

WINCHESTER SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

**WINCHESTER SCHOOL DISTRICT
FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

TABLE OF CONTENTS

	PAGES
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position (Exhibit 1)	3
Statement of Activities (Exhibit 2)	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Exhibit 3)	5
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position (Exhibit 4)	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit 5)	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 6)	8
General Fund - Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) (Exhibit 7)	9
Grants Fund - Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (GAAP Basis) (Exhibit 8)	10
Fiduciary Fund – Statement of Fiduciary Net Position (Exhibit 9)	11
NOTES TO THE FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the School District's Proportionate Share of the Net Pension Liability (Exhibit 10)	25
Schedule of the School District's Pension Contributions (Exhibit 11)	26
Note to the Required Supplementary Information	27
COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet (Exhibit 12)	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 13)	29
General Fund	
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis) (Exhibit 14)	30
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis) (Exhibit 15)	31
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) (Exhibit 16)	32
INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT	33



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, 2017, 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, 2017, 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.

Opinions

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, 2017, and the respective changes in financial position thereof and budgetary comparisons of the major 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Winchester School District's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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 nonmajor and individual general fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Roberts & Steene, PLLC

Concord, New Hampshire
February 14, 2018

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
WINCHESTER SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 414,321
Intergovernmental receivables	980,465
Other receivables	2,761
Inventory	1,283
Prepaid items	15,829
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	2,095,912
Machinery, equipment and vehicles	62,262
Total assets	3,572,833
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	1,470,861
LIABILITIES	
Accounts payable	120,828
Accrued salaries and benefits	315,414
Accrued interest payable	17,570
Noncurrent obligations:	
Due within one year:	
Bond payable	175,000
Unamortized bond premium	14,060
Compensated absences payable	16,772
Termination benefits payable	23,307
Due in more than one year:	
Bond payable	1,050,000
Unamortized bond premium	84,365
Compensated absences payable	29,908
Termination benefits payable	32,187
Net pension liability	4,903,106
Total liabilities	6,782,517
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	367,745
NET POSITION	
Net investment in capital assets	834,750
Unrestricted	(2,941,318)
Total net position	\$ (2,106,568)

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, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 7,288,815	\$ 34,224	\$ 470,289	\$ -	\$ (6,784,302)
Support services:					
Student	523,454	-	45,644	-	(477,810)
Instructional staff	241,966	-	101,852	-	(140,114)
General administration	62,494	-	-	-	(62,494)
Executive administration	294,464	-	-	-	(294,464)
School administration	204,964	-	-	-	(204,964)
Business	104,706	-	-	-	(104,706)
Operation and maintenance of plant	536,064	-	-	-	(536,064)
Student transportation	587,337	-	-	-	(587,337)
Central	270,855	-	-	-	(270,855)
Non-instructional services	260,490	5,736	164,607	-	(90,147)
Facilities acquisition and construction	40,653	-	-	-	(40,653)
Interest on long-term debt	36,423	-	-	61,928	25,505
Total governmental activities	\$ 10,452,685	\$ 39,960	\$ 782,392	\$ 61,928	\$ (9,568,405)

General revenues:

School district assessment	4,584,056
Grants and contributions not restricted to specific programs	4,578,138
Miscellaneous	60,979
Total general revenues	9,223,173
Change in net position	(345,232)
Net position, beginning, as restated, see Note III.D.	(1,761,336)
Net position, ending	\$ (2,106,568)

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

EXHIBIT 3
WINCHESTER SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	General	Grants	Project ACCESS	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 413,767	\$ -	\$ -	\$ 554	\$ 414,321
Receivables:					
Accounts	2,761	-	-	-	2,761
Intergovernmental	597,965	338,799	-	43,701	980,465
Interfund receivable	435,333	-	-	-	435,333
Inventory	-	-	-	1,283	1,283
Prepaid items	8,329	7,500	-	-	15,829
Total assets	<u>\$ 1,458,155</u>	<u>\$ 346,299</u>	<u>\$ -</u>	<u>\$ 45,538</u>	<u>\$ 1,849,992</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 107,579	\$ 8,860	\$ -	\$ 4,389	\$ 120,828
Accrued salaries and benefits	294,923	20,491	-	-	315,414
Intergovernmental	-	307,741	88,674	38,918	435,333
Total liabilities	<u>402,502</u>	<u>337,092</u>	<u>88,674</u>	<u>43,307</u>	<u>871,575</u>
Deferred inflows of resources:					
Deferred revenue	-	9,207	-	-	9,207
Fund balances:					
Nonspendable	8,329	-	-	1,283	9,612
Restricted	-	-	-	554	554
Committed	413,520	-	-	394	413,914
Assigned	28,909	-	-	-	28,909
Unassigned	604,895	-	(88,674)	-	516,221
Total fund balances	<u>1,055,653</u>	<u>-</u>	<u>(88,674)</u>	<u>2,231</u>	<u>969,210</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,458,155</u>	<u>\$ 346,299</u>	<u>\$ -</u>	<u>\$ 45,538</u>	<u>\$ 1,849,992</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, 2017

