

***FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENTS***

*For the Fiscal Year Ended
June 30, 2018*

**FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENTS
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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Members of the Regional School Committee
Foster-Glocester Regional School District
North Scituate, Rhode Island

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Foster-Glocester Regional School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and supplementary pension and other postemployment benefit information on pages 4 through 11 and pages 63 through 72 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foster-Glocester Regional School District's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements and the Annual Supplemental Transparency Report (MTP2) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the combining fiduciary fund financial statements and the Annual Supplemental Transparency Report (MTP2) 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 fund financial statements, the combining fiduciary fund financial

statements and the Annual Supplementary Transparency Report (MTP2) 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 April 1, 2019 on our consideration of the Foster-Glocester Regional 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 solely 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 the effectiveness of the Foster-Glocester Regional School District's 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 Foster-Glocester Regional School District's internal control over financial reporting and compliance.

Bacon & Company CPAs, LLC

Warwick, Rhode Island
April 1, 2019

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

As management of the Foster-Glocester Regional School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- General Fund revenues accounted for \$21.8 million in revenues, or 77.4 percent of all fiscal year 2018 governmental fund revenues, compared to \$21.5 million, or 75.4 percent for fiscal year 2017. Program specific revenues in the form of specific charges for services, grants and contributions accounted for \$1.7 million or 6.0 percent of total fiscal year 2018 governmental fund revenues, compared to \$1.9 million or 6.7 percent for fiscal year 2017.
- The District had approximately \$28.1 million in expenses related to governmental activities; of which \$1.5 million of these expenses were offset by program specific charges for services or grants and contributions. A decrease from \$28.3 million in expenses from fiscal year 2017; of which \$2.0 million of expenses were offset by program specific charges for services or grants and contributions.
- Among major funds, the Debt Service fund had \$4.7 million in fiscal year 2018 revenues as compared to \$5.1 in 2017, which primarily consisted of housing aid reimbursement, and \$4.9 million in expenditures in 2018 compared to \$5.2 in 2017. During August of 2016 the District refunded the Series 2007A and 2008A loans and entered into a new loan agreement with RI Health and Educational Building Corporation (RIHEBC). The refunding will result in reduced debt service payments starting in Fiscal Year 2018.
- The General Fund's fund balance was \$2.5 million at the close of the fiscal year, and consisted of the following:
 - \$ 372 thousand non spendable for prepaid items
 - \$ 68 thousand committed for early retirement
 - \$ 383 thousand committed for Other-Post Employment Benefits
 - \$ 200 thousand committed for capital projects
 - \$ 44 thousand committed for core instructional programs
 - \$ 22 thousand committed for elective instructional programs
 - \$ 581 thousand assigned for Medicaid-eligible purchases
 - \$ 117 thousand assigned for FY 19 budget
 - \$ 163 thousand assigned for the agriculture building
 - \$ 525 thousand classified as unassigned

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This Report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by contributions from the Towns of Foster and Gloucester, and other intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, instructional support, operations, and community services.

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

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

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

The District maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service, which are considered to be major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. They are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees.

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

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process and the District's pension and OPEB plans. The District adopts an annual expenditure budget for the General Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund and Debt Service Fund as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - The key elements of the District's net position as of June 30, 2018 are as follows:

Statement of Net Position

	Governmental Activities 2018
Assets:	
Current assets	\$ 5,108,909
Non-current assets	3,303,460
Capital assets, net	57,351,143
Total Assets	\$ 65,763,512
 Deferred Outflows of Resources:	
Deferred other post-employment benefit amounts	22,196
Deferred pension amounts	4,618,004
Deferred amounts on refunding	875,242
Total Deferred Outflows of Resources	5,515,442
 Liabilities:	
Current	\$ 4,996,242
Non-Current	48,173,360
Total Liabilities	53,169,602
 Deferred Inflows of Resources:	
Deferred Other Post-Employment Benefit amounts	17,912
Deferred Pension amounts	1,732,300
Total Deferred Inflows of Resources	1,750,212
 Net Position:	
Net investment in capital assets	25,914,002
Restricted	893,286
Unrestricted	(10,448,148)
Total Net Position	\$ 16,359,140

GOVERNMENT-WIDE FINANCIAL ANALYSIS - The key elements of the District's net position as of June 30, 2017 are as follows:

Statement of Net Position

	Governmental Activities 2017	Business – Type Activities 2017	Total 2017
Assets:			
Current assets	\$ 4,633,237	\$ -	\$ 4,633,237
Non-current assets	3,814,270	-	3,814,270
Capital assets, net	58,247,976	-	58,247,976
Total Assets	\$ 66,695,483	\$ -	\$ 66,695,483
Deferred Outflows of Resources:			
Deferred other post-employment benefit amounts	27,745	-	27,745
Deferred pension amounts	3,969,131	-	3,969,131
Deferred amounts on refunding	962,766	-	962,766
Total Deferred Outflows of Resources	4,959,642	-	4,959,642
Liabilities:			
Current	\$ 4,504,428	\$ -	\$ 4,504,428
Non-Current	51,988,069	-	51,988,069
Total Liabilities	56,492,497	-	56,492,497
Deferred Inflows of Resources:			
Deferred Pension amounts	1,215,519	-	1,215,519
Total Deferred Inflows of Resources	1,215,519	-	1,215,519
Net Position:			
Net investment in capital assets	23,047,234	-	23,047,234
Restricted	718,833	-	718,833
Unrestricted	(9,818,958)	-	(9,818,958)
Total Net Position	\$ 13,947,109	\$ -	\$ 13,947,109

An overview of the changes in the District’s net position for the year ended June 30, 2018 follows:

Changes in Net Position

	Governmental Activities 2018
Total Revenues	\$ 28,395,634
Total Expenses	\$ 25,983,603
Increase in Net Position	<u>\$ 2,412,031</u>

- An overview of the changes in the District’s net position for the year ended June 30, 2017 follows:

Changes in Net Position

	Business – Type		
	Governmental Activities 2017	Activities 2017	Total 2017
Total Revenues	\$ 28,480,013	\$ 20,818	\$ 28,500,831
Total Expenses	\$ 24,535,629	\$ 5,543	\$ 24,541,172
Increase in Net Position	<u>\$ 3,944,384</u>	<u>\$ 15,275</u>	<u>\$ 3,959,659</u>

REVENUE SOURCES

Local Contributions: The largest percentage of revenues comes from contributions from the Towns of Foster and Glocester. Per the enabling legislation of the regional school district (January Session, 1958 – Chapter 109), “The cost of the operation of the regional school district shall be borne by the collective taxpayers of the towns of Foster and Glocester in the same proportion that the average membership of students from each town bears to the average membership of the school. A tentative allocation of the operating budget shall be made at the regional school district financial meeting, based upon the October 1st enrollment of the then current school year. Any difference between the respective town’s tentative proration and the actual proration herein provided shall become debit and credit items to be considered in the preparation and tentative proration of the next annual school district operating budget.” The enrollment numbers for calculation of the apportionment for the last three years are as follows:

	FY 2015-16	FY 2016-17	FY 2017-18
Foster	350	363	363
	<i>31.10%</i>	<i>31.9%</i>	<i>32.9%</i>
Glocester	777	776	741
	<i>68.90%</i>	<i>68.10%</i>	<i>67.10%</i>
TOTAL	1,127	1,139	1,104

Housing Aid: In accordance with RI General Law 16-7-35 to 16-7-47, districts that undertake school housing projects for maintenance, renovation or new construction supported by general obligation bonds, and certain lease revenue bonds, capital leases, and capital reserve funds, are eligible for state housing aid reimbursement. Housing aid by law has a one-year reference which results in the first payment of the construction entitlement being made in the fiscal year following the completion of the project.

Intergovernmental grants: Revenues in this category are proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenues are derived principally from federal and state governments and private foundations. These funds are detailed in the financial statements under the caption of Grant Programs.

EXPENDITURES BY OBJECT CODE SERIES - The expenditures of governmental funds are categorized by object codes as listed below:

Salaries: Includes the amounts paid to District employees, including personnel substituting for those in permanent positions. This includes gross salary for services rendered while on the payroll of the District and other forms of compensation.

Employee benefits: Includes the costs for district provided benefits, primarily employer retirement contributions, social security, medicare, health, dental and life insurance premiums.

Purchased Services: Includes the costs of services rendered by organizations or professionals not on the payroll of the District.

Supplies and Materials: Includes the costs of items that are consumed, are worn out, or have deteriorated through normal use or items that lose their identity through fabrication or incorporation into different or more complex units or substances.

Capital Outlay: Includes tangible, nonexpendable property that has a useful life of more than one year.

Fees and Dues: Includes the costs associated with professional organization memberships, charges for licenses, permits and other assessments.

Other Expenses: Used to classify transactions that are not properly recorded as expenditures/ expenses but require control and reporting by the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were minor differences between the District's original budget and the final amended budget. There were no additional appropriations necessary during the fiscal year.

It should be noted that for 2018, the activity associated with the transportation pass through was accounted for in a special revenue fund, which was combined with the General Fund for financial reporting purposes.

Actual revenues and other sources were more than budgeted by approximately \$752 thousand. This was attributable to the net impact of an increase in tuition revenue. For budget purposes, cost-sharing for various Region employees shared by the elementary districts, the reimbursement is shown as a revenue stream.

Actual expenditures were more than budgeted amounts by approximately \$439 thousand. Significant negative budget variances occurred in the following categories: Personal service – compensation and benefits was due to increased student population that led to staffing changes and from retirements. These increased accrued earnings that were paid which increased compensation expenditures. The Schedule of Revenues and Expenditures - Budget and Actual is presented on page 68 following the Notes to the Financial Statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2018, the District's investment in capital assets for its governmental activities was \$57.4 million net of accumulated depreciation. This investment in capital assets includes land, buildings and building improvements, equipment and vehicles.

CAPITAL RESERVE FUND

The District maintains a Capital Reserve Fund for costs incurred for capital projects. The RI law was changed in 1998 to allow Housing Aid reimbursement of non-bonded capital projects paid for out of a district capital reserve fund. However, the district must document that projects reimbursed under this provision of the law are indeed supported by properly constituted capital reserve funds. The district, therefore, maintains a separate fund for this specific purpose. The funds to support these projects come from contributions from participating Towns.

LONG TERM LIABILITIES

At June 30, 2018, the District had long-term liabilities (including current portion of long-term debt), all related to governmental activities, totaling \$51.8 million consisting of compensated absences, loans, other-post employment benefit liability, and net pension liabilities with the amounts due within one year estimated to be \$3.6 million. Additional information related to the District's long term liabilities can be found in Note 8 to the Financial Statements.

FACTORS AFFECTING NEXT YEAR'S BUDGET (FY 2019)

- Decreased State Aid in the amount of \$ (152 thousand)
- Increase in local appropriations of approximately 2.59%
- Projected increases in compensation of 5.19%
- Projected total benefit increases including healthcare and pension of 10.55%
- Increase in tuition revenue of approximately \$978 thousand over budget to budget and an increase of approximately \$306 thousand over actual from the prior year.
- Increase in educational program purchases of approximately \$21 thousand or a .93% increase related technology purchases, expansion & enhancement of programs.
- Increase of approximately \$11 thousand due to projected increase in central office facility operations for administrative costs for Medicaid billing services and district wide software licensing.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's financial activity for all those interested in the District's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mrs. Bridget Almon, Business Manager of the Foster-Glocester Regional School District, 91 Anan Wade Road, North Scituate, RI 02857.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2018

	<i>Governmental Activities</i>
ASSETS	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 4,077,006
Accounts and other receivables	337,082
Due from federal and state government	323,147
Prepaid expenses	371,674
<i>Total current assets</i>	<u>5,108,909</u>
<i>Noncurrent assets:</i>	
Capital assets: (Note 5)	
Land and other nondepreciable assets	800,989
Depreciable buildings, property and equipment (net)	56,550,154
Net pension asset	1,500,697
Other assets	1,802,763
<i>Total noncurrent assets</i>	<u>60,654,603</u>
<i>Total assets</i>	<u>65,763,512</u>
<i>Deferred outflows of resources:</i>	
Deferred other post-employment benefit amounts	22,196
Deferred pension amounts	4,618,004
Deferred amounts on refunding	875,242
<i>Total deferred outflows of resources</i>	<u>5,515,442</u>
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable and accrued expenses	1,210,569
Accrued interest payable	176,396
Compensated absences payable	14,277
Long-term debt- due within one year (Note 8)	3,595,000
<i>Total current liabilities</i>	<u>4,996,242</u>
<i>Noncurrent liabilities:</i>	
Long-term debt- due in more than one year (Note 8)	28,717,383
Compensated absences payable	685,445
Net pension liability	17,381,538
Other post-employment benefit liability	1,388,994
<i>Total non-current liabilities</i>	<u>48,173,360</u>
<i>Total liabilities</i>	<u>53,169,602</u>
<i>Deferred inflows of resources:</i>	
Deferred other post-employment benefit amounts	17,912
Deferred pension amounts	1,732,300
<i>Total deferred inflows of resources</i>	<u>1,750,212</u>
NET POSITION	
Net investment in capital assets	25,914,002
Restricted for specific education programs	893,286
Unrestricted	(10,448,148)
<i>Total net position</i>	<u>\$ 16,359,140</u>

