

# WINCHESTER SCHOOL DISTRICT

## FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019

**WINCHESTER SCHOOL DISTRICT  
FINANCIAL REPORT  
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JUNE 30, 2019**

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winchester School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Basis for Adverse Opinion on Governmental Activities**

As discussed in Note I.B.3. to the financial statements, management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, decrease net position, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

**Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Winchester School District, as of June 30, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Opinions**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Winchester School District, as of June 30, 2019, and the respective changes in financial position thereof, and the budgetary comparison for the General and Grants 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 pension information on pages 25-27 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 and economic 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Winchester School District has not presented a management’s discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management’s discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

*Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 School District's internal control over financial reporting and compliance.

*Roberts & Heene, PLLC*

Concord, New Hampshire  
October 5, 2020

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**WINCHESTER SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities
<b>ASSETS</b>	
Intergovernmental receivables	\$ 1,160,281
Other receivables	38,211
Inventory	1,910
Prepaid items	21,448
Capital assets, not being depreciated:	
Construction in progress	171,714
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	1,773,960
Machinery, equipment and vehicles	47,344
Total assets	3,214,868
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	1,193,166
<b>LIABILITIES</b>	
Cash overdraft	777,529
Accounts payable	127,410
Intergovernmental payable	9,632
Accrued salaries and benefits	341,231
Accrued interest payable	10,043
Noncurrent obligations:	
Due within one year:	
Bond payable	175,000
Unamortized bond premium	14,061
Compensated absences payable	9,142
Termination benefits payable	12,043
Due in more than one year:	
Bond payable	700,000
Unamortized bond premium	56,242
Compensated absences payable	37,870
Termination benefits payable	29,732
Net pension liability	4,826,769
Total liabilities	7,126,704
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	301,889
<b>NET POSITION</b>	
Net investment in capital assets	1,047,716
Unrestricted	(4,068,275)
Total net position	\$ (3,020,559)

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

**EXHIBIT 2**  
**WINCHESTER SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 7,951,911	\$ -	\$ 432,915	\$ -	\$ (7,518,996)
Support services:					
Student	637,649	-	59,805	-	(577,844)
Instructional staff	368,027	-	156,596	-	(211,431)
General administration	47,021	-	-	-	(47,021)
Executive administration	221,444	-	-	-	(221,444)
School administration	248,788	-	272	-	(248,516)
Business	124,196	-	-	-	(124,196)
Operation and maintenance of plant	839,892	-	-	-	(839,892)
Student transportation	656,952	-	-	-	(656,952)
Central	216,124	-	-	-	(216,124)
Non-instructional services	303,167	4,325	226,302	-	(72,540)
Facilities acquisition and construction	104,090	-	-	-	(104,090)
Interest on long-term debt	19,965	-	-	61,929	41,964
Total governmental activities	<u>\$ 11,739,226</u>	<u>\$ 4,325</u>	<u>\$ 875,890</u>	<u>\$ 61,929</u>	<u>(10,797,082)</u>
General revenues:					
School district assessment					5,682,899
Grants and contributions not restricted to specific programs					4,658,050
Miscellaneous					91,097
Total general revenues					<u>10,432,046</u>
Change in net position					(365,036)
Net position, beginning, as restated, (See Note III.D.)					<u>(2,655,523)</u>
Net position, ending					<u>\$ (3,020,559)</u>

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

**EXHIBIT 3**  
**WINCHESTER SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 22,466	\$ 22,466
Receivables:				
Accounts	10,917	-	27,294	38,211
Intergovernmental	1,035,875	124,407	-	1,160,282
Interfund receivable	204,133	-	-	204,133
Inventory	-	-	1,910	1,910
Prepaid items	21,448	-	-	21,448
Total assets	<u>\$ 1,272,373</u>	<u>\$ 124,407</u>	<u>\$ 51,670</u>	<u>\$ 1,448,450</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Cash overdraft	\$ 799,995	\$ -	\$ -	\$ 799,995
Accounts payable	114,288	12,860	263	127,411
Accrued salaries and benefits	338,894	2,337	-	341,231
Intergovernmental payable	-	9,632	-	9,632
Interfund payable	-	86,518	117,615	204,133
Total liabilities	<u>1,253,177</u>	<u>111,347</u>	<u>117,878</u>	<u>1,482,402</u>
Deferred inflows of resources:				
Deferred revenue	-	19,702	-	19,702
Fund balances:				
Nonspendable	21,448	-	1,910	23,358
Restricted	-	-	554	554
Committed	383,536	-	21,912	405,448
Unassigned	(385,788)	(6,642)	(90,584)	(483,014)
Total fund balances	<u>19,196</u>	<u>(6,642)</u>	<u>(66,208)</u>	<u>(53,654)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,272,373</u>	<u>\$ 124,407</u>	<u>\$ 51,670</u>	<u>\$ 1,448,450</u>

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

**EXHIBIT 4**  
**WINCHESTER SCHOOL DISTRICT**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Position**  
**June 30, 2019**