Total fund balances of governmental funds (Exhibit 3)	\$ 969,210
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	\$ 6,884,526
Less accumulated depreciation	<u>(4,726,352)</u>
	2,158,174
Revenues that are not available to pay current-period expenditures are deferred in the funds.	9,207
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.	
Receivables	\$ (435,333)
Payables	<u>435,333</u>
	-
Interest on long-term debt is not accrued in governmental funds.	(17,570)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bond payable	\$ 1,225,000
Unamortized bond premium	98,425
Compensated absences payable	46,680
Termination benefits payable	55,494
Net pension liability	<u>4,903,106</u>
	(6,328,705)
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	\$ 1,470,861
Deferred inflows of resources related to pensions	<u>(367,745)</u>
	1,103,116
Net position of governmental activities (Exhibit 1)	<u>\$ (2,106,568)</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, 2017

	General	Grants	Project ACCESS	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$ 4,584,056	\$ -	\$ -	\$ -	\$ 4,584,056
Other local	95,076	127	-	5,736	100,939
State	4,672,902	-	-	4,401	4,677,303
Federal	160,268	473,365	-	160,206	793,839
Total revenues	<u>9,512,302</u>	<u>473,492</u>	<u>-</u>	<u>170,343</u>	<u>10,156,137</u>
EXPENDITURES					
Current:					
Instruction	6,666,998	318,339	-	-	6,985,337
Support services:					
Student	454,063	45,644	-	-	499,707
Instructional staff	128,999	109,509	-	-	238,508
General administration	62,494	-	-	-	62,494
Executive administration	287,939	-	-	-	287,939
School administration	196,686	-	-	-	196,686
Business	101,177	-	-	-	101,177
Operation and maintenance of plant	529,460	-	-	-	529,460
Student transportation	587,337	-	-	-	587,337
Central	263,783	-	-	-	263,783
Non-instructional services	-	-	-	290,758	290,758
Debt service:					
Principal	175,000	-	-	-	175,000
Interest	50,932	-	-	-	50,932
Facilities acquisition and construction	40,653	-	-	-	40,653
Total expenditures	<u>9,545,521</u>	<u>473,492</u>	<u>-</u>	<u>290,758</u>	<u>10,309,771</u>
Net change in fund balances	(33,219)	-	-	(120,415)	(153,634)
Fund balances, beginning, as restated, see Note III.D.	1,088,872	-	(88,674)	122,646	1,122,844
Fund balances, ending	<u>\$ 1,055,653</u>	<u>\$ -</u>	<u>\$ (88,674)</u>	<u>\$ 2,231</u>	<u>\$ 969,210</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, 2017*