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Changes in Net Position</u>
					<u>Total Governmental Activities</u>
<i>Governmental activities:</i>					
Education	\$ 24,879,238	\$ 2,533,539	\$ 2,313,201	\$ 619,587	\$ (19,412,911)
Interest expense	1,104,365	-	4,671,452	-	3,567,087
Total	<u>25,983,603</u>	<u>2,533,539</u>	<u>6,984,653</u>	<u>619,587</u>	<u>(15,845,824)</u>
 <i>General revenues:</i>					
					13,377,997
					4,701,001
					1,140
					177,717
					<u>18,257,855</u>
					 2,412,031
					 <u>13,947,109</u>
					 <u>\$ 16,359,140</u>

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 3,869,182	\$ 75,616	\$ 132,208	\$ 4,077,006
Due from state and federal government	32,655	-	290,492	323,147
Accounts and other receivables	288,122	52	48,908	337,082
Due from other funds	80,504	88,872	1,266,478	1,435,854
Prepaid expenditures	371,674	-	-	371,674
Total assets	<u>\$ 4,642,137</u>	<u>\$ 164,540</u>	<u>\$ 1,738,086</u>	<u>\$ 6,544,763</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued expenditures	\$ 805,629	\$ -	\$ 116,242	\$ 921,871
Due to other funds	1,361,414	-	80,504	1,441,918
Total liabilities	<u>2,167,043</u>	<u>-</u>	<u>196,746</u>	<u>2,363,789</u>
 Fund balances				
Nonspendable	371,674	-	-	371,674
Restricted	-	-	893,286	893,286
Committed	716,741	164,540	648,217	1,529,498
Assigned	861,513	-	-	861,513
Unassigned	525,166	-	(163)	525,003
Total fund balances	<u>2,475,094</u>	<u>164,540</u>	<u>1,541,340</u>	<u>4,180,974</u>
 Total liabilities and fund balances	 <u>\$ 4,642,137</u>	 <u>\$ 164,540</u>	 <u>\$ 1,738,086</u>	 <u>\$ 6,544,763</u>

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
*Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018*

Total Fund Balances - Total Governmental Funds \$ 4,180,974

**Amounts reported for Governmental Activities in the Statement of Net Position
are different because:**

Capital assets used in governmental activities are not current financial resources
and therefore are not reported in the Governmental Funds Balance Sheet. (Note 5) 57,351,143

Long-term liabilities (including loans payable, capital leases payable, compensated absences, OPEB
liability and net pension liability) are not due and payable in the current period and therefore they are not
reported in the Governmental Funds Balance Sheet. (Note 8) (47,920,254)

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable
is not reported as a liability in Governmental Funds Balance Sheet. (176,396)

Internal service fund is recorded as proprietary funds in the fund financial statements but is
recorded as governmental activities on the government-wide financial statements. 1,520,129

Net pension assets are not available to pay for current period expenditures and, therefore,
are not reported in the Governmental Funds financial statements. 1,500,697

Deferred pension and opeb amounts are not reported in the Governmental Funds financial statements, but are
reported in the Government-Wide financial statements as follows:

Deferred outflows of resources	4,640,200
Deferred inflows of resources	(1,750,212)

Deferred amounts on refunding debt are expenditures in the Governmental Funds,
but are deferred and amortized in the Government-Wide financial statements. 875,242

Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and
amortized in the Government-Wide financial statements. (3,862,383)

Net Position of Governmental Activities \$ 16,359,140

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
State and federal aid and grants	\$ 5,030,616	\$ 3,009,367	\$ 1,104,287	\$ 9,144,270
Local appropriations	13,377,997	1,662,085	300,801	15,340,883
Tuition	2,134,514	-	-	2,134,514
Contributions	-	-	19,500	19,500
Investment and interest income	1,140	-	-	1,140
Medicaid revenue	142,526	-	-	142,526
State on-behalf pension contribution	954,224	-	-	954,224
Other revenues	177,145	-	257,071	434,216
Total revenues	<u>21,818,162</u>	<u>4,671,452</u>	<u>1,681,659</u>	<u>28,171,273</u>
Expenditures				
Current:				
Salaries	12,193,210	-	311,484	12,504,694
Employee benefits	5,369,501	-	79,913	5,449,414
Purchased services	2,034,213	-	413,962	2,448,175
Supplies and materials	1,087,030	-	18,019	1,105,049
Other	62,523	-	2,732	65,255
Debt Service:				
Principal	-	3,500,000	-	3,500,000
Interest and other costs	-	1,398,058	-	1,398,058
Capital outlay	905,969	-	677,078	1,583,047
Total expenditures	<u>21,652,446</u>	<u>4,898,058</u>	<u>1,503,188</u>	<u>28,053,692</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	165,716	(226,606)	178,471	117,581
Other financing sources (uses)				
Transfers from other funds	13	-	115,026	115,039
Transfers to other funds	(112,026)	-	(3,013)	(115,039)
Total other financing sources(uses)	<u>(112,013)</u>	<u>-</u>	<u>112,013</u>	<u>-</u>
Net change in fund balance	53,703	(226,606)	290,484	117,581
Fund balances - beginning of year	<u>2,421,391</u>	<u>391,146</u>	<u>1,250,856</u>	<u>4,063,393</u>
Fund balances - end of year	<u>\$ 2,475,094</u>	<u>\$ 164,540</u>	<u>\$ 1,541,340</u>	<u>\$ 4,180,974</u>

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 117,581
Governmental Funds financial statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period.	713,375
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds financial statements.	(1,610,208)
Long-term compensated absences are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds financial statements. This is the amount of the change in long-term compensated absences in the current period.	(16,717)
Accrued interest on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in Governmental Funds financial statements. The following amount represents the change in accrued interest from prior year.	30,092
The Internal Service Fund is used by management to charge the costs of Health and Dental Insurance to individual funds. The net revenues (expenses) of the Internal Service Fund is reported with Governmental Activities in the Government-Wide financial statements.	(315,916)
Long-term opeb liabilities are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources or are not available to pay for current period expenditures. Therefore, long-term opeb liabilities are not reported as expenditures/revenues in Governmental Funds financial statements. This is the amount of the change in long-term opeb liabilities and related deferred opeb amounts in the current period.	57,029
Long-term net pension liabilities (assets) are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources or are not available to pay for current period expenditures. Therefore, long-term net pension liabilities (assets) are not reported as expenditures/revenues in Governmental Funds financial statements. This is the amount of the change in long-term net pension liabilities (assets) and related deferred pension amounts in the current period.	(406,724)
Loan and lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases the long-term liabilities in the Government-Wide Statement of Net Position. Repayment of loan and lease principal is an expenditure in the Governmental Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position. This amount represents long-term debt payments.	3,579,918
Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. Deferred amounts on refunding debt are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. This amount represents amortization of deferred amounts on refunding debt during the current period. This amount represents amortization of premium on debt during the current period.	(87,524) 351,125
<i>Change in Net Position of Governmental Activities in the Statement of Activities</i>	\$ 2,412,031

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2018

	<u><i>Governmental Activities Healthcare Management Fund</i></u>
ASSETS	
<i>Noncurrent assets</i>	
Deposits with others	\$ 1,802,763
<i>Total noncurrent assets</i>	<u>1,802,763</u>
 <i>Total assets</i>	 <u>1,802,763</u>
 LIABILITIES	
<i>Current liabilities</i>	
Accrued claims payable	282,634
<i>Total liabilities</i>	<u>282,634</u>
 NET POSITION	
Unrestricted	1,520,129
<i>Total net position</i>	<u>\$ 1,520,129</u>

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<i>Governmental Activities Healthcare Management Fund</i>
<i>Operating Revenues</i>	
Charges for insurance and services	\$ 2,574,881
<i>Total operating revenues</i>	2,574,881
 <i>Operating Expenses</i>	
Health insurance claims	2,560,168
Dental insurance claims	153,479
Administrative and other fees	177,150
<i>Total operating expenses</i>	2,890,797
Operating loss	(315,916)
<i>Change in net position</i>	(315,916)
<i>Net position - beginning</i>	1,836,045
<i>Net position - ending</i>	\$ 1,520,129

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2018

	<i>Governmental Activities Healthcare Management Fund</i>
<i>Cash flows from operating activities</i>	
Cash received for insurance and services	\$ 2,574,881
Cash payments for health and dental insurance claims	(2,562,763)
Cash payments for other operating expenses	(177,150)
Decrease with deposits	165,032
<i>Net cash used for operating activities</i>	<u>-</u>
 <i>Net increase in cash and cash equivalents</i>	 -
 <i>Cash and cash equivalents at beginning of year</i>	 <u>-</u>
 <i>Cash and cash equivalents at end of year</i>	 <u>\$ -</u>
 <i>Reconciliation of operating loss to net cash used for operating activities</i>	
Operating loss	\$ (315,916)
 <i>Adjustments to reconcile operating loss to net cash used for operating activities:</i>	
Decrease in deposits with others	165,032
Increase in accrued claims (IBNR)	150,884
<i>Net cash used for operating activities</i>	<u>\$ -</u>

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	<i>Private- Purpose Trust Funds</i>	<i>Agency Funds</i>
<i>Assets</i>		
Cash	\$ 861	\$ 338,258
Due from other funds	6,064	-
<i>Total assets</i>	<u>6,925</u>	<u>338,258</u>
<i>Liabilities</i>		
Deposits held in custody for others	-	338,258
<i>Total liabilities</i>	<u>-</u>	<u>338,258</u>
<i>Net Position</i>		
Restricted for other purposes	<u>\$ 6,925</u>	<u>\$ -</u>

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	<u><i>Private- Purpose Trust Funds</i></u>
<i>Additions</i>	
Gifts and contributions	\$ -
<i>Total additions</i>	<u>-</u>
<i>Deductions</i>	
Scholarships	<u>500</u>
<i>Total deductions</i>	<u>500</u>
<i>Change in net position</i>	(500)
<i>Net position - beginning of year</i>	<u>7,425</u>
<i>Net position - end of year</i>	<u><u>\$ 6,925</u></u>

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

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

The financial statements of the Foster-Glocester Regional School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the School District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Foster-Glocester Regional School District was founded in 1958 to regionalize the high school and middle school from the Towns of Foster and Glocester. This District is governed by a School Committee consisting of nine members, six members from Glocester and three members from Foster. Each Town elects its members to the School Committee. The annual costs of the District are funded by the collective taxpayers of the Towns of Foster and Glocester in the same proportion that the average membership of students from each Town bears to the average membership of the District.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the School District applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 61 "Financial Reporting Omnibus" and GASB Statement No. 80, "Blending Requirements for Certain Component Units". A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or based on the nature and significance of the organization's relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Foster-Glocester Regional School District does not have any component units.

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

The School District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the School District are not included in these statements.

The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through local appropriations, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered.

The Statement of Activities presents a comparison between direct expenses and program revenue for the business-type activities and for each function of the School District's governmental activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

program revenues, including local appropriations and general state aid are presented as general revenues.

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all the School District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated. In the Statement of Activities, internal service fund transactions have been eliminated.

Fund Financial Statements

Fund Financial Statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the School District are local appropriations, state-aid and grants, and tuitions. Expenditures are

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, claim and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

Major Governmental Funds:

General Fund – The General Fund is the general operating fund of the School District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for or reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on debt obligations.

Proprietary Fund Financial Statements

Proprietary funds are used to account for business-like activities provided to external parties. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the Governmental Activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The School District has one Internal Service Fund as follows:

Healthcare Management Fund – The Healthcare Management Fund is used to account for the School District’s self-insured health and dental care programs.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position. Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governments. The School District's fiduciary funds include private purpose trust funds and agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations.