Total fund balances of governmental funds (Exhibit 3)	\$	(53,654)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 7,080,072	
Less accumulated depreciation	<u>(5,087,054)</u>	1,993,018
Long-term receivables that are not available to pay current-period expenditures are deferred in the funds.		19,702
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (204,133)	
Payables	<u>204,133</u>	-
Interest on long-term debt is not accrued in governmental funds.		(10,043)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bond payable	\$ 875,000	
Unamortized bond premium	70,303	
Compensated absences payable	47,012	
Termination benefits payable	41,775	
Net pension liability	<u>4,826,769</u>	(5,860,859)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 1,193,166	
Deferred inflows of resources related to pensions	<u>(301,889)</u>	891,277
Net position of governmental activities (Exhibit 1)		<u><u>\$ (3,020,559)</u></u>

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

**EXHIBIT 5**  
**WINCHESTER SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2019**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
School district assessment	\$ 5,682,899	\$ -	\$ -	\$ 5,682,899
Other local	77,344	-	18,078	95,422
State	4,734,888	-	3,541	4,738,429
Federal	91,176	529,017	222,761	842,954
Total revenues	<u>10,586,307</u>	<u>529,017</u>	<u>244,380</u>	<u>11,359,704</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	7,399,812	318,986	13,327	7,732,125
Support services:				
Student	567,545	59,805	-	627,350
Instructional staff	207,735	156,596	-	364,331
General administration	47,021	-	-	47,021
Executive administration	220,780	-	-	220,780
School administration	243,844	272	-	244,116
Business	122,845	-	-	122,845
Operation and maintenance of plant	834,880	-	-	834,880
Student transportation	656,952	-	-	656,952
Central	215,281	-	-	215,281
Non-instructional services	-	-	296,750	296,750
Debt service:				
Principal	175,000	-	-	175,000
Interest	37,230	-	-	37,230
Facilities acquisition and construction	275,804	-	-	275,804
Total expenditures	<u>11,004,729</u>	<u>535,659</u>	<u>310,077</u>	<u>11,850,465</u>
Deficiency of revenues under expenditures	<u>(418,422)</u>	<u>(6,642)</u>	<u>(65,697)</u>	<u>(490,761)</u>
Other financing sources (uses):				
Transfers in	-	-	63,970	63,970
Transfers out	(63,970)	-	-	(63,970)
Total other financing sources and uses	<u>(63,970)</u>	<u>-</u>	<u>63,970</u>	<u>-</u>
Net change in fund balances	(482,392)	(6,642)	(1,727)	(490,761)
Fund balances, beginning, as restated, (see Note III.D.)	501,588	-	(64,481)	437,107
Fund balances, ending	<u>\$ 19,196</u>	<u>\$ (6,642)</u>	<u>\$ (66,208)</u>	<u>\$ (53,654)</u>

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

**EXHIBIT 6**  
**WINCHESTER SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2019**

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Net change in fund balances of total governmental funds (Exhibit 5)		\$ (490,761)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 171,714	
Depreciation expense	<u>(180,351)</u>	(8,637)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in deferred grant revenue		14,486
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Principal repayment of bond	\$ 175,000	
Amortization of bond premium	<u>14,061</u>	189,061
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 governmental funds.		
Decrease in accrued interest expense	\$ 3,204	
Decrease in compensated absences payable	1,761	
Decrease in termination benefits payable	<u>11,479</u>	16,444
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
School District pension contributions	\$ 483,563	
Cost of benefits, net of employee contributions	<u>(569,192)</u>	(85,629)
Change in net position of governmental activities (Exhibit 2)		<u>\$ (365,036)</u>

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

**EXHIBIT 7**  
**WINCHESTER SCHOOL DISTRICT**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
School district assessment	\$5,682,899	\$5,682,899	\$5,682,899	\$ -
Other local	109,000	109,000	68,524	(40,476)
State	4,569,097	4,705,897	4,734,888	28,991
Federal	325,000	325,000	91,176	(233,824)
Total revenues	<u>10,685,996</u>	<u>10,822,796</u>	<u>10,577,487</u>	<u>(245,309)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	7,735,610	7,735,610	7,399,812	335,798
Support services:				
Student	607,371	607,371	567,545	39,826
Instructional staff	169,062	169,062	207,735	(38,673)
General administration	59,000	59,000	47,021	11,979
Executive administration	266,116	266,116	220,780	45,336
School administration	259,382	259,382	243,844	15,538
Business	120,819	120,819	122,845	(2,026)
Operation and maintenance of plant	589,542	589,542	729,530	(139,988)
Student transportation	619,482	619,482	656,952	(37,470)
Central	219,785	219,785	215,281	4,504
Debt service:				
Principal	175,000	175,000	175,000	-
Interest	37,230	37,230	37,230	-
Facilities acquisition and construction	-	136,800	155,512	(18,712)
Total expenditures	<u>10,858,399</u>	<u>10,995,199</u>	<u>10,779,087</u>	<u>216,112</u>
Deficiency of revenues under expenditures	(172,403)	(172,403)	(201,600)	(29,197)
Other financing uses:				
Transfers out	<u>(110,000)</u>	<u>(110,000)</u>	<u>(173,970)</u>	<u>(63,970)</u>
Net change in fund balance	<u>\$ (282,403)</u>	<u>\$ (282,403)</u>	(375,570)	<u>\$ (93,167)</u>
Increase in nonspendable fund balance			(21,448)	
Unassigned fund balance, beginning			11,230	
Unassigned fund balance, ending			<u>\$ (385,788)</u>	