Net change in fund balances of total governmental funds (Exhibit 5)	\$ (153,634)
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 capital outlay in the current period.	
Capital outlay	\$ 38,606
Depreciation expense	<u>(179,158)</u>
	(140,552)
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	(53,913)
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	\$ 448
Increase in compensated absences payable	(1,804)
Increase in termination benefits payable	<u>(8,879)</u>
	(10,235)
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	\$ 404,843
Cost of benefits, net of employee contributions	<u>(580,802)</u>
	(175,959)
Change in net position of governmental activities (Exhibit 2)	<u><u>\$ (345,232)</u></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, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 4,584,056	\$ 4,584,056	\$ -
Other local	56,606	108,454	51,848
State	4,645,624	4,672,902	27,278
Federal	176,000	160,268	(15,732)
Total revenues	<u>9,462,286</u>	<u>9,525,680</u>	<u>63,394</u>
EXPENDITURES			
Current:			
Instruction	7,266,424	6,666,998	599,426
Support services:			
Student	501,760	454,063	47,697
Instructional staff	139,541	128,999	10,542
General administration	69,224	62,494	6,730
Executive administration	267,763	287,939	(20,176)
School administration	184,058	196,686	(12,628)
Business	112,327	101,177	11,150
Operation and maintenance of plant	591,172	529,460	61,712
Student transportation	627,377	587,337	40,040
Central	215,935	292,692	(76,757)
Debt service:			
Principal	175,000	175,000	-
Interest	<u>50,932</u>	<u>50,932</u>	<u>-</u>
Total expenditures	<u>10,201,513</u>	<u>9,533,777</u>	<u>667,736</u>
Deficiency of revenues under expenditures	(739,227)	(8,097)	731,130
Other financing uses:			
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (814,227)</u>	<u>(83,097)</u>	<u>\$ 731,130</u>
Decrease in nonspendable fund balance		26,896	
Increase in committed fund balance		(25,000)	
Unassigned fund balance, beginning		686,096	
Unassigned fund balance, ending	<u>\$ 604,895</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, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local	\$ -	\$ 127	\$ 127
Federal	600,000	473,365	(126,635)
Total revenues	<u>600,000</u>	<u>473,492</u>	<u>(126,508)</u>
EXPENDITURES			
Current:			
Instruction	400,000	318,339	81,661
Support services:			
Student	50,000	45,644	4,356
Instructional staff	150,000	109,509	40,491
Total expenditures	<u>600,000</u>	<u>473,492</u>	<u>126,508</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ -</u>	

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

EXHIBIT 9
WINCHESTER SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 14,924
LIABILITIES	
Due to student groups	<u>14,924</u>
NET POSITION	<u>\$ -</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, 2017**

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, 2017.

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, 2017**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary 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 net 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. Fiduciary fund financial statements also report using this same basis of accounting. The agency fund is custodial in nature and does not measure results of operations.

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.

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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

Project ACCESS Fund – Reports as a special revenue fund and accounts for the residual balance of the afterschool program run by the School District in previous years.

The School District also reports two nonmajor funds, the Food Service and Playground Funds.

Fiduciary Funds

The School District reports the following type of fiduciary fund:

Agency Fund – Accounts for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for student activities in the school.

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.

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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.

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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 balance of the School District's prepaid items and the balance of the School District's inventory, which cannot be spent because of its 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).
- Unassigned, which represents the remaining General Fund balance not reported as nonspendable or committed; and the deficit fund balance in the ACCESS Fund.

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.

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

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

balance to balance the budget. In the fiscal year 2017, \$814,227 of the fund balance from the fiscal year 2016 was so used.

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, other support services, 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)	\$ 9,525,680
Adjustment:	
Perspective difference:	
Expendable trust fund activity	(13,378)

Expenditures and other financing uses:

Per Exhibit 7 (budgetary basis)	\$ 9,608,777
Adjustments:	
Basis difference:	
Encumbrances, ending	(28,909)
Perspective difference:	
Expendable trust fund activity	40,653
Transfer to expendable trust fund	(75,000)
Per Exhibit 5 (GAAP basis)	<u><u>\$ 9,545,521</u></u>

There is no difference between the budgetary basis and GAAP for the Grants Fund. The Project ACCESS Fund is not budgeted, as it is no longer an active District program.

II.C. Deficit Fund Balance

The Project ACCESS Fund reports a deficit fund balance at June 30, 2017 of \$88,674. This is the result of a payment of \$218,981 to the All Children Cared for, Educated, Supported, and Successful organization to remove the program from District operations. The School District is currently considering its options to fund the deficit balance.

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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:

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
At cost:			
Buildings and building improvements	\$ 6,782,939	\$ -	\$ 6,782,939
Machinery, equipment and vehicles	62,981	38,606	101,587
Total all capital assets	<u>6,845,920</u>	<u>38,606</u>	<u>6,884,526</u>
Less accumulated depreciation:			
Buildings and building improvements	(4,515,327)	(171,700)	(4,687,027)
Machinery, equipment and vehicles	(31,867)	(7,458)	(39,325)
Total accumulated depreciation	<u>(4,547,194)</u>	<u>(179,158)</u>	<u>(4,726,352)</u>
Net book value, all capital assets	<u>\$ 2,298,726</u>	<u>\$ (140,552)</u>	<u>\$ 2,158,174</u>