C. RECENTLY ISSUED ACCOUNTING STANDARDS

The School District has implemented the following new accounting pronouncements:

- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*, effective for the School District's fiscal year ending June 30, 2018.
- GASB Statement No. 85 – *Omnibus 2017*, effective for the School District's fiscal year ending June 30, 2018.
- GASB Statement No. 86 – *Certain Debt Extinguishment Issues*, effective for the School District's fiscal year ending June 30, 2018.

The adoption of GASB Statement Numbers 81, 85, and 86 did not have an impact on the School District's financial position or results of operations.

The School District will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 83 – *Certain Asset Retirement Obligations*, effective for the School District's fiscal year ending June 30, 2019.
- GASB Statement No. 84 – *Fiduciary Activities*, effective for the School District's fiscal year ending June 30, 2020.
- GASB Statement No. 87 – *Leases*, effective for the School District's fiscal year ending June 30, 2021.
- GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the School District's fiscal year ending June 30, 2019.
- GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the School District's fiscal year ending June 30, 2021.
- GASB Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the School District's fiscal year ending June 30, 2020.

The impact of these pronouncements on the School District's financial statements has not been determined.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

D. CASH EQUIVALENTS

The School District considers cash and cash equivalents in the proprietary funds to include cash on hand, time and demand deposits, and short-term investments maturing within three months from the date of acquisition.

E. ACCOUNTS RECEIVABLE

The significant receivable balances include amounts due from the State of Rhode Island and local municipalities. There is no allowance for uncollectible accounts as receivables are expected to be fully collectible.

F. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

G. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the Government-Wide Statement of Net Position. In the fund financial statements, capital assets used in governmental fund activities are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

All capital assets are recorded at cost (or estimated historical cost). Donated capital assets are recorded at acquisition value as of the date received. The School District follows the policy of not capitalizing assets with a cost of less than \$5,000 and a useful life of less than 1 year.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Building and improvements	50 years
Land improvements	20-50 years
Office furniture and equipment	3-15 years
Motor vehicles	7 years

H. DEBT PREMIUMS

In the Governmental Fund Financial Statements, debt premiums are reported as an “other financing source”. In the Government-Wide Statements, debt premiums are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt payable.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

I. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

In the Government-Wide Financial Statements, deferred outflows of resources and deferred inflows of resources are reported for amounts related to the School District's pension plans and other post-employment benefit plan that will be amortized as a component of pension expense and other post-employment benefit expense in future years. Deferred outflows are also reported for deferred amounts related to refunding debt issues which will be amortized as a component of interest expense in future years.

J. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, School District employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2018. The entire compensated absence liability is reported on the Government-Wide Financial Statements. For the Governmental Fund Financial Statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are due to employees that have resigned or retired.

K. ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the Government-Wide Financial Statements.

For Governmental Fund Financial Statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from Governmental Funds are reported as a liability in the Governmental Fund Financial Statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from Governmental Funds are not recognized as a liability in the Governmental Fund Financial Statements until due.

L. PENSIONS

For purposes of measuring the net pension liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System plan, the Teachers' Survivor Benefit

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

plan, and the Municipal Employees' Retirement System plans and the additions to/deductions from each respective plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH DEPOSITS

Deposits – are in one financial institution and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet of the Fund Financial Statements and Government-Wide Statement of Net Position as “Cash and Cash Equivalents.”

	<i><u>Carrying Amount</u></i>
Total Deposits	\$4,415,925
Add: Petty Cash	<u>200</u>
<i>Total Cash and Cash Equivalents – Reported in the Financial Statements</i>	<u>\$4,416,125</u>

Custodial Credit Risk – custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the School District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The School District does not have a formal deposit policy for custodial credit risk, but is governed by State Laws as described below. As of June 30, 2018, \$4,264,097 of the School District's bank balance of \$4,881,854 was exposed to custodial credit risk as follows:

	<i><u>Bank Balance</u></i>
Insured (Federal depository insurance funds)	\$617,757
Uninsured and uncollateralized	<u>4,264,097</u>
<i>Total</i>	<u>\$4,881,854</u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to 100% of the deposits which are time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of the deposits, regardless of maturity. At June 30, 2018, the School District's uninsured uncollateralized deposits with institutions was \$4,264,097. These deposits are held by an institution that meets the minimum capital standards as prescribed by the federal regulations.

NOTE 3 – INVESTMENTS

As of June 30, 2018, the School District had no investments.

The School District's General Fund investments are governed by Title 35, Chapter 10, Section 11 of the State's General Laws. This law generally allows for short-term investments, such as Certificate of Deposits, Money Market Funds, Obligation guaranteed by the U.S. Government, etc. with the goal of seeking reasonable income while preserving capital.

Interest Rate Risk – The School District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The School District is governed by State Laws that limit investment choices to short-term investments for its General Fund. The School District does not have a formal policy that limits investment choices.

Concentration of Credit Risk – The School District does not have a formal policy that limits the amount the School District may invest in any one issuer.

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for custodial credit risk.

NOTE 4 – FAIR VALUE MEASUREMENTS

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The School District had no recurring or nonrecurring fair value measurements as of June 30, 2018.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Non depreciable assets:				
Land	\$ 769,249	\$ -	\$ -	\$ 769,249
Construction in progress	56,682	31,740	56,682	31,740
	<u>825,931</u>	<u>31,740</u>	<u>56,682</u>	<u>800,989</u>
Depreciable assets:				
Land improvements	1,566,626	482,862	-	2,049,488
Building and improvements	70,855,820	50,476	-	70,906,296
Furniture and equipment	2,464,346	144,479	-	2,608,825
Motor Vehicles	319,076	60,500	-	379,576
	<u>75,205,868</u>	<u>738,317</u>	<u>-</u>	<u>75,944,185</u>
Total capital assets	<u>76,031,799</u>	<u>770,057</u>	<u>56,682</u>	<u>76,745,174</u>
Less accumulated depreciation for:				
Land improvements	76,235	73,908	-	150,143
Buildings and improvements	15,475,758	1,364,747	-	16,840,505
Furniture and equipment	2,029,395	145,684	-	2,175,079
Motor vehicles	202,435	25,869	-	228,304
Total accumulated depreciation	<u>17,783,823</u>	<u>1,610,208</u>	<u>-</u>	<u>19,394,031</u>
Governmental activities capital assets net	<u>\$ 58,247,976</u>	<u>\$ (840,151)</u>	<u>\$ 56,682</u>	<u>\$ 57,351,143</u>

Depreciation expense for the year ended June 30, 2018 was \$1,610,208.

NOTE 6 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

Assumptions: The School District disaggregates significant components of receivables in the financial statements. Receivable balances determined immaterial are included as other receivables. The School District expects to receive all receivables within the subsequent year.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2018 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 214,891	\$ 285,992	\$ 304,746	\$ 805,629
Other governmental funds	26,988	1,378	87,876	116,242
Reconciliation of balances in fund financial statements to government -wide financial statements	-	-	288,698	288,698
	<u>\$ 241,879</u>	<u>\$ 287,370</u>	<u>\$ 681,320</u>	<u>\$ 1,210,569</u>

NOTE 7 – INTERFUND TRANSACTIONS

The School District reports interfund transactions between many of its funds. The totals of all balances agree with the sum of interfund transactions presented in the fund statements.

Interfund receivable and payables at June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Due From: Other Governmental Funds</u>	<u>Total</u>
Due To:			
Interfund Balances			
General Fund	\$ -	\$ 80,504	\$ 80,504
Debt Service Fund	88,872	-	88,872
Other Governmental Funds	1,266,478	-	1,266,478
Private Purpose Trust Funds	6,064	-	6,064
Total	<u>\$ 1,361,414</u>	<u>\$ 80,504</u>	<u>\$ 1,441,918</u>

The balances primarily result from the time lag between the dates the 1) transactions are recorded in the accounting system and 2) payments between funds are made.

Interfund transfer balances at June 30, 2018 are as follows:

Interfund Transfers

	<u>General Fund</u>	<u>Transfer From: Other Governmental Funds</u>	<u>Total</u>
Transfer To:			
General Fund	\$ -	\$ 13	\$ 13
Other Governmental Funds	112,026	3,000	115,026
	<u>\$ 112,026</u>	<u>\$ 3,013</u>	<u>\$ 115,039</u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 8 –LONG TERM LIABILITIES

A. LONG-TERM LIABILITIES

The following schedule reflects the changes in long-term liabilities for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
Loan payable	\$ 31,950,000	\$ -	\$ 3,500,000	\$ 28,450,000	\$ 3,595,000
Unamortized premium	4,213,508	-	351,125	3,862,383	-
Accrued compensated absences payable	683,005	88,185	71,468	699,722	14,277
Capital leases payable	79,918	-	79,918	-	-
Other post-employment benefit liability	1,469,484	-	80,490	1,388,994	-
Net pension liabilities	17,188,500	193,038	-	17,381,538	-
Total Governmental Activities	<u>\$ 55,584,415</u>	<u>\$ 281,223</u>	<u>\$ 4,083,001</u>	<u>\$ 51,782,637</u>	<u>\$ 3,609,277</u>

The payments on the loans are made from the Debt Service Fund. The payment of compensated absences, capital leases, net other post-employment benefit liability and net pension liabilities are paid from the General Fund.

B. LOANS PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2018</u>
<i>Governmental activities:</i>								
<i>Loans payable:</i>								
RIHEBC Series 2007C	10/17/2007	3.50%-5.25%	4/1/2021	\$ 11,860,000	\$ 4,870,000	\$ -	\$ 1,355,000	\$ 3,515,000
RIHEBC Series 2008A	5/18/2008	3.50%-5.00%	4/1/2029	19,720,000	900,000	-	900,000	-
RIHEBC Series 2009B	4/15/2009	4.85%	4/1/2021	940,000	300,000	-	75,000	225,000
RIHEBC Series 2016A	8/10/2016	2.00%-5.00%	5/15/2029	26,305,000	25,880,000	-	1,170,000	24,710,000
Total loans payable				<u>\$ 58,825,000</u>	<u>\$ 31,950,000</u>	<u>\$ -</u>	<u>\$ 3,500,000</u>	<u>\$ 28,450,000</u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

C. LOAN DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2018, were as follows:

<u><i>Fiscal Year Ending June 30,</i></u>	<i>Governmental Activities</i>	
	<i>Loans</i>	
	<u><i>Principal</i></u>	<u><i>Interest</i></u>
2019	\$3,595,000	\$1,259,738
2020	3,795,000	1,115,300
2021	2,770,000	958,950
2022	2,325,000	846,375
2023	2,420,000	753,375
2024-2028	12,215,000	1,854,125
2029	1,330,000	43,225
	<u>\$28,450,000</u>	<u>\$6,831,088</u>

NOTE 9 – NET POSITION/FUND BALANCES

The Government-Wide Financial Statements and Proprietary Fund Statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents balances limited to uses specified either externally by creditors, contributors, laws and regulations of other governments or imposed through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the residual component of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The School District considers restricted resources to have been spent when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash (e.g. prepaid items).

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

Restricted Fund Balance – This classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District’s highest level of decision- making authority. These committed amounts cannot be used for any other purpose unless the School District removes or changes the specific use by taking the same type of action it employed to previously commit those amounts.

Assigned Fund Balance – This classification includes amounts constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to another fund and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

School District policy states that committed fund balance includes the portion of the spendable fund balance that has constraints on spending that the Regional School Committee or the Regional voters at a Regional Financial Meeting imposed by a formal action of the Regional School Committee.

The School District policy states that the assigned fund balance represents a “plan” for spending the amount, but is not restricted or committed. The authority to assign fund balance is designated to the Business Manager.

The School District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The School District considers unrestricted fund balance classifications to be used in the following order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: 1) committed; 2) assigned; and 3) unassigned.