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

**EXHIBIT 8**  
**WINCHESTER SCHOOL DISTRICT**  
**Grants Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**For the Fiscal Year Ended June 30, 2019**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Federal	\$ 500,000	\$ 529,017	\$ 29,017
<b>EXPENDITURES</b>			
Current:			
Instruction	300,000	318,986	18,986
Support services:			
Student	50,000	59,805	9,805
Instructional staff	150,000	156,596	6,596
School administration	-	272	272
Total expenditures	<u>500,000</u>	<u>535,659</u>	<u>(35,659)</u>
Net change in fund balance	<u>\$ -</u>	<u>(6,642)</u>	<u>\$ (6,642)</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ (6,642)</u>	

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

**NOTES TO THE FINANCIAL STATEMENTS**

**WINCHESTER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the Winchester School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2019.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. Entity Defined**

The Winchester School District is a municipal corporation governed by a school board consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the School District's financial statements do not include any component units.

**I.B.2. Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the School District as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report tuition, fees, and other charges for the School District's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. The school district assessment from the town, unrestricted state aid, and revenue from other sources not properly included with program revenues are reported as general revenues.

**WINCHESTER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**

*Fund Financial Statements*

Fund financial statements are provided for the governmental funds. Major individual, governmental funds are reported in separate columns with composite columns for nonmajor funds.

**I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except that the School District has not reported its annual cost for postemployment benefits other than pensions (OPEB) or its total OPEB obligation liability, if any, as required by GAAP.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are the school district assessment from the town, tuition, investment income and federal and state grants. In general, other revenues are recognized when cash is received.

**I.B.4. *Fund Types and Major Funds***

*Governmental Funds*

The School District reports the following major governmental funds:

*General Fund* – Reports as the primary fund of the School District. This fund is used to account for all financial resources not reported in other funds.

*Grants Fund* – Reports as a special revenue fund and accounts for federal grant programs.

**WINCHESTER SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
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The School District also reports four nonmajor funds, the Food Service, Project ACCESS, Playground, and Student Activities Funds.

**I.B.5. *Change in Accounting Principle***

During the fiscal year, the School District adopted the provision of GASB Statement No. 84, *Fiduciary Activities*. This results in a change in the measurement and presentation of the student activities fund, which is now reported as a special revenue fund. The prior year's net position was restated as shown in Note III.D. to reflect this change.

**I.C. *Assets, Liabilities, and Net Position or Fund Equity***

**I.C.1. *Cash and Investments***

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

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the School District to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

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

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**I.C.2. Capital Assets and Depreciation**

The School District's capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at the acquisition cost on the date donated. The School District capitalizes assets with cost of \$10,000 or more and an estimated useful life of one year or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

The School District's policy is that capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Buildings and building improvements	20-40
Machinery, equipment and vehicles	5-15

**I.C.3. Deferred Outflows/Inflows**

Although certain revenues and expenditures/expenses are measurable, they are not available or recognized, because the activity represents a consumption or acquisition of fund balance or net position that applies to a future period and so will not be recognized as an outflow or inflow of resources until then.

Deferred inflows of resources in the governmental fund financial statements represent revenue not received in time to be recognized in the current period. Deferred outflows and inflows of resources in the governmental activities consist of resources related to pensions that will be recognized in a subsequent period.

**I.C.4. Long-Term Debt**

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

**I.C.5. Compensated Absences and Termination Benefits**

School District teachers may accumulate sick leave days at a rate of one per month, cumulative over a period of fifteen years to a maximum of 150 days. Upon retirement, school teachers may be eligible to receive \$50 per day for each unused sick day to a maximum of 150 days, providing certain conditions are met. Upon retirement under the New Hampshire Retirement System, School District teachers with more than twenty years of employment are entitled to \$300 for each year of service.

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Compensated absences and termination benefits are reported as accrued in the government-wide financial statements. Governmental funds report only matured amounts payable to currently terminated employees which are included in wages and benefits expenditures.

**I.C.6. *Equity***

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of the inventory balance reported in the Food Service Fund and insurance expenditures paid in advance reported in the General Fund, which cannot be spent because of their form.
- Restricted, which represents funds restricted for playground improvements.
- Committed, which represents the expendable trust fund balance reported in the General Fund, and charges to be used for non-instructional services (food service); and the amount voted by the March 2019 School District Meeting to be transferred to the expendable trust fund.
- Unassigned, which represents the deficit balances of the General, Grants, and Project ACCESS Funds.