Depreciation Expense

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

Governmental activities:		
Instruction		\$ 171,700
Support services:		
Operation and maintenance of plant		1,733
Non-instructional services		5,725
Total depreciation expense		<u>\$ 179,158</u>

WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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		Current Portion
					June 30, 2017		
General obligation bond payable:							
Building renovations	\$ 3,504,725	2003	2024	3.5378	\$ 1,225,000	\$ 175,000	
Unamortized bond premium					98,425		14,060
Compensated absences payable:							
Sick leave benefit					46,680	16,772	
Termination benefits payable					55,494	23,307	
Net pension liability					4,903,106	-	
					<u>\$ 6,328,705</u>	<u>\$ 229,139</u>	

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2017:

	General Obligation Bond Payable	Unamortized Bond Premium	Compensated Absences Payable	Termination Benefits Payable	Net Pension Liability	Total
Balance, beginning	\$ 1,400,000	\$ 112,486	\$ 44,876	\$ 46,615	\$ 3,821,220	\$ 5,425,197
Additions	-	-	1,804	8,879	1,081,886	1,092,569
Reductions	(175,000)	(14,061)	-	-	-	(189,061)
Balance, ending	<u>\$ 1,225,000</u>	<u>\$ 98,425</u>	<u>\$ 46,680</u>	<u>\$ 55,494</u>	<u>\$ 4,903,106</u>	<u>\$ 6,328,705</u>

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
2018	\$ 175,000	\$ 47,182	\$ 222,182
2019	175,000	37,216	212,216
2020	175,000	28,779	203,779
2021	175,000	20,466	195,466
2022	175,000	11,612	186,612
2023-2024	350,000	9,187	359,187
Totals	<u>\$ 1,225,000</u>	<u>\$ 154,442</u>	<u>\$ 1,379,442</u>

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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 \$435,333 due to the General Fund represents \$307,741 from the Grants Fund, \$88,674 from the Project ACCESS Fund, and \$38,918 from the Nonmajor Food Service Fund for overdrafts of pooled cash.

III.C.2. *Transfers*

The General Fund transferred \$75,000 to the Expendable Trust Fund. This amount is eliminated when the Expendable Trust Fund is combined with the General Fund for reporting purposes.

III.D. Restatement of Beginning Equity

Equity at July 1, 2016 was restated to reflect the following adjustment:

	Governmental Activities	General Fund
To record intergovernmental receivable	\$ 15,621	\$ 15,621
Net position/fund balance, as previously reported	(1,776,957)	1,073,251
Net position/fund balance, as restated	<u><u>\$ (1,761,336)</u></u>	<u><u>\$ 1,088,872</u></u>

WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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	Project ACCESS	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ -	\$ 1,283	\$ 1,283
Prepaid items	<u>8,329</u>	<u>-</u>	<u>-</u>	<u>8,329</u>
Total nonspendable	<u>8,329</u>	<u>-</u>	<u>1,283</u>	<u>9,612</u>
Restricted for capital outlay	<u>-</u>	<u>-</u>	<u>554</u>	<u>554</u>
Committed for:				
Non-instructional services	- -	- -	394	394
Capital outlay	<u>413,520</u>	<u>-</u>	<u>-</u>	<u>413,520</u>
Total committed	<u>413,520</u>	<u>-</u>	<u>394</u>	<u>413,914</u>
Assigned to support services	<u>28,909</u>	<u>-</u>	<u>-</u>	<u>28,909</u>
Unassigned	<u>604,895</u>	<u>(88,674)</u>	<u>-</u>	<u>516,221</u>
Total fund balances	<u><u>\$ 1,055,653</u></u>	<u><u>\$ (88,674)</u></u>	<u><u>\$ 2,231</u></u>	<u><u>\$ 969,210</u></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.

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 2017 to be recorded as an insurance expenditure/expense totaled \$21,294 for property/liability and \$42,989 for workers' compensation. The School District also paid \$16,658 for unemployment compensation insurance. 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.