The School District has the following minimum unassigned fund balance policy:

General Fund – an amount no less than two months of general operating expenditures, and/or a minimum of 8% of budgeted operating expenditures, whichever is lower.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

At June 30, 2018 restricted fund balance consisted of the following:

Special Revenue Funds:

CTE Categorical -Even Year	\$ 182,551
CTE Categorical -Odd Year	397,542
Professional Development	685
Nature Trails Fundraising	150
Big Yellow School Bus	335
Technology	15
Student Equity	131,770
Literacy Set Aside	135,237
Perkins Vocational Education	16,413
EDS Tech Grant	180
US Department of Energy	10,746
Verizon Foundation	5,000
New England Dairy Council	435
Scholarship America	43
RI Center for the Arts	935
PIAEE Award	2,000
CAST	2,874
Alternative Energy Program	3,900
Nellie Mae Foundation	2,475
<i>Total restricted fund balance</i>	<u><u>\$ 893,286</u></u>

At June 30, 2018 committed fund balance consisted of the following:

General Fund:

Early retirement:	\$ 67,495
Net OPEB obligation	383,046
School Capital Projects Fund	200,000
Core Instructional Programs	44,133
Elective Instructional Programs	22,067

Special Revenue Funds:

Cell Tower	105,887
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Debt Service Fund

164,540

Capital Project Funds:

School Capital Projects Fund	542,330
<i>Total committed fund balance</i>	<u><u>\$ 1,529,498</u></u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

At June 30, 2018 assigned fund balance consisted of the following:

General Fund

Special education programs	\$ 581,429
Budget 2019	117,000
Agriculture building	163,084
Total assigned fund balance	\$ 861,513

Fund Deficits

At June 30, 2018 the following individual funds had a deficit net position/fund balance:

Special Revenue Fund:

Ponaganset Education Foundation	\$ (163)
	<u>\$ (163)</u>

NOTE 10 – SUMMARY DISCLOSURE OF CONTINGENCIES AND COMMITMENTS

A. CONTINGENCIES

During the ordinary course of its operations, the School District is a party to various claims, legal actions and complaints. The potential liability to the School District, if any, or an evaluation of the outcome of these matters cannot be made at the present time.

B. FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The School District participates in various federal financial assistance programs. Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The costs, if any, which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

C. OPERATING LEASES

The School District leases certain equipment under noncancellable operating leases expiring in February 2021. At June 30, 2018, Future minimum lease payments are as follows:

Year Ending June 30,

2019	\$ 37,345
2020	37,345
2021	24,897
	<u>\$ 99,587</u>

Rental expenditures for operating leases for the year ended June 30, 2018 totaled \$37,345.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. As a result, the School District has purchased commercial insurance to insure workers' compensation claims and participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims. Upon joining the Trust, the School District signed a participation agreement which outlines the rights and responsibilities of both the Trust and the School District.

The agreement states that for premiums paid by the School District, the Trust will assume financial responsibility for the School District's losses up to the maximum amount of insurance purchased, minus the School District's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years.

The School District also participates in a healthcare self-insurance pool administered by WB Community Health (WBCH). WB Community Health is a not-for-profit organization formed to administer health and dental programs for Rhode Island cities, towns and school districts. Upon joining WBCH each member enters into a member agreement with WBCH that outlines the rights and responsibilities of each member and WBCH.

WBCH is a claims-servicing or account pool, which is an arrangement by which a pool manages separate accounts for each pool member from which the claims and administration costs of each member are paid. This arrangement does not result in the transfer of risk to WBCH or the pooling (sharing) of risk amongst the members of WBCH. The School District is retaining the risk and it recognizes and measures its claims liabilities and related expenditures/expenses in accordance with GASB Statement No. 10 because the risk of loss has not been transferred to an unrelated third party. The School District's payments of premiums to WBCH are reported as expenditures in the General Fund and as deposits (other assets) and charges for insurance in the Internal Service Fund – Healthcare Management Fund. The claims paid by WBCH on the School District's behalf and the administrative costs paid to WBCH are reported as expenses in the Healthcare Management Fund and as a reduction of the deposits. The premiums are based on "working rates" determined by WBCH based on available funds on deposit and claims experience.

In order to avoid catastrophic losses, the School District purchases specific stop loss re-insurance. Under the stop loss re-insurance, the School District is covered for medical claims in excess of \$175,000 per person per contract period.

The claims liability of \$282,634 reported in the Internal Service Fund at June 30, 2018 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the School District’s claims liability for the past two fiscal years were:

	<u><i>Beginning Fiscal Year Liability</i></u>	<u><i>Current Year Claims and Changes In Estimate</i></u>	<u><i>Claims Payments</i></u>	<u><i>Balance Fiscal Year End</i></u>
2016-2017	\$118,397	\$2,290,419	\$2,277,066	\$131,750
2017-2018	\$131,750	\$2,713,647	\$2,562,763	\$282,634

NOTE 12 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description - The Foster-Glocester Regional School District administers a single-employer, defined benefit OPEB plan. This plan does not include the pension benefits discussed in Note 13. The plan provides medical and dental insurance for eligible retirees through the School District’s group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by the union contracts through negotiations between the School District and the respective unions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The Plan does not issue a stand-alone financial report.

Benefits Provided - The plan provides the following benefits based on employee group upon retirement:

Certified Employees - Certified teachers and certain administrator positions are eligible for retiree health benefits once they meet the retirement eligibility requirements of the Rhode Island Employees Retirement System (RI ERS). The administrator positions that fall in this category are: Superintendent, Assistant Superintendent, Business Manager, and Principal.

Duration of coverage for certified teachers and administrator positions (as previously defined) that are tied to certified teachers bargained benefits are as follows:

- Teachers hired prior to July 1, 1992 – retiree health benefits are available until Medicare eligibility
- Teachers hired on/after July 1, 1992 but before July 1, 2000 – retiree health benefits are available for 8 years, but not past Medicare eligibility

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

- Teachers hired on/after July 1, 2000 but before July 1, 2011 – retiree health benefits are available for 3 years, but not past Medicare eligibility
- Teachers hired on/after July 1, 2011 – not eligible for retiree health benefits

Certified teachers contribution requirements vary based on retirement dates as follows:

- Retirement prior to July 1, 2009 – no contributions required
- Retirement between July 1, 2009 and June 30, 2011 – 1.5% of based salary (for medical and dental coverage)
- Retirement between July 1, 2011 and June 30, 2012 – 10% of premiums (medical and dental)
- Retirement after July 1, 2012 – 20% of premiums to the maximum limit stated in the union contract (medical and dental)

Certain administrator positions are not covered under a contract but have the same contribution requirements as certified employees. These administrator positions are: Superintendent, Assistant Superintendent, Administrative Assistant to the Superintendent, Principal, Vice (or Assistant) Principal, Business Manager, Director of IT, Accountant, Director of Buildings and Grounds, and Data Manager.

Non-Certified Employees - Non-certified employees and certain administrator positions are eligible for retiree health benefits once they meet the retirement eligibility requirements of the Rhode Island Municipal Employees Retirement System (RI MERS). The administrator positions that fall in this category are: Director of IT, Accountant, Director of Building and Grounds, Data Manager, Administrative Assistant to Superintendent and Vice (or Assistant) Principal.

Duration of coverage for non-certified employee positions that are tied to non-certified employee bargained benefits are as follows:

Non-certified employees hired prior to July 1, 2012:

- Retirement prior to age 61 - allowed to purchase health care coverage at group rates until they reach age 61
- Retirement at age 61 - eligible for individual healthcare coverage until the earlier of age sixty-five (65) or Medicare eligibility

Non-certified employees hired on/after July 1, 2012:

- Not eligible for retiree health benefits

Non-certified employees contribution requirements are as follows:

- Retirement prior to July 1, 2012 and have reached age of 61 – no contributions required
- Retirement after July 1, 2012 and have reached age of 61 – same co-share of health and dental benefits as current non-certified employees

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

Certified and Non-Certified Employees - Certified and non-certified retirees must pay the full incremental cost of family coverage if he/she has spousal and/or dependent coverage.

Retirees that elect the Classic plan at retirement are required to pay the additional cost of the Classic plan over the Healthmate plan.

Upon the death of the retired member or when the member reaches Medicare eligibility, spouse coverage converts to COBRA coverage.

Life insurance benefits are available to employees at retirement but the retiree must pay the full cost of life insurance coverage at retirement.

Employees Covered by Benefit Terms - As of June 30, 2017, the following plan participants were covered by the benefit terms:

Active participants with coverage	124
Active participants with no coverage	37
Retirees	<u>15</u>
Total plan participants	<u><u>176</u></u>

Funding Policy - Contribution requirements are negotiated between the School District and the respective unions. The School District is required to contribute the cost of medical and dental benefits, less the amount of any applicable employee share of medical or dental premiums. For the year ended June 30, 2018, the plan operated on a “pay as you go basis” and no provision has been made to fund future benefits to be provided to plan members.

Total OPEB Liability

The School District’s total OPEB liability of \$1,388,994 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018.

Actuarial Assumptions and Other Inputs – The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal Cost Method
Salary Increases	General wage inflation of 3.50% plus merit and productivity increases
Inflation	3.50%
Discount Rate	3.87%
Mortality	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

Health Care Trend Rates	<u>FYE</u>	<u>Medical/Rx</u>	<u>Dental</u>
	2018	9.00%	3.00%
	2019	8.50%	3.00%
	2020	8.00%	3.00%
	2021	7.50%	3.00%
	2022	7.00%	3.00%
	2023	6.50%	3.00%
	2024	6.00%	3.00%
	2025	5.50%	3.00%
	2026+	5.00%	3.00%

The discount rate was based on the Bond Buyer GO 20-Bond Municipal Bond Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
	<hr/>
Balance as of June 30, 2017	\$1,469,484
Changes for the Year:	
Service cost	61,271
Interest on the total OPEB liability	51,454
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions and other inputs	(20,897)
Benefit payments	(172,318)
Other changes	-
Net change	<hr/> (80,490) <hr/>
Balance as of June 30, 2018	<hr/> \$1,388,994 <hr/>

Changes of assumptions and other inputs include the following:

- Discount rate was changed from 3.56% as of June 30, 2017 to 3.87% as of June 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate 1-percentage-point lower (2.87%) and 1-percentage-point higher (4.87%) than the current discount rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	<u>(2.87%)</u>	<u>(3.87%)</u>	<u>(4.87%)</u>
Total OPEB Liability	\$1,456,605	\$1,388,994	\$1,322,265

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rates 1-percentage-point lower (8% decreasing to 4%) and 1-percentage-point higher (10% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease <u>(8% decreasing to 4%)</u>	Current Healthcare Cost Trend Rates <u>(9% decreasing to 5%)</u>	1% Increase <u>(10% decreasing to 6%)</u>
Total OPEB Liability	\$1,275,732	\$1,388,994	\$1,517,038

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

For the year ended June 30, 2018, the School District recognized OPEB expense of \$115,289. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$4,450	\$ -
Changes in assumptions and other inputs	17,746	17,912
Total	<u>\$22,196</u>	<u>\$17,912</u>

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

Year ended June 30:	
2019	\$2,564
2020	2,564
2021	2,564
2022	2,564
2023	(2,985)
Thereafter	(2,987)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 13 – PENSION PLANS

A. EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND PLANS

Defined Benefit Plan

General Information about the Pension Plan

Plan Description - Certain employees of the Foster-Glocester Regional School District participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans administered by the System. The report may be obtained at <http://www.ersri.org>.

Benefit Provisions – The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals commencing with the plan year ending June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2018, Foster-Glocester Regional School District teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The State and the Foster-Glocester Regional School District are required to contribute at an actuarially determined rate, 40% of which is to be paid by the State and the remaining 60% is to be paid by the Foster-Glocester Regional School District; the rates were 9.89% and 13.24% of annual covered payroll for the fiscal year ended June 30, 2018 for the State and the Foster-Glocester Regional School District, respectively. The Foster-Glocester Regional School District contributed \$1,254,538, \$1,184,309 and, \$1,192,699 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. The State's share of contributions totaling \$923,241 for fiscal year 2018 are reflected as on-behalf payments and are included as both revenue and expenditures in the Governmental Funds financial statements.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the Foster-Glocester Regional School District reported a liability of \$15,975,017 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the Foster-Glocester Regional School District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the Foster-Glocester Regional School District were as follows:

Foster-Glocester Regional School District's proportionate share of the net pension liability	\$15,975,017
State's proportionate share of the net pension liability associated with the Foster-Glocester Regional School District	<u>12,073,274</u>
Total net pension liability	<u>\$28,048,291</u>

The net pension liability was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. The Foster-Glocester Regional School District's proportion of the net pension liability was based on a projection of the Foster-Glocester Regional School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2017 the the Foster-Glocester Regional School District's proportion was 0.50648631%.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

For the year ended June 30, 2018, the Foster-Glocester Regional School District recognized in the Government-Wide financial statements gross pension expense of \$2,472,314 and revenue of \$1,147,602 for support provided by the State. At June 30, 2018, the Foster Glocester Regional School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:

Contributions subsequent to the measurement date	\$1,254,538
Change of assumptions	1,395,188
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,895
Net difference between projected and actual earnings on pension plan investments	<u>403,540</u>
Total	<u>\$3,131,161</u>

Deferred inflows of resources:

Change of assumptions	\$251,741
Changes in proportion and differences between employer contributions and proportionate share of contributions	634,903
Differences between expected and actual experience	<u>378,730</u>
Total	<u>\$1,265,374</u>

\$1,254,538 reported as deferred outflows of resources related to pensions resulting from the Foster Glocester Regional School District contributions in fiscal year 2018 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$66,526
2020	332,490
2021	135,653
2022	(145,144)
2023	76,098
thereafter	145,626

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Actuarial Assumptions - The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.0% to 13.5%
Investment rate of return	7.0%

Mortality – Variants of the RP-2014 mortality tables – for the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2017 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2017 expected arithmetic returns over the long-term (20-years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity		
US Equity	20.60%	6.85%
International Developed Equity	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

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These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

The following changes in actuarial assumptions have been made since the prior measurement date: inflation was changed from 2.75% to 2.5%; salary increases were changed from 3.5% - 13.5% to 3% -13.5%; investment rate of return was changed from 7.5% to 7.0%; and mortality was changed from 97% (males) and 92% (females) of rates in the GRS table based on teacher experience projected with scale AA from 2000 to variants of the RP-2014 tables with MP-2016 projection scale.