**I.C.7. *Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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**II. Stewardship, Compliance and Accountability**

**II.A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Grants Funds, as well as the nonmajor Food Service Fund. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unassigned fund balance to balance the budget. In the fiscal year 2019, \$257,403 of the fund balance from the fiscal year 2018 was so used, and \$25,000 was voted from surplus.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: instruction, student support, instructional staff, general administration, executive administration, school administration, operation and maintenance of plant, student transportation, central, non-instructional services, debt service and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Education.

**II.B. Reconciliation of General Fund Budgetary Basis to GAAP**

Revenues:	
Per Exhibit 7 (budgetary basis)	\$ 10,577,487
Adjustments:	
Perspective difference:	
Expendable trust fund activity	8,820
Per Exhibit 5 (GAAP basis)	<u>\$ 10,586,307</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 10,953,057
Adjustments:	
Basis difference:	
Encumbrances, beginning	105,350
Perspective difference:	
Expendable trust fund activity	120,292
Transfer to expendable trust fund	(110,000)
Per Exhibit 5 (GAAP basis)	<u>\$ 11,068,699</u>

There is no difference between the budgetary basis and GAAP for the Grants Fund.

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**II.C. Deficit Fund Balances**

The Grants Fund reports a deficit fund balance of \$6,642 as a result of revenues being deferred for receivable balances not collected within sixty days. The Project ACCESS Fund reports a deficit fund balance of \$88,674, as a result of a prior year payment to remove the program from School District operations. The School District is currently considering its options to fund the deficit balances.

**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. Receivables**

Significant receivables consist of reimbursements and intergovernmental amounts arising from Medicaid, grants, refunds, and reimbursements from other school districts for shared services.

Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectability.

**III.A.2. Capital Assets**

The following table provides a detail of capital assets:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Balance, ending</u>
Governmental activities:			
At cost:			
Not being depreciated:			
Construction in progress	\$ -	\$ 171,714	\$ 171,714
Being depreciated:			
Buildings and building improvements	6,806,771	-	6,806,771
Machinery, equipment and vehicles	101,587	-	101,587
Total capital assets being depreciated	<u>6,908,358</u>	<u>-</u>	<u>6,908,358</u>
Total all capital assets	<u>6,908,358</u>	<u>171,714</u>	<u>7,080,072</u>
Less accumulated depreciation:			
Buildings and building improvements	(4,859,919)	(172,892)	(5,032,811)
Machinery, equipment and vehicles	(46,784)	(7,459)	(54,243)
Total accumulated depreciation	<u>(4,906,703)</u>	<u>(180,351)</u>	<u>(5,087,054)</u>
Net book value, capital assets being depreciated	<u>2,001,655</u>	<u>(180,351)</u>	<u>1,821,304</u>
Net book value, all capital assets	<u>\$ 2,001,655</u>	<u>\$ (8,637)</u>	<u>\$ 1,993,018</u>

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*Depreciation Expense*

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

Governmental activities:	
Instruction	\$ 172,892
Support services:	
Operation and maintenance of plant	1,733
Non-instructional services	5,726
Total depreciation expense	<u>\$ 180,351</u>

**III.B. Long-Term Liabilities**

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds are backed by the full faith and credit of the School District. Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2019	Current Portion
General obligation bond payable:						
Building renovations	\$ 3,504,725	2003	2024	3.5378	\$ 875,000	\$ 175,000
Unamortized bond premium					70,303	14,061
Compensated absences payable:						
Sick leave benefit					47,012	9,142
Termination benefits payable					41,775	12,043
Net pension liability					4,826,769	-
					<u>\$ 5,860,859</u>	<u>\$ 210,246</u>

*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2019:

	General Obligation Bond Payable	Unamortized Bond Premium	Compensated Absences Payable	Termination Benefits Payable	Net Pension Liability	Total
Balance, beginning	\$ 1,050,000	\$ 84,364	\$ 48,773	\$ 53,254	\$ 4,513,063	\$ 5,749,454
Additions	-	-	-	-	313,706	313,706
Reductions	(175,000)	(14,061)	(1,761)	(11,479)	-	(202,301)
Balance, ending	<u>\$ 875,000</u>	<u>\$ 70,303</u>	<u>\$ 47,012</u>	<u>\$ 41,775</u>	<u>\$ 4,826,769</u>	<u>\$ 5,860,859</u>

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*Debt Service Requirements to Maturity*

The annual debt service requirements to maturity for bonded debt as of year-end are as follow:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 175,000	\$ 28,779	\$ 203,779
2021	175,000	20,466	195,466
2022	175,000	11,612	186,612
2023	175,000	6,500	181,500
2024	175,000	2,687	177,687
Totals	<u>\$ 875,000</u>	<u>\$ 70,044</u>	<u>\$ 945,044</u>

**III.C. Balances and Transfers – Payments Within the Reporting Entity**

**III.C.1. *Receivables and Payables***

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The following schedule reports interfund receivables and payables within the reporting entity at year-end:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 86,518
General	Nonmajor	117,615
		<u>\$ 204,133</u>

The amounts due to the General Fund represents overdrafts of pooled cash.

