligible spouses and dependents, and 353 active employees meeting the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The District provides medical, prescription drug, and mental health/substance abuse insurance to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria are eligible to receive these benefits.

C. Funding Policy

The District offers benefits that require the retiree to pay 100% of the cost of premiums. The funding policy used by the District is based on the pay-as-you-go methodology.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Annual Required Contribution (ARC)	\$ 570,023
Interest on net OPEB obligation	63,635
Adjustment to ARC	<u>(90,214)</u>
Annual OPEB cost	543,444
Contributions made	<u>(89,544)</u>
Increase in net OPEB obligation	453,900
Net OPEB obligation - beginning of year	<u>2,044,778</u>
Net OPEB obligation - end of year	<u><u>\$ 2,498,678</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 543,444	16.5%	\$ 2,498,678
2016	\$ 543,444	16.5%	\$ 2,044,779
2015	\$ 534,398	15.8%	\$ 1,590,879
2014	\$ 367,268	50.5%	\$ 1,141,153
2013	\$ 367,268	50.5%	\$ 959,494
2012	\$ 367,268	50.8%	\$ 77,835

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 4,959,313
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,959,313</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 21,879,000</u>
UAAL as a percentage of covered payroll	<u>22.67%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the



future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the District and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined, as the District has not advance funded its obligation. The actuarial assumptions included a 4.00% investment rate of return and an initial annual healthcare cost trend rate of 0.92%, which increases to 9.00% in the second year and then reduces by 1.00% decrements to 5.00% after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 29 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

**18. 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 materially 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.

**19. Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the District beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

**20. Beginning Fund Balance Restatement**

The beginning (July 1, 2016) fund balance of the District has been restated as follows:

Fund Basis Financial Statements:

	Nonmajor Governmental <u>Funds</u>	Capital Project <u>Fund</u>
As previously reported	\$ 140,267	\$ (196,832)
Capital Project funds reclassified	<u>(196,832)</u>	<u>196,832</u>
As restated	<u><u>\$ (56,565)</u></u>	<u><u>\$ -</u></u>

**OYSTER RIVER COOPERATIVE 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, 2017	June 30, 2016	0.62205870%	\$ 33,078,564	\$ 17,963,643	184.14%	58.30%
June 30, 2016	June 30, 2015	0.62481065%	\$ 24,752,043	\$ 17,929,809	138.05%	65.47%
June 30, 2015	June 30, 2014	0.61574181%	\$ 23,112,397	\$ 17,189,314	134.46%	66.32%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**OYSTER RIVER COOPERATIVE SCHOOL DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**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, 2017	\$ 2,382,996	\$ 2,382,996	\$ -	\$ 19,205,680	12.41%
June 30, 2016	\$ 2,227,460	\$ 2,227,460	\$ -	\$ 17,963,629	12.40%
June 30, 2015	\$ 2,096,839	\$ 2,096,839	\$ -	\$ 17,929,809	11.69%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**OYSTER RIVER COOPERATIVE SCHOOL DISTRICT  
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)**

**June 30, 2017**

**(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
7/1/2014	\$ -	\$ 4,959,313	\$ 4,959,313	0.0%	\$ 21,879,000	22.67%

See Independent Auditors' Report.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT  
SCHEDULE OF NONMAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Fund Balance, <u>Beginning</u>	Revenue, Net of Deferred <u>Portion</u>	<u>Expenditures</u>	Transfers <u>In/(Out)</u>	Fund Balance, <u>Ending</u>
<u>Special Revenue Funds:</u>					
<u>Federal:</u>					
Title I (16-17)	\$ -	\$ 73,394	\$ 73,394	\$ -	\$ -
Title II (15-16)	-	3,108	3,108	-	-
Title II (16-17)	-	20,118	20,118	-	-
Title II - Supplemental	-	3,450	3,450	-	-
Title III - ESOL	-	5,672	5,672	-	-
IDEA (16-17)	-	460,651	460,651	-	-
Total Federal	-	566,393	566,393	-	-
<u>State:</u>					
Other Grants	48,887	107,505	44,299	-	112,093
Total State	48,887	107,505	44,299	-	112,093
School Lunch	-	751,511	733,507	-	18,004
School Lunch Commodities	-	45,853	45,853	-	-
Total Special Revenue Funds	48,887	1,471,262	1,390,052	-	130,097
<u>Capital Project Fund</u>					
High School Addition	(196,832)	151,087	1,014,355	1,060,100	-
Total Capital Project Fund	(196,832)	151,087	1,014,355	1,060,100	-
<u>Permanent Trust:</u>					
Playing Field Construction	91,380	1,640	-	(62,241)	30,779
Total Permanent Trust	91,380	1,640	-	(62,241)	30,779
Total Nonmajor Funds	\$ (56,565)	\$ 1,623,989	\$ 2,404,407	\$ 997,859	\$ 160,876

See Independent Auditors' report.