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The prior measurement date used a discount rate of 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability calculated using the discount rate of 7.0 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Current Discount	
1.00% Decrease	Rate	1.00 Increase
<u>(6.0%)</u>	<u>(7.0%)</u>	<u>(8.0%)</u>
\$20,076,779	\$15,975,017	\$12,919,856

Pension Plan Fiduciary Net Position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERSRI financial report.

Defined Contribution Plan

Plan Description

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants.

Employees contribute 7% of their annual covered salary and employers contribute between 3% and 3.5% of annual covered salary depending on the employees total years of service as of June 30,

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

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2012. The employer contribution is split between the State and the School District. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The Foster-Glocester Regional School District recognized pension expense of \$217,368 and employees contributed \$513,499 for the fiscal year ended June 30, 2018. For financial reporting purposes, the State's share of contributions totaling \$30,983 for fiscal year 2018 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the System. The reports can be obtained at <http://www.ersri.org>.

B. TEACHERS' SURVIVOR BENEFIT PLAN

General Information about the Pension Plan

Plan Description - Certain employees of the Foster-Glocester Regional School District participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers' Survivors Benefit (TSB) plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in Social Security.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans administered by the System. The report may be obtained at <http://www.ersri.org>.

Eligibility and Plan Benefits - The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in the plan. Specific eligibility criteria and the amount of the benefit are subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children's benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the

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age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

In January, a yearly cost-of-living adjustment for spouse's benefits is paid and based on the annual social security adjustment.

Survivors are eligible for benefits if the member has made contributions for at least six months prior to death or retirement.

The TSB plan provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

Highest Annual Salary	Basic Monthly Spouse's Benefit
\$17,000 or less	\$750
\$17,001 to \$25,000	\$875
\$25,001 to \$33,000	\$1,000
\$33,001 to \$40,000	\$1,125
\$40,001 and over	\$1,250

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

Parent and 1 Child	Parent and 2 or more Children	One Child Alone	Two Children Alone	Three or more Children Alone	Dependent Parent
150%	175%	75%	150%	175%	100%

Contributions - The contribution requirements of active employees and the participating school districts were established under Chapter 16-16 of the Rhode Island General Laws, which may be amended by the General Assembly. The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

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The Foster-Glocester Regional School District contributed \$14,229, \$10,701, and \$11,910 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018 the Foster-Glocester Regional School District reported an asset of \$1,500,697 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. The Foster-Glocester Regional School District's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2017 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017 the Foster-Glocester Regional School District's proportion was 1.81404824%.

For the year ended June 30, 2018 the Foster-Glocester Regional School District recognized pension expense of \$313,540. At June 30, 2018 the Foster Glocester Regional School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Contributions subsequent to the measurement date	\$14,229
Change of assumptions	247,227
Differences between expected and actual experience	296,173
Changes in proportion and differences between employer contributions and proportionate share of contributions	74,894
Net difference between projected and actual earnings on pension plan investments	<u>95,881</u>
Total	<u>\$728,404</u>
Deferred inflows of resources:	
Difference between expected and actual experience	\$315,354
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>36,474</u>
Total	<u>\$351,828</u>

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\$14,229 reported as deferred outflows of resources related to pensions resulting from the Foster Gloucester Regional School District's contributions in fiscal year 2018 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$59,238
2020	133,025
2021	79,228
2022	84
2023	43,924
Thereafter	46,848

Actuarial Assumptions - The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.0% to 13.5%
Investment rate of return	7.0%

Mortality – Variants of the RP-2014 mortality tables – for the improvemnet scale, update to the ultimate rates of the MP-2016 projection scale.

Cost of Living Adjustments – Eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.75% cost of living adjustment is assumed.

The actuarial assumptions used in the June 30, 2016 valuation and the calculation of the total pension liability at June 30, 2017 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2017 expected arithmetic returns over the long-term (20-years) by asset class are summarized in the following table:

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

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Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity		
US Equity	20.60%	6.85%
International Developed Equity	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

The following changes in actuarial assumptions have been made since the prior measurement date: inflation was changed from 2.75% to 2.5%; salary increases were changed from 3.5% - 13.5% to 3% - 13.5%; investment rate of return was changed from 7.5% to 7.0%; and mortality was changed from 97% (males) and 92% (females) of rates in the GRS table based on teacher experience projected with scale AA from 2000 to variants of the RP-2014 tables with MP-2016 projection scale.

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The prior measurement date used a discount rate of 7.5%.

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Sensitivity of the Net Pension Asset to Changes in the Discount Rate - The following presents the net pension asset calculated using the discount rate of 7.0 percent as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.0%)	Current Discount Rate (7.0%)	1.00 Increase (8.0%)
\$1,026,435	\$1,500,697	\$1,853,773

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

C. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND PLANS

Defined Benefit Plans

General Information about the Pension Plan

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at <http://www.ersri.org>.

Benefits Provided – General employees, police officers and firefighters employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Members designated as police officers and/or firefighters are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable. The Foster-Glocester Regional School District has only general employees that participate in the MERS Plan.

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Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2017 measurement date and are reflected in the summary of benefit provisions described below.

General Employees - Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior retirement date, described below, and the retirement age applicable to members hired after June 30, 2012. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior retirement date. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior retirement date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

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A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Other Benefit Provisions - Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA. When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members). The Foster-Glocester Regional School District has elected the optional cost-of-living provision (COLA B).

- a.) The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.
- b.) Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%
- c.) The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described in (a) above will be limited to

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the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

Employees Covered by Benefit Terms - At the June 30, 2016 valuation date, the following employees were covered by the benefit terms:

	General Employees Plan
Retirees and Beneficiaries	31
Inactive, Nonretired	
Members	19
Active Members	53
Total	<u>103</u>

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 9.25%. The Foster-Glocester Regional School District contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Foster-Glocester Regional School District contributed \$221,631 for general employees in the year ended June 30, 2018. The School District's contributions represented 10.68% of annual covered payroll.

Net Pension Liability - The total pension liability was determined by actuarial valuations performed as of June 30, 2016 and rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

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Summary of Actuarial Assumptions Used in the Valuations to Determine the Net Pension Liability at the June 30, 2017 Measurement Date (June 30, 2016 valuation rolled forward to June 30, 2017)	
Actuarial Cost Method	Entry Age Normal - The Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions:	
Investment Rate of Return	7.0%
Projected Salary Increases	General Employees - 3.50% to 7.50%
Inflation	2.5%
Mortality	Variants of the RP-2014 mortality tables – for the improvement scale, update to the ultimate rates of the MP-2016 projection scale.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2017 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2017 expected arithmetic returns over the long-term (20-years) by asset class are summarized in the following table:

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Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity		
US Equity	20.60%	6.85%
International Developed Equity	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

The following changes in actuarial assumptions have been made since the prior measurement date: inflation was changed from 2.75% to 2.5%; investment rate of return was changed from 7.5% to 7.0%; and mortality was changed from 115% (males) and 95% (females) of RP-2000 combined healthy with white collar adjustments projected with scale AA from 2000 to variants of the RP-2014 tables with MP-2016 projection scale.

Discount Rate - The discount rate used to measure the total pension liability of the plans was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The prior measurement date used a discount rate of 7.5%.

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Notes to Financial Statements

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**General Employees Plan
Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2016	\$7,777,125	\$6,364,292	\$1,412,833
Changes for the Year:			
Service cost	177,613	-	177,613
Interest on the total pension liability	574,182	-	574,182
Changes in benefits	-	-	-
Difference between expected and actual experience	(90,857)	-	(90,857)
Changes in assumptions	396,527	-	396,527
Employer contributions	-	220,685	(220,685)
Employee contributions	-	52,656	(52,656)
Net investment income	-	744,195	(744,195)
Benefit payments, including employee refunds	(420,351)	(420,351)	-
Administrative expense	-	(7,031)	7,031
Other changes	-	53,272	(53,272)
Net changes	637,114	643,426	(6,312)
Balances as of June 30, 2017	\$8,414,239	\$7,007,718	\$1,406,521

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the employers calculated using the discount rate of 7.0 percent, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Plan	1.00% Decrease (6.0%)	Current Discount	1.00 Increase (8.0%)
		Rate (7.0%)	
General Employees	\$2,378,900	\$1,406,521	\$682,438

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the School District recognized pension expense of \$269,606 for general employees. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>General Employees Plan</u>
Deferred Outflows of Resources:	
Contributions subsequent to the measurement date	\$221,631
Differences between expected and actual experience	89,303
Assumption changes	330,516
Net difference between projected and actual investment earnings	<u>116,989</u>
Total	<u><u>\$758,439</u></u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	<u>\$115,098</u>
Total	<u><u>\$115,098</u></u>

The deferred outflows of resources related to pensions resulting from the School District's contributions in fiscal year 2018 subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Net Deferred Outflow/ (Inflows) of Resources	
Year Ending June 30,	General Employees Plan
2019	\$90,253
2020	179,495
2021	127,744
2022	2,698
2023	21,520

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

Defined Contribution Plan

Plan Description

General employees participating in the defined benefit plan, as described above, may also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants.

General employees contribute 5% of their annual covered salary and employers contribute 1% to 1.5% of annual covered salary depending on years of service. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The Foster-Glocester Regional School District recognized pension expense of \$21,891 and employees contributed \$95,563 for the fiscal year ended June 30, 2018.

The System issues an annual financial report that includes financial statements and required supplementary information for plans administered by the System. The reports can be obtained at <http://www.ersri.org>.

D. AGGREGATE PENSION AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

	<u>Deferred Outflows of Resources – Pension Amounts</u>	<u>Deferred Inflows of Resources – Pension Amounts</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Pension Expense</u>
Employees’ Retirement System Plan	\$3,131,161	\$1,265,374	\$ -	\$15,975,017	\$2,472,314
Teachers’ Survivor Benefits Plan	728,404	351,828	1,500,697	-	313,540
General Employees Plan	<u>758,439</u>	<u>115,098</u>	<u>-</u>	<u>1,406,521</u>	<u>269,606</u>
Total	<u>\$4,618,004</u>	<u>\$1,732,300</u>	<u>\$1,500,697</u>	<u>\$17,381,538</u>	<u>\$3,055,460</u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Required Supplementary Information
Employees' Retirement System Pension Plan
Schedule of the School District's Proportionate Share of the Net Pension Liability (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.50648631%	0.52875004%	0.52494730%	0.53220866%
School District's proportionate share of the net pension liability	\$ 15,975,017	\$ 15,775,667	\$ 14,451,813	\$ 12,953,960
State's proportionate share of the net pension liability associated with the School District	<u>12,073,274</u>	<u>10,804,016</u>	<u>9,873,025</u>	<u>8,883,128</u>
Total	<u>\$ 28,048,291</u>	<u>\$ 26,579,683</u>	<u>\$ 24,324,838</u>	<u>\$ 21,837,088</u>
School District's covered-employee payroll	\$ 8,946,957	\$ 8,686,235	\$ 8,530,058	\$ 8,540,784
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.55%	181.62%	169.42%	151.67%
Plan fiduciary net position as a percentage of the total pension liability	54.0%	54.1%	57.6%	61.4%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

The notes to the required supplementary information are an integral part of this schedule.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Required Supplementary Information
Teachers' Survivor Benefit Pension Plan
Schedule of the School District's Proportionate Share of the Net Pension Asset (I)
"Unaudited"