**III.C.2. *Transfers***

The General Fund transferred \$110,000 to the Expendable Trust Fund. This amount is eliminated when the Expendable Trust Fund is combined with the General Fund for reporting purposes. The General Fund also transferred \$63,970 to the Food Service Fund to cover its operating deficit.

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**III.D. Restatement of Beginning Equity**

Equity at July 1, 2018 was restated to reflect the following adjustments:

	Governmental Activities	General Fund	Student Activities Fund
To adjust grant reimbursements	\$ (25,144)	\$ (25,144)	\$ -
To adjust accounts payable	(88,169)	(88,169)	-
To reclassify fund due to change in auditing standard	21,486	-	21,486
Net position/fund balance, as previously reported	(2,563,696)	614,901	-
Net position/fund balance, as restated	<u>\$ (2,655,523)</u>	<u>\$ 501,588</u>	<u>\$ 21,486</u>

**III.E. Components of Fund Equity**

The components of fund balance, as described in Note I.C.6., are classified for the following purposes:

	General Fund	Grants Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ -	\$ 1,910	\$ 1,910
Prepaid items	21,448	-	-	21,448
Total nonspendable	<u>21,448</u>	<u>-</u>	<u>1,910</u>	<u>23,358</u>
Restricted for capital outlay	<u>-</u>	<u>-</u>	<u>554</u>	<u>554</u>
Committed for:				
Instruction	-	-	21,912	21,912
Capital outlay	383,536	-	-	383,536
Total committed	<u>383,536</u>	<u>-</u>	<u>21,912</u>	<u>405,448</u>
Unassigned	<u>(385,788)</u>	<u>(6,642)</u>	<u>(90,584)</u>	<u>(483,014)</u>
Total fund balances	<u>\$ 19,196</u>	<u>\$ (6,642)</u>	<u>\$ (66,208)</u>	<u>\$ (53,654)</u>

**IV. Other Information**

**IV.A. Risk Management**

The School District's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School District was a member of the N.H. Public Risk Management Exchange Program (Primex), which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

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Primex's Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Coverage is provided for the fiscal year. Primex provided statutory workers' compensation coverage, and various amounts of coverage for property and liability losses. Contributions billed and paid for fiscal year 2019 to be recorded as an insurance expenditure/expense totaled \$23,298 for property/liability and \$15,122 for workers' compensation. The membership agreement permits Primex to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

#### **IV.B. Retirement Pensions**

##### *General Information about the Pension Plan*

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at [www.nhrs.org](http://www.nhrs.org) or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution was 7% of gross earnings for all employees. The rates of contribution from the School District were 17.36% for teachers and 11.38% for other employees, which are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the School District during the fiscal years 2017, 2018 and 2019 were \$404,843, \$469,951, and \$483,563, respectively. The amounts are paid on a monthly basis as due.

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

At June 30, 2019, the School District reported a liability of \$4,826,769 for its proportionate share of the net pension liability. The net pension liability is based upon the June 30, 2017 actuarial valuation, rolled forward to determine the net pension liability as of June 30, 2018. The roll-forward of the total pension liability from June 30, 2017 to June 30, 2018 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2019, the

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School District's reported proportion was 0.1021%, which was an increase of 0.0103% from its proportion reported as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$569,192. At June 30, 2019, the School 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>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 337,041	\$ 151,110
Net differences between projected and actual earnings on pension plan investments	-	111,696
Changes of assumptions	334,036	-
Differences between expected and actual experience	38,526	39,083
School District contributions subsequent to the measurement date	<u>483,563</u>	<u>-</u>
	<u><u>\$ 1,193,166</u></u>	<u><u>\$ 301,889</u></u>

The School District reported \$483,563 as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ended June 30,		
<u>2020</u>	\$	221,423
2021		165,836
2022		(23,026)
2023		43,481
	<u>\$</u>	<u><u>407,714</u></u>

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 NOTES TO THE FINANCIAL STATEMENTS  
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*Actuarial Assumptions*

The total pension liability in the June 30, 2018 actuarial valuation was determined using the actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25% per year

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015.

Mortality rates were based on the RP-2014 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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%)
School District's proportionate share of net pension liability	\$ 6,422,056	\$ 4,826,769	\$ 3,489,870

Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, is available in the separately issued NHRS report.

**IV.C. Contingent Liabilities**

The School District has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor or pass-through agencies. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The School District feels that the chance of disallowance is unlikely, and if it should occur, that the amount would not be material.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 9**  
**WINCHESTER SCHOOL DISTRICT**  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
**New Hampshire Retirement System**

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
School District's proportion of net pension liability	0.1021%	0.0918%	0.0922%	0.0965%	0.1026%	0.0955%
School District's proportionate share of the net pension liability	\$ 4,826,769	\$ 4,513,063	\$ 4,903,106	\$ 3,821,220	\$ 3,851,664	\$ 4,110,415
School District's covered-employee payroll	\$ 2,951,256	\$ 2,823,530	\$ 2,715,668	\$ 2,681,295	\$ 2,800,403	\$ 2,867,674
School District's proportionate share of the net pension liability as a percentage of covered-employee payroll	163.55%	159.84%	180.55%	142.51%	137.54%	143.34%
Plan fiduciary net position as a percentage of the total						

The note to the required supplementary information is an integral part of this schedule.