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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 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 15.67% for teachers and 11.17% 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 2015, 2016 and 2017 were \$373,967, \$398,251, and \$404,843 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, 2017, the School District reported a liability of \$4,903,106 for its proportionate share of the net pension liability. The net pension liability is based upon the June 30, 2015 actuarial valuation, rolled forward to determine the net pension liability as of June 30, 2016. The roll-forward of the total pension liability from June 30, 2015 to June 30, 2016 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, 2017, the School District's reported proportion was 0.0922%, which was a decrease of 0.0043% from its proportion reported as of June 30, 2016.

WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

For the year ended June 30, 2017, the School District recognized pension expense of \$580,802. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 142,211	\$ 305,831
Differences between expected and actual experience	13,626	61,914
Net differences between projected and actual earnings on pension plan investments	306,764	-
Changes in assumptions	603,417	-
School District contributions subsequent to the measurement date	404,843	-
	<u>\$ 1,470,861</u>	<u>\$ 367,745</u>

The School District reported \$404,843 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, 2018.

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 <u>June 30,</u>	
2018	\$ (140,588)
2019	(140,588)
2020	(229,895)
2021	(178,454)
2022	(8,748)
	<u><u>\$ (698,273)</u></u>

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, 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

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period 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	\$ 6,300,158	\$ 4,903,106	\$ 3,744,474

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 10
WINCHESTER SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

For the year ended June 30,	School District's Proportionate Share of the Net Pension		School District's Covered- Employee Payroll		School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	School District's Proportion of Net Pension	Liability				
2014	0.0955%	\$ 4,110,415	\$ 2,867,674		143.34%	59.82%
2015	0.1026%	\$ 3,851,664	\$ 2,800,403		137.54%	66.32%
2016	0.0965%	\$ 3,821,220	\$ 2,681,295		142.51%	65.47%
2017	0.0922%	\$ 4,903,106	\$ 2,715,668		180.55%	58.30%

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

EXHIBIT 11
WINCHESTER SCHOOL DISTRICT
Schedule of the School District's Pension Contributions
New Hampshire Retirement System

For the Year Ended June 30,	Contribution in Relation to the Contractually Required Contribution			School District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency		
2014	\$ 386,451	\$ (386,451)	\$ -	\$ 2,867,674	13.48%
2015	\$ 373,967	\$ (373,967)	\$ -	\$ 2,800,403	13.35%
2016	\$ 398,692	\$ (398,692)	\$ -	\$ 2,681,295	14.87%
2017	\$ 404,843	\$ (404,843)	\$ -	\$ 2,715,668	14.91%

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

WINCHESTER SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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 third year that the School District has presented the pension schedules, only four 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 12
WINCHESTER SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds		
	Food Service	Playground	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 554	\$ 554
Intergovernmental receivable	43,701	-	43,701
Inventory	1,283	-	1,283
Total assets	\$ 44,984	\$ 554	\$ 45,538
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,389	\$ -	\$ 4,389
Interfund payable	38,918	-	38,918
Total liabilities	43,307	-	43,307
Fund balances:			
Nonspendable	1,283	-	1,283
Restricted	-	554	554
Committed	394	-	394
Total fund balances	1,677	554	2,231
Total liabilities and fund balances	\$ 44,984	\$ 554	\$ 45,538

EXHIBIT 13
WINCHESTER SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds		
			Total
	Food Service	Playground	
REVENUES			
Local	\$ 5,736	\$ -	\$ 5,736
State	4,401	-	4,401
Federal	<u>160,206</u>	-	<u>160,206</u>
Total revenues	<u>170,343</u>	-	<u>170,343</u>
EXPENDITURES			
Current:			
Non-instructional services	<u>290,758</u>	-	<u>290,758</u>
Net change in fund balances	(120,415)	-	(120,415)
Fund balances, beginning	<u>122,092</u>	554	<u>122,646</u>
Fund balances, ending	<u>\$ 1,677</u>	<u>\$ 554</u>	<u>\$ 2,231</u>