<i>Fiscal Year</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension asset	1.81404824%	1.85441389%	1.81375921%	1.85958611%
School District's proportionate share of the net pension asset	\$ 1,500,697	\$ 1,846,475	\$ 1,693,246	\$ 2,311,851
School District's covered-employee payroll	\$ 8,946,957	\$ 8,686,235	\$ 8,530,058	\$ 8,540,784
School District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	16.77%	21.26%	19.85%	27.07%
Plan fiduciary net position as a percentage of the total pension liability	136.1%	153.3%	146.6%	173.3%

(I) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

The notes to the required supplementary information are an integral part of this schedule.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Required Supplementary Information
General Employees Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:				
Service cost	\$ 177,613	\$ 172,973	\$ 175,563	\$ 180,312
Interest	574,182	540,136	514,253	488,198
Changes of benefit terms	-	-	136,734	-
Differences between expected and actual experience	(90,857)	150,513	(105,183)	-
Changes of assumptions	396,527	-	-	24,287
Benefits payments, including refunds of member contributions	(420,351)	(403,637)	(346,298)	(339,748)
Net change in total pension liability	<u>637,114</u>	<u>459,985</u>	<u>375,069</u>	<u>353,049</u>
Total pension liability - beginning	<u>7,777,125</u>	<u>7,317,140</u>	<u>6,942,071</u>	<u>6,589,022</u>
Total pension liability - ending (a)	<u>\$ 8,414,239</u>	<u>\$ 7,777,125</u>	<u>\$ 7,317,140</u>	<u>\$ 6,942,071</u>
Plan fiduciary net position:				
Contributions - employer	\$ 220,685	\$ 223,341	\$ 223,952	\$ 241,194
Contributions - employee	52,656	51,445	35,977	36,797
Net investment income	744,195	(2,209)	152,358	857,925
Benefits payments, including refunds of member contributions	(420,351)	(403,637)	(346,298)	(339,748)
Administrative expense	(7,031)	(5,943)	(6,112)	(5,372)
Other	53,272	-	1	123,257
Net change in plan fiduciary net position	<u>643,426</u>	<u>(137,003)</u>	<u>59,878</u>	<u>914,053</u>
Plan fiduciary net position - beginning	<u>6,364,292</u>	<u>6,501,295</u>	<u>6,441,417</u>	<u>5,527,364</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,007,718</u>	<u>\$ 6,364,292</u>	<u>\$ 6,501,295</u>	<u>\$ 6,441,417</u>
School District's net pension liability - ending (a) - (b)	<u>\$ 1,406,521</u>	<u>\$ 1,412,833</u>	<u>\$ 815,845</u>	<u>\$ 500,654</u>
Plan fiduciary net position as a percentage of the total pension liability	83.28%	81.83%	88.85%	92.79%
Covered employee payroll	\$ 2,006,921	\$ 1,896,629	\$ 1,798,805	\$ 1,757,428
Net pension liability as a percentage of covered employee payroll	70.08%	74.49%	45.35%	28.49%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

The notes to the required supplementary information are an integral part of this schedule.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Required Supplementary Information - Pension Plans

Schedule of School District Contributions (1)

"Unaudited"

<i>Fiscal Year</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Employees' Retirement System Plan</u>				
Actuarially determined contribution	\$ 1,254,538	\$ 1,184,309	\$ 1,192,699	\$ 1,153,736
Contributions in relation to the actuarially determined contribution	1,254,538	1,184,309	1,192,699	1,153,736
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 9,436,402	\$ 8,946,957	\$ 8,686,235	\$ 8,530,058
Contributions as a percentage of covered employee payroll	13.29%	13.24%	13.73%	13.53%
<u>Teachers' Survivor Benefit Plan</u>				
Statutorily determined contribution	\$ 14,229	\$ 10,701	\$ 11,910	\$ 10,944
Contributions in relation to the statutorily determined contribution	14,229	10,701	11,910	10,944
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 9,436,402	\$ 8,946,957	\$ 8,686,235	\$ 8,530,058
Contributions as a percentage of covered employee payroll	0.15%	0.12%	0.14%	0.13%
<u>General Employees Plan</u>				
Actuarially determined contribution	\$ 221,631	\$ 220,685	\$ 223,341	\$ 223,952
Contributions in relation to the actuarially determined contribution	221,631	220,685	223,341	223,952
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,075,196	\$ 2,006,921	\$ 1,896,629	\$ 1,798,805
Contributions as a percentage of covered employee payroll	10.68%	11.00%	11.78%	12.45%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

The notes to the required supplementary information are an integral part of this schedule.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Required Supplementary Information
Other Postemployment Benefit (OPEB) Plan
Schedule of Changes in the Total OPEB Liability and Related Ratios (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	\$ 61,271	\$ 63,452
Interest	51,454	42,361
Changes of benefit terms	-	-
Differences between expected and actual experience	-	6,676
Changes of assumptions or other inputs	(20,897)	26,618
Benefits payments	(172,318)	(238,929)
Net change in total OPEB liability	<u>(80,490)</u>	<u>(99,822)</u>
Total OPEB liability - beginning	<u>1,469,484</u>	<u>1,569,306</u>
Total OPEB liability - ending	<u><u>\$ 1,388,994</u></u>	<u><u>\$ 1,469,484</u></u>
Covered employee payroll	\$ 10,599,634	\$ 10,241,192
Total OPEB liability as a percentage of covered employee payroll	13.10%	14.35%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay for OPEB.

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2018

	<i>General Fund</i>			
	<i>Budgeted Amounts</i>		<i>Actual Amounts (Budgetary Basis)</i>	<i>Variance with Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Revenues				
State and federal aid and grants	\$ 4,727,029	\$ 4,727,029	\$ 4,701,001	\$ (26,028)
Local appropriations	13,377,997	13,377,997	13,377,997	-
Tuition	1,278,540	1,278,540	2,134,514	855,974
Medicaid revenue	136,000	136,000	142,526	6,526
Other revenues	262,500	262,500	178,285	(84,215)
Reappropriated fund balance	146,929	146,929	146,929	-
Total revenues	<u>19,928,995</u>	<u>19,928,995</u>	<u>20,681,252</u>	<u>752,257</u>
Expenditures				
Personnel service - compensation	11,797,964	11,797,964	12,193,210	(395,246)
Personnel services - employee benefits	4,333,507	4,333,507	4,415,277	(81,770)
Purchased professional and technical services	744,434	744,434	727,353	17,081
Purchased property services	484,951	484,951	421,432	63,519
Other purchased services	647,909	647,909	555,813	92,096
Supplies	1,012,319	1,012,319	1,087,030	(74,711)
Property	826,401	826,401	905,969	(79,568)
Other	81,510	81,510	62,523	18,987
Total expenditures	<u>19,928,995</u>	<u>19,928,995</u>	<u>20,368,607</u>	<u>(439,612)</u>
Excess of revenues over expenditures before other financing sources (uses)	-	-	312,645	312,645
Other financing sources (uses)				
Transfers from other funds	-	-	13	13
Transfers to other funds	-	-	(112,026)	(112,026)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(112,013)</u>	<u>(112,013)</u>
Net change in fund balance-budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,632</u>	<u>\$ 200,632</u>

The notes to the required supplementary information are an integral part of this schedule.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service - Budgetary Basis
For the Year Ended June 30, 2018

	<i>Debt Service Fund</i>			
	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i> <i>(Budgetary</i> <i>Basis)</i>	<i>Final Budget</i> <i>Positive</i> <i>(Negative)</i>
Revenues				
Local appropriations	\$ 1,662,085	\$ 1,662,085	\$ 1,662,085	\$ -
State aid	3,122,052	3,122,052	3,009,367	(112,685)
Fund balance	115,232	115,232	115,232	-
Total revenues	<u>4,899,369</u>	<u>4,899,369</u>	<u>4,786,684</u>	<u>(112,685)</u>
Expenditures				
Debt service payments	4,899,369	4,899,369	4,898,058	1,311
Total expenditures	<u>4,899,369</u>	<u>4,899,369</u>	<u>4,898,058</u>	<u>1,311</u>
Deficiency of revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (111,374)</u>	<u>\$ (111,374)</u>

The notes to the required supplementary information are an integral part of this schedule.

FOSTER/GLOCESTER REGIONAL SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2018

NOTE 1 – PENSION PLANS

The actuarial methods and assumptions used to calculate the total pension liability (asset) are described in Note 13 A, B and C to the financial statements.

The net pension liability (asset) amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year-end.

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

Actuarially Determined Contributions:

Actuarially determined contribution rates are calculated as of June 30 of each plan year and effective 2 years after the actuarial valuation. The following actuarial methods and assumptions were used to determine contribution amounts reported in that schedule:

- Actuarial cost method – Entry Age Normal
- Amortization method - Level percentage of payroll, closed
- Remaining amortization period - 20 years
- Asset valuation method – 5-year smoothed market
- Inflation – 2.75%
- Investment return - 7.50%
- Salary increases – 3.50% to 13.50% for teachers; 3.50% to 7.50% for general employees
- Retirement age – Experienced-based table of rates that are specific to the type of eligibility condition.
- Mortality – Males, General Employees – 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Females, General Employees – 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Males and Females, Teachers – 97% and 92%, respectively, of rates in GRS table based on male and female teacher experience, projected with Scale AA from 2000.

Employers participating in the Employees' Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year. Employers participating in the Teachers' Survivors Benefit Plan contribute at a rate established by RI General Laws, 16-16-35. Employers participating in the Municipal Employees' Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2018

NOTE 2 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

In accordance with the District’s Charter, the District has formally established budgetary accounting control for its General Fund. The General Fund is subject to an annual operating budget approved by the Regional School Committee and by the voters at the District’s Annual Financial Meeting held each March. Annually, the Regional School Committee appoints a budget sub-committee which is responsible for establishing a budget that is supported by revenue estimates and that takes into account, when possible, the elimination of accumulated deficits. The budget sub-committee brings forward the final proposed budget to the Regional School Committee for full committee adoption at the annual public hearing which is held approximately two weeks before the Regional Financial Meeting. Upon vote of the Regional Financial Meeting, the District’s budget is set and each Town must then fund their respected appropriations as outlined in the adopted Regional budget. The General Fund operating budget is in conformance with the legally enacted budgetary basis, which is not in conformance with generally accepted accounting principles. The accompanying budgetary comparison schedule is reflected on the budgetary basis. The difference between the budgetary basis and generally accepted accounting principles is explained below.

Explanation of Differences between Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures

<u>Revenues</u>	<u>General Fund</u>
Actual amounts (budgetary basis)	\$20,681,252
Differences – budget to GAAP:	
The pension contributions made to the Employees Retirement System by the State on behalf of the Foster-Glocester Regional School District are not reported as a budgetary revenue, but are a current year revenue for financial reporting purposes.	954,224
Transportation categorical aid is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.	329,615
The reappropriated fund balance is reported as budgetary revenue, but is not a current year revenue for financial reporting purposes.	<u>(146,929)</u>
<i>Total revenues as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$21,818,162</u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2018

<u>Expenditures</u>	<u>General Fund</u>
Actual amounts (budgetary basis)	\$20,368,607
The pension contributions made to the Employees Retirement System by the State on behalf of the Foster-Glocester Regional School District are not reported as a budgetary expenditure, but are a current year expenditure for financial reporting purposes.	954,224
Transportation categorical aid passed through to the Towns of Foster and Glocester is not reported as a budgetary expenditure, but is a current year expenditure for financial reporting purposes.	<u>329,615</u>
<i>Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u><u>\$21,652,446</u></u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

*Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018*

	<i>Special Revenue Funds</i>					
	<i>Even Year CTE Categorical</i>	<i>Odd Year CTE Categorical</i>	<i>Target</i>	<i>Professional Development</i>	<i>Nature Trails Fundraising</i>	<i>Big Yellow School Bus</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from state and federal government	-	236,865	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Due from other funds	182,551	160,677	-	685	150	335
Total assets	\$ 182,551	\$ 397,542	\$ -	\$ 685	\$ 150	\$ 335
LIABILITIES AND FUND BALANCES						
<i>Liabilities</i>						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
<i>Fund balances</i>						
Restricted	182,551	397,542	-	685	150	335
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	182,551	397,542	-	685	150	335
Total liabilities and fund balances	\$ 182,551	\$ 397,542	\$ -	\$ 685	\$ 150	\$ 335