**EXHIBIT 10**  
**WINCHESTER SCHOOL DISTRICT**  
*Schedule of the School District's Pension Contributions*  
**New Hampshire Retirement System**

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 483,563	\$ 469,951	\$ 404,843	\$ 398,692	\$ 373,967	\$ 386,451
Contribution in relation to the contractually required contribution	<u>(483,563)</u>	<u>(469,951)</u>	<u>(404,843)</u>	<u>(398,692)</u>	<u>(373,967)</u>	<u>(386,451)</u>
Contribution deficiency	<u>\$ -</u>					
School District's covered-employee payroll	\$ 2,951,256	\$ 2,823,530	\$ 2,715,668	\$ 2,681,295	\$ 2,800,403	\$ 2,867,674

The note to the required supplementary information is an integral part of this schedule.

**WINCHESTER SCHOOL DISTRICT  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
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The Schedule of the School District's Proportionate Share of the Net Pension Liability and the Schedule of the School District's Pension Contributions are meant to present related information for ten years. Because this is the fifth year that the School District has presented the pension schedules, only six years are presented. An additional year's information will be added each year until there are ten years shown.

**COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES**

**EXHIBIT 11**  
**WINCHESTER SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2019**

	Special Revenue Funds				Total
	Food Service	Project ACCESS	Playground Fund	Student Activities	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 554	\$ 21,912	\$ 22,466
Accounts receivable	27,294	-	-	-	27,294
Inventory	1,910	-	-	-	1,910
Total assets	<u>\$ 29,204</u>	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ 21,912</u>	<u>\$ 51,670</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 263	\$ -	\$ -	\$ -	\$ 263
Interfund payable	28,941	88,674	-	-	117,615
Total liabilities	<u>29,204</u>	<u>88,674</u>	<u>-</u>	<u>-</u>	<u>117,878</u>
Fund balances:					
Nonspendable	1,910	-	-	-	1,910
Restricted	-	-	554	-	554
Committed	-	-	-	21,912	21,912
Unassigned	(1,910)	(88,674)	-	-	(90,584)
Total fund balances	<u>-</u>	<u>(88,674)</u>	<u>554</u>	<u>21,912</u>	<u>(66,208)</u>
Total liabilities and fund balances	<u>\$ 29,204</u>	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ 21,912</u>	<u>\$ 51,670</u>

**EXHIBIT 12**  
**WINCHESTER SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2019**

	Special Revenue Funds				Total
	Food Service	Project ACCESS	Playground	Student Activities	
<b>REVENUES</b>					
Local	\$ 4,325	\$ -	\$ -	\$ 13,753	\$ 18,078
State	3,541	-	-	-	3,541
Federal	222,761	-	-	-	222,761
Total revenues	<u>230,627</u>	<u>-</u>	<u>-</u>	<u>13,753</u>	<u>244,380</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	-	-	-	13,327	13,327
Non-instructional services	296,750	-	-	-	296,750
Total expenditures	<u>296,750</u>	<u>-</u>	<u>-</u>	<u>13,327</u>	<u>310,077</u>
Excess (deficiency) of revenues over (under) expenditures	(66,123)	-	-	426	(65,697)
Other financing sources:					
Transfers in	63,970	-	-	-	63,970
Net change in fund balances	(2,153)	-	-	426	(1,727)
Fund balances, beginning, as restated	2,153	(88,674)	554	21,486	(64,481)
Fund balances, ending	<u>\$ -</u>	<u>\$ (88,674)</u>	<u>\$ 554</u>	<u>\$ 21,912</u>	<u>\$ (66,208)</u>

**EXHIBIT 13**  
**WINCHESTER SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2019**

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 5,682,899	\$ 5,682,899	\$ -
Other local sources:			
Tuition	35,000	-	(35,000)
Miscellaneous	74,000	68,524	(5,476)
Total from other local sources	<u>109,000</u>	<u>68,524</u>	<u>(40,476)</u>
State sources:			
Adequacy aid (grant)	3,967,328	3,968,658	1,330
Adequacy aid (tax)	483,933	483,933	-
School building aid	61,928	61,929	1
Kindergarten aid	46,328	46,328	-
Safety grant	146,380	136,800	(9,580)
Total from state sources	<u>4,705,897</u>	<u>4,697,648</u>	<u>(8,249)</u>
Federal sources:			
Medicaid	125,000	128,416	3,416
Other	200,000	-	(200,000)
Total from federal sources	<u>325,000</u>	<u>128,416</u>	<u>(196,584)</u>
Total revenues	10,822,796	<u>\$ 10,577,487</u>	<u>\$ (245,309)</u>
Fund balance appropriated	25,000		
Use of fund balance to reduce school district assessment	257,403		
Total revenues and use of fund balance	<u>\$ 11,105,199</u>		