EXHIBIT 14
WINCHESTER SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	<u>\$ 4,584,056</u>	<u>\$ 4,584,056</u>	<u>\$ -</u>
Other local sources:			
Services provided to others	-	34,224	34,224
Refund of prior year expenditures	-	17,113	17,113
Miscellaneous	<u>56,606</u>	<u>57,117</u>	<u>511</u>
Total from other local sources	<u>56,606</u>	<u>108,454</u>	<u>51,848</u>
State sources:			
Adequacy aid (grant)	3,972,779	3,972,779	-
Adequacy aid (tax)	605,359	605,359	-
School building aid	61,928	61,928	-
Catastrophic aid	5,558	4,664	(894)
E-rate	<u>15,000</u>	<u>28,172</u>	<u>13,172</u>
Total from state sources	<u>4,660,624</u>	<u>4,672,902</u>	<u>12,278</u>
Federal sources:			
Medicaid	<u>161,000</u>	<u>160,268</u>	<u>(732)</u>
Total revenues	<u>9,462,286</u>	<u>\$ 9,525,680</u>	<u>\$ 63,394</u>
Use of fund balance to reduce school district assessment	<u>814,227</u>		
Total revenues and use of fund balance	<u><u>\$ 10,276,513</u></u>		

EXHIBIT 15
WINCHESTER SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	<u>Appropriations</u>	<u>Expenditures</u>	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:				
Instruction:				
Regular programs	\$ 3,949,622	\$ 3,902,644	\$ -	\$ 46,978
Special programs	3,275,406	2,725,503	-	549,903
Other	41,396	38,851	-	2,545
Total instruction	<u>7,266,424</u>	<u>6,666,998</u>	<u>-</u>	<u>599,426</u>
Support services:				
Student	501,760	454,063	-	47,697
Instructional staff	139,541	128,999	-	10,542
General administration	69,224	62,494	-	6,730
Executive administration	267,763	287,939	-	(20,176)
School administration	184,058	196,686	-	(12,628)
Business	112,327	101,177	-	11,150
Operation and maintenance of plant	591,172	529,460	-	61,712
Student transportation	627,377	587,337	-	40,040
Central	215,935	263,783	28,909	(76,757)
Total support services	<u>2,709,157</u>	<u>2,611,938</u>	<u>28,909</u>	<u>68,310</u>
Debt service:				
Principal	175,000	175,000	-	-
Interest	50,932	50,932	-	-
Total debt service	<u>225,932</u>	<u>225,932</u>	<u>-</u>	<u>-</u>
Other financing uses:				
Transfers out	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Total appropriations, expenditures, encumbrances and other financing uses	<u>\$ 10,276,513</u>	<u>\$ 9,579,868</u>	<u>\$ 28,909</u>	<u>\$ 667,736</u>

EXHIBIT 16
WINCHESTER SCHOOL DISTRICT
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

Unassigned fund balance, beginning	\$ 686,096
Changes:	
Fund balance used to reduce school district assessment	(814,227)
Budget summary:	
Revenue surplus (Exhibit 14)	\$ 63,394
Unexpended balance of appropriations (Exhibit 15)	<u>667,736</u>
Budget surplus	731,130
Decrease in nonspendable fund balance	26,896
Increase in committed fund balance	<u>(25,000)</u>
Unassigned fund balance, ending	<u>\$ 604,895</u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

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

In planning and performing our audit of 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, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 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 were not identified. As discussed below, we did identify the following deficiencies in internal control that we consider to be significant deficiencies.

Roll Forward of Accounting Records

The School District did not roll forward its trial balance from the prior fiscal year, and therefore, was unable to reconcile account balances. This resulted in the School District's balance sheet not representing true assets and liabilities, as beginning balances were never carried forward. We recommend that the School District set a closing date at a time after the end of the fiscal year, when no further transactions will be posted to that fiscal year, and then roll forward the balances into the new fiscal year. This will provide beginning balances, which allow for monthly reconciliations of cash, receivables, payables, accruals and fund balances.

Cash Reconciliation – Repeat Finding

The Treasurer's cash balance was not reconciled to the general ledger, in part because of the previous finding. There were duplicate transactions recorded in the general ledger that were not identified on a timely basis, resulting in a discrepancy that was carried during the year. We recommend that the general ledger cash balance be reconciled to the Treasurer's cashbook and reconciliation on a timely basis each month.

*Winchester School District
Independent Auditor's Communication to Management*

We would also like to discuss the following other matter:

Policies – Repeat Finding

We noticed during the Fiscal Year 2016 audit that the School District lacked comprehensive and effective policies over capital assets and credit card usage. The timing of the audit finding was such that the School District was not able to implement policies for Fiscal Year 2017. During the 2017 audit, we noted that the School District was working on policies to address these areas.

This communication is intended solely for the information and use of management, the school board, and others within the Winchester School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Roberts & Greene, PLLC

Concord, New Hampshire
February 14, 2018