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2018

	<i>Special Revenue Funds</i>					
	<i>Technology</i>	<i>Student Equity</i>	<i>Literacy Set Aside</i>	<i>Title I Part A</i>	<i>Title II Teacher Quality</i>	<i>Perkins Vocational Education Grant</i>
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from state and federal government	-	-	-	33,211	9,217	-
Accounts receivable	-	-	-	-	-	40,918
Due from other funds	15	131,770	135,237	-	-	-
Total assets	<u>\$ 15</u>	<u>\$ 131,770</u>	<u>\$ 135,237</u>	<u>\$ 33,211</u>	<u>\$ 9,217</u>	<u>\$ 40,918</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ 1,561	\$ -	\$ 682
Due to other funds	-	-	-	31,650	9,217	23,823
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,211</u>	<u>9,217</u>	<u>24,505</u>
Fund balances						
Restricted	15	131,770	135,237	-	-	16,413
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>15</u>	<u>131,770</u>	<u>135,237</u>	<u>-</u>	<u>-</u>	<u>16,413</u>
Total liabilities and fund balances	<u>\$ 15</u>	<u>\$ 131,770</u>	<u>\$ 135,237</u>	<u>\$ 33,211</u>	<u>\$ 9,217</u>	<u>\$ 40,918</u>

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds					
	<i>Cell Tower</i>	<i>EDS Tech Grant</i>	<i>US Department of Energy Grant</i>	<i>Verizon Foundation</i>	<i>Field Trip Donations</i>	<i>New England Dairy Council</i>
ASSETS						
Cash	\$ 112,235	\$ -	\$ -	\$ -	\$ -	\$ -
Due from state and federal government	-	-	-	-	-	-
Accounts receivable	1,755	-	-	-	-	-
Due from other funds	-	180	10,746	5,000	-	435
Total assets	\$ 113,990	\$ 180	\$ 10,746	\$ 5,000	\$ -	\$ 435
 LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	8,103	-	-	-	-	-
Total liabilities	8,103	-	-	-	-	-
 Fund balances						
Restricted	-	180	10,746	5,000	-	435
Committed	105,887	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	105,887	180	10,746	5,000	-	435
 Total liabilities and fund balances	\$ 113,990	\$ 180	\$ 10,746	\$ 5,000	\$ -	\$ 435

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2018

	<i>Special Revenue Funds</i>				
	<i>Ponaganset Education Foundation</i>	<i>Scholarship America</i>	<i>RI Center for the Arts</i>	<i>Teacher Resource Summit</i>	<i>PIAEE Award</i>
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from state and federal government	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Due from other funds	2,020	43	935	-	2,000
Total assets	\$ 2,020	\$ 43	\$ 935	\$ -	\$ 2,000
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 2,183	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	2,183	-	-	-	-
Fund balances					
Restricted	-	43	935	-	2,000
Committed	-	-	-	-	-
Unassigned	(163)	-	-	-	-
Total fund balances	(163)	43	935	-	2,000
Total liabilities and fund balances	\$ 2,020	\$ 43	\$ 935	\$ -	\$ 2,000

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2018

	<i>Special Revenue Funds</i>				
	<u>Title IV</u>	<u>School Lunch Program</u>	<u>CAST</u>	<u>RI Learning Champions</u>	<u>Alternative Energy Program</u>
ASSETS					
Cash	\$ -	\$ 19,973	\$ -	\$ -	\$ -
Due from state and federal government	3,976	7,223	-	-	-
Accounts receivable	-	-	2,500	-	-
Due from other funds	-	84,620	374	-	3,900
Total assets	<u>\$ 3,976</u>	<u>\$ 111,816</u>	<u>\$ 2,874</u>	<u>\$ -</u>	<u>\$ 3,900</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ -	\$ 111,816	\$ -	\$ -	\$ -
Due to other funds	3,976	-	-	-	-
Total liabilities	<u>3,976</u>	<u>111,816</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances					
Restricted	-	-	2,874	-	3,900
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>2,874</u>	<u>-</u>	<u>3,900</u>
Total liabilities and fund balances	<u>\$ 3,976</u>	<u>\$ 111,816</u>	<u>\$ 2,874</u>	<u>\$ -</u>	<u>\$ 3,900</u>

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2018

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>RI Foundation</u>	<u>Nellie Mae Foundation</u>	<u>NEXGENN</u>	<u>IDEA</u>	<u>School Capital Project Fund</u>	
ASSETS						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,208
Due from state and federal government	-	-	-	-	-	290,492
Accounts receivable	3,735	-	-	-	-	48,908
Due from other funds	-	2,475	-	-	542,330	1,266,478
Total assets	<u>\$ 3,735</u>	<u>\$ 2,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,330</u>	<u>\$ 1,738,086</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,242
Due to other funds	3,735	-	-	-	-	80,504
Total liabilities	<u>3,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,746</u>
Fund balances						
Restricted	-	2,475	-	-	-	893,286
Committed	-	-	-	-	542,330	648,217
Unassigned	-	-	-	-	-	(163)
Total fund balances	<u>-</u>	<u>2,475</u>	<u>-</u>	<u>-</u>	<u>542,330</u>	<u>1,541,340</u>
Total liabilities and fund balances	<u>\$ 3,735</u>	<u>\$ 2,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,330</u>	<u>\$ 1,738,086</u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Fiscal Year Ended June 30, 2018

	<i>Special Revenue Funds</i>					
	<i>Even Year CTE Categorical</i>	<i>Odd Year CTE Categorical</i>	<i>Target</i>	<i>Professional Development</i>	<i>Nature Trails Fundraising</i>	<i>Big Yellow School Bus</i>
Revenues						
State and federal aid and grants	\$ -	\$ 236,865	\$ -	\$ -	\$ -	\$ -
Local appropriations	-	-	-	-	-	-
Contributions	-	-	700	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>236,865</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures						
Current:						
Salaries	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Purchased services	-	-	700	-	-	-
Supplies and materials	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	15,949	8,255	-	-	-	-
Total expenditures	<u>15,949</u>	<u>8,255</u>	<u>700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(15,949)	228,610	-	-	-	-
Other financing sources (uses)						
Transfers from other funds	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(15,949)	228,610	-	-	-	-
Fund balances - beginning of year	198,500	168,932	-	685	150	335
Fund balances - end of year	<u>\$ 182,551</u>	<u>\$ 397,542</u>	<u>\$ -</u>	<u>\$ 685</u>	<u>\$ 150</u>	<u>\$ 335</u>

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds					
	<i>Technology</i>	<i>Student Equity</i>	<i>Literacy Set Aside</i>	<i>Title I Part A</i>	<i>Title II Teacher Quality</i>	<i>Perkins Vocational Education Grant</i>
Revenues						
State and federal aid and grants	\$ -	\$ -	\$ -	\$ 94,889	\$ 35,648	\$ 40,918
Local appropriations	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,889</u>	<u>35,648</u>	<u>40,918</u>
Expenditures						
Current:						
Salaries	-	-	-	74,086	28,607	35,103
Employee benefits	-	-	-	18,051	7,041	5,815
Purchased services	-	7,650	675	450	-	-
Supplies and materials	-	-	-	1,792	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	11,742	510	-	-
Total expenditures	<u>-</u>	<u>7,650</u>	<u>12,417</u>	<u>94,889</u>	<u>35,648</u>	<u>40,918</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	(7,650)	(12,417)	-	-	-
Other financing sources (uses)						
Transfers from other funds	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(7,650)	(12,417)	-	-	-
Fund balances - beginning of year	<u>15</u>	<u>139,420</u>	<u>147,654</u>	<u>-</u>	<u>-</u>	<u>16,413</u>
Fund balances - end of year	<u>\$ 15</u>	<u>\$ 131,770</u>	<u>\$ 135,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,413</u>

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds					
	<u>Cell Tower</u>	<u>EDS Tech Grant</u>	<u>US Department of Energy Grant</u>	<u>Verizon Foundation</u>	<u>Field Trip Donations</u>	<u>New England Dairy Council</u>
Revenues						
State and federal aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local appropriations	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Other revenue	21,063	-	-	-	572	-
Total revenues	<u>21,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>572</u>	<u>-</u>
Expenditures						
Current:						
Salaries	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Purchased services	-	-	-	-	-	-
Supplies and materials	5,102	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>5,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	15,961	-	-	-	572	-
Other financing sources (uses)						
Transfers from other funds	-	-	-	-	-	-
Transfers to other funds	(3,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	12,961	-	-	-	572	-
Fund balances - beginning of year	<u>92,926</u>	<u>180</u>	<u>10,746</u>	<u>5,000</u>	<u>(572)</u>	<u>435</u>
Fund balances - end of year	<u>\$ 105,887</u>	<u>\$ 180</u>	<u>\$ 10,746</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 435</u>

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<i>Special Revenue Funds</i>				
	<i>Ponaganset Education Foundation</i>	<i>Scholarship America</i>	<i>RI Center for the Arts</i>	<i>Teacher Resource Summit</i>	<i>PIAEE Award</i>
Revenues					
State and federal aid and grants	\$ -	\$ -	\$ -	\$ -	\$ -
Local appropriations	-	-	-	-	-
Contributions	4,114	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	<u>4,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Current:					
Salaries	-	-	-	-	-
Employee benefits	-	-	-	-	-
Purchased services	-	-	-	-	-
Supplies and materials	3,274	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>3,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	840	-	-	-	-
Other financing sources (uses)					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	(13)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13)</u>	<u>-</u>
Net change in fund balance	840	-	-	(13)	-
Fund balances - beginning of year	<u>(1,003)</u>	<u>43</u>	<u>935</u>	<u>13</u>	<u>2,000</u>
Fund balances - end of year	<u>\$ (163)</u>	<u>\$ 43</u>	<u>\$ 935</u>	<u>\$ -</u>	<u>\$ 2,000</u>

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds				
	<u>Title IV</u>	<u>School Lunch Program</u>	<u>CAST</u>	<u>RI Learning Champions</u>	<u>Alternative Energy Program</u>
Revenues					
State and federal aid and grants	\$ 3,976	\$ 120,199	\$ -	\$ 900	\$ -
Local appropriations	-	-	-	-	-
Contributions	-	-	6,500	-	-
Other revenue	-	235,436	-	-	-
Total revenues	<u>3,976</u>	<u>355,635</u>	<u>6,500</u>	<u>900</u>	<u>-</u>
Expenditures					
Current:					
Salaries	-	-	-	850	-
Employee benefits	-	-	-	50	-
Purchased services	3,976	365,116	3,925	-	-
Supplies and materials	-	-	4,621	-	-
Other	-	71	-	-	-
Capital outlay	-	2,214	-	-	-
Total expenditures	<u>3,976</u>	<u>367,401</u>	<u>8,546</u>	<u>900</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	(11,766)	(2,046)	-	-
Other financing sources (uses)					
Transfers from other funds	-	11,766	3,260	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>11,766</u>	<u>3,260</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	1,214	-	-
Fund balances - end of year	<u>-</u>	<u>-</u>	<u>1,660</u>	<u>-</u>	<u>3,900</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,874</u>	<u>\$ -</u>	<u>\$ 3,900</u>

(Continued)

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2018

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>RI Foundation</u>	<u>Nellie Mae Foundation</u>	<u>NEXGENN</u>	<u>IDEA</u>	<u>School Capital Project Fund</u>	
Revenues						
State and federal aid and grants	\$ -	\$ -	\$ -	\$ 252,106	\$ 318,786	\$ 1,104,287
Local appropriations	-	-	-	-	300,801	300,801
Contributions	8,186	-	-	-	-	19,500
Other revenue	-	-	-	-	-	257,071
Total revenues	<u>8,186</u>	<u>-</u>	<u>-</u>	<u>252,106</u>	<u>619,587</u>	<u>1,681,659</u>
Expenditures						
Current:						
Salaries	-	-	-	172,838	-	311,484
Employee benefits	-	-	-	48,956	-	79,913
Purchased services	8,798	-	-	22,672	-	413,962
Supplies and materials	-	-	-	3,230	-	18,019
Other	-	-	-	2,661	-	2,732
Capital outlay	-	4,746	13,984	1,749	617,929	677,078
Total expenditures	<u>8,798</u>	<u>4,746</u>	<u>13,984</u>	<u>252,106</u>	<u>617,929</u>	<u>1,503,188</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(612)	(4,746)	(13,984)	-	1,658	178,471
Other financing sources (uses)						
Transfers from other funds	-	-	-	-	100,000	115,026
Transfers to other funds	-	-	-	-	-	(3,013)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>112,013</u>
Net change in fund balance	(612)	(4,746)	(13,984)	-	101,658	290,484
Fund balances - beginning of year	<u>612</u>	<u>7,221</u>	<u>13,984</u>	<u>-</u>	<u>440,672</u>	<u>1,250,856</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 2,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,330</u>	<u>\$ 1,541,340</u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Statement of Fiduciary Net Position