**EXHIBIT 14**  
**WINCHESTER SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2019**

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
Instruction:				
Regular programs	\$ -	\$ 3,955,658	\$ 3,857,306	\$ 98,352
Special programs	-	3,739,560	3,510,014	229,546
Other	-	40,392	32,492	7,900
Total instruction	<u>-</u>	<u>7,735,610</u>	<u>7,399,812</u>	<u>335,798</u>
Support services:				
Student	-	607,371	567,545	39,826
Instructional staff	-	169,062	207,735	(38,673)
General administration	-	59,000	47,021	11,979
Executive administration	-	266,116	220,780	45,336
School administration	-	259,382	243,844	15,538
Business	-	120,819	122,845	(2,026)
Operation and maintenance of plant	105,350	589,542	834,880	(139,988)
Student transportation	-	619,482	656,952	(37,470)
Central	-	219,785	215,281	4,504
Total support services	<u>105,350</u>	<u>2,910,559</u>	<u>3,116,883</u>	<u>(100,974)</u>
Debt service:				
Principal	-	175,000	175,000	-
Interest	-	37,230	37,230	-
Total debt service	<u>-</u>	<u>212,230</u>	<u>212,230</u>	<u>-</u>
Facilities acquisition and construction	<u>-</u>	<u>136,800</u>	<u>155,512</u>	<u>(18,712)</u>
Other financing uses:				
Transfers out	<u>-</u>	<u>110,000</u>	<u>173,970</u>	<u>(63,970)</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 105,350</u>	<u>\$ 11,105,199</u>	<u>\$ 11,058,407</u>	<u>\$ 152,142</u>

**EXHIBIT 15**  
**WINCHESTER SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2019**

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Unassigned fund balance, beginning		\$ 11,230
Changes:		
Fund balance used to reduce school district assessment		(257,403)
Fund balance appropriated		(25,000)
Budget summary:		
Revenue shortfall (Exhibit 13)	\$ (245,309)	
Unexpended balance of appropriations (Exhibit 14)	<u>152,142</u>	
Budget deficit		(93,167)
Increase in nonspendable fund balance		<u>(21,448)</u>
Unassigned fund balance, ending		<u><u>\$ (385,788)</u></u>

**SINGLE AUDIT ACT RELATED INFORMATION**

**EXHIBIT 16**  
**WINCHESTER SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2019**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
CHILD NUTRITION CLUSTER Passed Through the State of New Hampshire Department of Education			
School Breakfast Program	10.553	N/A	\$ 56,479
National School Lunch Program	10.555	N/A	146,281
CLUSTER TOTAL			<u>202,760</u>
Fresh Fruits and Vegetables Program	10.582	N/A	<u>20,001</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the State of New Hampshire Department of Education			
Title I Grants to Local Educational Agencies:			
Title I FY19	84.010	90045	<u>372,612</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States:			
IDEA-B	84.027	82648	2,900
IDEA-B	84.027	92597	138,544
CLUSTER TOTAL			<u>141,444</u>
Supporting Effective Instruction State Grants:			
Title II - Part A	84.367	84639	<u>21,603</u>
GRAND TOTAL			<u>\$ 758,420</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**WINCHESTER SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Winchester School District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to, and does not, present the financial position or changes in financial position of the Winchester School District.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**3. Commodities**

Included in the expenditures reported under the National School Lunch Program is the value of food commodities used that were received from the Department of Agriculture Surplus Distribution Program. The School District recognized them as noncash awards of \$9,733 for the year ended June 30, 2019.

**EXHIBIT 17**  
**WINCHESTER SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**2018-001 Capital Assets**

**Criteria:** The use of policies is an important way to implement consistent, comprehensive, and effective internal controls over significant accounting transaction classes.

**Condition:** We noted that the School District lacks a comprehensive and effective policy over capital assets. Although the School District currently has a policy as part of the full School Board Policies located in Section D: Fiscal Management, it does not provide enough guidance over the inventorying, recording and maintenance of capital assets to meet accounting standards.

**Cause:** The School District has had turnover in staffing for the key positions that would be responsible for developing and maintaining effective policies.

**Effect:** There is a lack of guidance through procedures over the maintenance of the School District's capital asset listing and transactions.

**Recommendation:** The School District should develop procedural guidance over capital asset recordkeeping and transaction processing through its policy. A strong capital asset policy would establish a threshold for capitalization, describe asset types and useful lives, and express direction over depreciation that includes treatment of first and last year of depreciation and procedures over assets nearing the end of their useful lives. This policy should also identify the procedures over recordkeeping.

**Status:** The School District adopted a capital asset policy on June 18, 2020.

**Federal Award Findings and Questioned Costs**

***U.S. Department of Education passed through the New Hampshire Department of Education: CFDA 84.010 Title I Grants to Local Educational Agencies***

**2018-002 Special Tests and Provisions**

**Criteria:** The School District must have policies and procedures to maintain security of tests of assessments.

**Condition:** The School District did not provide any documentation or communicate any policies or procedures over test security in the current fiscal year.

**Cause:** The School District has had turnover in staffing for the key positions that would be responsible for developing and maintaining effective policies.

**EXHIBIT 17**  
**WINCHESTER SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Effect:** The School District is not in compliance with the assessment system security requirements.

**Recommendation:** The School District should develop written policy and guidelines over the procedures and documentation necessary to maintain test security and to be in compliance with requirements.

**Status:** Corrective action has been taken.



# Roberts & Greene, PLLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winchester School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 5, 2020.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify one deficiency in internal control that we consider to be material weakness and that is described in the accompanying Summary Schedule of Prior Audit Findings as item 2018-001.

### Compliance and Other Matters

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

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

**Purpose of this Report**

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

*Roberts & Heene, PLLC*

Concord, New Hampshire  
October 5, 2020



# Roberts & Greene, PLLC

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

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

### **Report on Compliance for the Major Federal Program**

We have audited the Winchester School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2019. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

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

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

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

### ***Opinion on the Major Federal Program***

In our opinion, the Winchester School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on the major federal program is not modified with respect to these matters.

**Winchester School District's Response to Findings**

The Winchester School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

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

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

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

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

*Roberts & Heune, PLLC*

Concord, New Hampshire  
October 5, 2020

**EXHIBIT 18**  
**WINCHESTER SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

*Financial Statements*

1. The auditor’s report issued contained an adverse opinion on the financial statements of the governmental activities, and unmodified opinions on the financial statements of each major fund and the aggregate remaining fund information.
2. There was one material weakness identified in the internal control over financial reporting.
3. There were no significant deficiencies identified in the internal control over financial reporting that were not considered to be material weaknesses.
4. There were no instances of noncompliance material to the financial statements noted

*Federal Awards*

1. There were no material weakness identified in the internal control over the major program.
2. There were no significant deficiencies identified in the internal control over the major program that were not considered to be material weaknesses.
3. The auditor’s report issued on compliance for the major program contained an unmodified opinion.
4. Audit findings that are required to be reported in accordance with the Uniform Guidance are described in Section III of this schedule.
5. The program tested as a major program was CFDA 84.010: Title I Grants to Local Educational Agencies.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. The Winchester School District did not qualify as a low-risk auditee.

**Section II – Financial Statement Findings**

No New Findings

**EXHIBIT 18**  
**WINCHESTER SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Section III – Federal Award Findings and Questioned Costs**

***U.S. Department of Education passed through the New Hampshire Department of Education: CFDA 84.010 Title I Grants to Local Educational Agencies***

**2019-001 Allowable Costs and Cost Principles**

**Criteria:** The Uniform Guidance under 2 CFR Section 200, Subpart E, states that charges to federal grants must be based on actual costs.

**Condition:** The School District reported Title I grant expenditures in excess of actual costs.

**Cause:** The School District reported expenditures based on an estimate (purchase order) rather than on documentation supporting the actual cost (invoice).

**Questioned Cost:** \$1,077, which is the difference between the actual expenditure and the amount claimed for reimbursement.

**Context:** We tested twelve (12) transactions out of seventy-one (71), totaling \$72,942, and we tested 100% of the payroll transactions totaling \$261,541. Total expenditures tested were \$334,483 representing 89.7% of the total CFDA 84:010 Title I grant expenditures of \$372,612.

**Effect:** The School District is not in compliance with the allowable costs and cost principles requirement. Moreover, the School District received reimbursement on the overexpenditure which is now due back to the State.

**Recommendation:** The School District should report expenditures based on an invoice or other similar documentation, rather than on purchase orders.

**Management's Response:**

We agree with this finding and accept the Auditor's recommendation. We are reconciling the grant submissions on a monthly, quarterly, and annual basis.

**2019-002 Timely Submission of Data Collection Form and Reporting Package**

**Criteria:** The Uniform Guidance under 2 CFR Section 200.512 requires the submission of the data collection form and reporting package to the Federal Audit Clearinghouse by the earlier

**EXHIBIT 18**  
**WINCHESTER SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

of thirty calendar days after receipt of the auditor's report, or nine months after the end of the audit period.

**Condition:** The Clearinghouse submission was not done within the prescribed timeframe.

**Cause:** The School District did not reconcile its grant financial records for the fiscal year ended June 30, 2018 in a timely enough fashion to meet the deadline.

**Effect:** The School District is not in compliance with the reporting requirements.

**Recommendation:** We recommend that financial information be reconciled timely at the end of each year, to expedite the completion of the audit and subsequent submission to the Clearinghouse.

**Management's Response:**

We agree with the finding. We are working in conjunction with our AuditorWinchs to schedule and have our reporting done in a timely manner.