Private-Purpose Trusts

June 30, 2018

	<i>Henry/Ruth Lewis Scholarship Fund</i>	<i>Memorial School Library Fund</i>	<i>Henry & Pepi Silverstien Memorial Fund</i>	<i>Protium/ALT Energy Scholarship Fund</i>	<i>Sodexo Scholarship Fund</i>	<i>Total Private- Purpose Trusts</i>
<i>Assets</i>						
Cash	\$ -	\$ 861	\$ -	\$ -	\$ -	\$ 861
Due from other funds	1,700	-	364	3,000	1,000	6,064
<i>Total assets</i>	<u>1,700</u>	<u>861</u>	<u>364</u>	<u>3,000</u>	<u>1,000</u>	<u>6,925</u>
 <i>Net Position</i>						
Restricted for other purposes	<u>\$ 1,700</u>	<u>\$ 861</u>	<u>\$ 364</u>	<u>\$ 3,000</u>	<u>\$ 1,000</u>	<u>\$ 6,925</u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Position

Private-Purpose Trusts

For the Fiscal Year Ended June 30, 2018

	<i>Henry/Ruth Lewis Scholarship Fund</i>	<i>Memorial School Library Fund</i>	<i>Henry & Pepi Silverstien Memorial Fund</i>	<i>Protium/ALT Energy Scholarship Fund</i>	<i>Sodexo Scholarship Fund</i>	<i>Total Private- Purpose Trusts</i>
<i>Additions</i>						
Gifts and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total additions</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deductions</i>						
Scholarships	-	-	-	-	500	500
<i>Total deductions</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>500</u>
<i>Change in net position</i>	-	-	-	-	(500)	(500)
<i>Net position - beginning of year</i>	<u>1,700</u>	<u>861</u>	<u>364</u>	<u>3,000</u>	<u>1,500</u>	<u>7,425</u>
<i>Net position - end of year</i>	<u><u>\$ 1,700</u></u>	<u><u>\$ 861</u></u>	<u><u>\$ 364</u></u>	<u><u>\$ 3,000</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 6,925</u></u>

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

	<i>Ponaganset Middle School Student Activity Fund</i>	<i>Ponaganset High Student Activity Fund</i>	<i>Total Agency Funds</i>
<i>Assets</i>			
Cash	\$ 91,189	\$ 247,069	\$ 338,258
<i>Total assets</i>	<u>\$ 91,189</u>	<u>\$ 247,069</u>	<u>\$ 338,258</u>
<i>Liabilities</i>			
Deposits held in custody for others	\$ 91,189	\$ 247,069	\$ 338,258
<i>Total liabilities</i>	<u>\$ 91,189</u>	<u>\$ 247,069</u>	<u>\$ 338,258</u>

OTHER SUPPLEMENTARY INFORMATION

The Annual Supplemental Transparency Report Schedules
required by the State of Rhode Island General Law § 45-12-22.2 and § 44-35-10

Annual Supplemental Transparency Report (MTP2) - Revenue

Annual Supplemental Transparency Report (MTP2) – Expenditures

Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Education Department

Notes to Supplementary Information – Annual Supplemental Transparency Report (MTP2)

Foster Gloucester Regional School District
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

<u>REVENUE</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ -
Last Year's Levy Tax Collection	-
Prior Years Property Tax Collection	-
Interest & Penalty	-
PILOT & Tax Treaty (excluded from levy) Collection	-
Other Local Property Taxes	-
Licenses and Permits	-
Fines and Forfeitures	-
Investment Income	-
Departmental	-
Rescue Run Revenue	-
Police & Fire Detail	-
Other Local Non-Property Tax Revenues	-
Tuition	2,134,514
Impact Aid	-
Medicaid	142,526
Federal Stabilization Funds	-
Federal Food Service Reimbursement	116,531
CDBG	-
COPS Grants	-
SAFER Grants	-
Other Federal Aid Funds	427,537
MV Excise Tax Reimbursement & Phase-out	-
State PILOT Program	-
Distressed Community Relief Fund	-
Library Resource Aid	-
Library Construction Aid	-
Public Service Corporation Tax	-
Meals & Beverage Tax / Hotel Tax	-
LEA Aid	4,701,001
Group Home	-
Housing Aid Capital Projects	318,786
Housing Aid Bonded Debt	3,009,367
State Food Service Revenue	3,668
Incentive Aid	-
Property Revaluation Reimbursement	-
Other State Revenue	566,480
Other Revenue	455,183
Local Appropriation for Education	-
Regional Appropriation for Education	13,678,798
Supplemental Appropriation for Education	-
Regional Supplemental Appropriation for Education	1,662,085
Other Education Appropriation	-
Rounding	-
Total Revenue	<u><u>\$ 27,216,476</u></u>
Financing Sources: Transfer from Capital Funds	\$ -
Financing Sources: Transfer from Other Funds	-
Financing Sources: Debt Proceeds	-
Financing Sources: Other	-
Rounding	-
Total Other Financing Sources	<u><u>\$ -</u></u>

Foster Gloucester Regional School District
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

<u>EXPENDITURES</u>	<u>Education Department</u>
Compensation- Group A	\$ 9,085,172
Compensation - Group B	1,301,710
Compensation - Group C	2,023,012
Compensation -Volunteer	-
Overtime- Group A	-
Overtime - Group B	-
Overtime - Group C	28,152
Police & Fire Detail	-
Active Medical Insurance - Group A	1,254,244
Active Medical Insurance- Group B	95,931
Active Medical Insurance- Group C	627,809
Active Dental insurance- Group A	76,326
Active Dental Insurance- Group B	7,944
Active Dental Insurance- Group C	54,910
Payroll Taxes	377,059
Life Insurance	30,390
State Defined Contribution- Group A	200,867
State Defined Contribution - Group B	21,498
State Defined Contribution - Group C	17,959
Other Benefits- Group A	124,231
Other Benefits- Group B	12,242
Other Benefits- Group C	60,707
Local Defined Benefit Pension- Group A	-
Local Defined Benefit Pension - Group B	-
Local Defined Benefit Pension - Group C	-
State Defined Benefit Pension- Group A	1,140,732
State Defined Benefit Pension - Group B	167,382
State Defined Benefit Pension - Group C	185,474
Other Defined Benefit / Contribution	-
Purchased Services	2,017,715
Materials/Supplies	517,093
Software Licenses	252,258
Capital Outlays	1,322,721
Insurance	84,511
Maintenance	147,103
Vehicle Operations	19,034
Utilities	633,680
Contingency	-
Street Lighting	-
Revaluation	-
Snow Removal-Raw Material & External Contracts	-
Trash Removal & Recycling	-
Claims & Settlements	-
Community Support	-
Other Operation Expenditures	214,667
Local Appropriation for Education	-
Regional Appropriation for Education	-
Supplemental Appropriation for Education	-
Regional Supplemental Appropriation for Education	-
Other Education Appropriation	-
Municipal Debt- Principal	-
Municipal Debt- Interest	-
School Debt- Principal	3,500,000
School Debt- Interest	1,398,058
Retiree Medical Insurance- Total	95,691
Retiree Dental Insurance- Total	-
OPEB Contribution- Total	-
Non-Qualified OPEB Trust Contribution	-
Rounding	-
Total Expenditures	\$ 27,096,284
Financing Uses: Transfer to Capital Funds	\$ -
Financing Uses: Transfer to Other Funds	-
Financing Uses: Payment to Bond Escrow Agent	-
Financing Uses: Other	-
Total Other Financing Uses	\$ -
Net Change in Fund Balance¹	120,192
Fund Balance1- beginning of year	\$4,063,393
Funds removed from Reportable Government Services (RGS)	-
Funds added to Reportable Government Services (RGS)	-
Prior period adjustments	-
Misc. Adjustment	-
Fund Balance1 - beginning of year adjusted	4,063,393
Rounding	-
Fund Balance1 - end of year	\$ 4,183,585

1 and Net Position if Enterprise Fund activity is included in the transparency portal report.

Foster Gloucester Regional School District
Combining Schedule of
Reportable Government Services with
Reconciliation to MTP2
Education Department
Fiscal Year Ended June 30, 2018

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
General Fund	\$ 21,818,162	\$ 13	\$ 21,652,446	\$ 112,026	\$ 53,703	\$ 2,421,391	\$ -	\$ 2,421,391	\$ 2,475,094
SBA School Capital Project Fund	619,587	100,000	617,929	-	101,658	440,672	-	440,672	542,330
School Special Revenue Funds	1,062,072	15,026	885,259	3,013	188,826	810,184	-	810,184	999,010
Debt Service Fund	4,671,452	-	4,898,058	-	(226,606)	391,146	-	391,146	164,540
Totals per audited financial statements	\$ 28,171,273	\$ 115,039	\$ 28,053,692	\$ 115,039	\$ 117,581	\$ 4,063,393	\$ -	\$ 4,063,393	\$ 4,180,974

Reconciliation from financial statements to MTP2

State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	\$ (954,224)	\$ -	\$ (954,224)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue recorded as expenditure credit per MTP2	(572)		(572)	-	-	-	-	-	-
Elimination of transfers per UCOA	-	(115,039)	-	(115,039)	-	-	-	-	-
Indirect Costs	-	-	(2,611)	-	2,611	-	-	-	2,611
Rounding	(1)	-	(1)	-	-	-	-	-	-
Totals Per MTP2	\$ 27,216,476	\$ -	\$ 27,096,284	\$ -	\$ 120,192	\$ 4,063,393	\$ -	\$ 4,063,393	\$ 4,183,585

Reconciliation from MTP2 to UCOA

Towns of Foster and Gloucester share of transportation costs	\$ -	\$ 831,775
Fund reported as Trust Fund in audited statements and Special Revenue	-	500
Totals per UCOA Validated Totals Report	\$ 27,216,476	\$ 27,928,558

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

FOSTER-GLOCESTER REGIONAL SCHOOL DISTRICT
Reportable Government Services with
MTP2 Notes
Fiscal Year Ended June 30, 2018

Notes to Supplementary Information – *Annual Supplemental Transparency Report (MTP2)*

NOTE 1 - BASIS OF PRESENTATION

The *Annual Supplemental Transparency Report (MTP2)* is a supplemental schedule required by the State of Rhode Island General Laws 45-12-22.2 and 44-35-10. This supplementary schedule included within the annual financial statements is part of a broader project to create a municipal transparency portal (MTP) website to host municipal financial information in a centralized location.

The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2 - REPORTABLE GOVERNMENT SERVICES

Data consistency and comparability are among the key objectives of the State’s Municipal Transparency portal. Consistent with that goal, the State has defined “reportable government services”, RGS, to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some communities report certain RGS in separate funds (e.g., special revenue funds, enterprise funds) rather than the municipality’s general fund. The *Annual Supplemental Transparency Report (MTP2)* includes a reconciliation to the fund level statements.

NOTE 3 - EMPLOYEE GROUPS - COMPENSATION AND BENEFIT COSTS

Compensation includes salaries, longevity, stipends, clothing allowance/maintenance, shift differential, holiday pay and bonuses.

The Education Department, compensation and most benefits costs are reported in the following employee groupings:

Group A: Education Department - professional staff providing direct services to students.

Group B: Education Department - executive/mid-level educational administration employees.

Group C: Education Department - administrative and support staff.

Other post-employment benefits (OPEB) are not reported by employee groups on the MTP2. They are reported in total as either (1) contributions to a qualified OPEB trust or (2) the amount paid for medical and dental insurance for retirees when an OPEB trust fund has not been established. The detail employee group information for the Education Department can be found on the State’s Municipal Transparency portal website.

NOTE 4 - EDUCATION REVENUE AND EXPENDITURES

The revenues and expenditures presented on the MTP2 under the Education Department is consistent with existing Uniform Chart of Accounts (UCOA) guidelines. Each MTP account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP reporting.

Additional guidance and definitions regarding the State’s Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>.



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***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***

Independent Auditor's Report

To the Members of the Regional School Committee
Foster-Glocester Regional School District
North Scituate, Rhode Island

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 Foster-Glocester Regional School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Foster-Glocester Regional School District's basic financial statements, and have issued our report thereon dated April 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foster-Glocester Regional 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 Foster-Glocester Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foster-Glocester Regional 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foster-Glocester Regional 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bacon & Company CPAs, LLC

Warwick, Rhode Island
April 1, 2019