

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT

Financial Statements

With Schedule of Expenditures of Federal Awards

June 30, 2017

and

Independent Auditor's Report

**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***

**Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance
Required by the Uniform Guidance**

Schedule of Findings and Questioned Costs

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2017

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HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Hinsdale, New Hampshire School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinsdale, New Hampshire School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 Hinsdale, New Hampshire School District, as of June 30, 2017, and the respective changes in financial position 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, schedule of funding progress for other post-employment benefits, schedule of changes in the District's proportionate share of the net pension liability, and schedule of District contributions, on pages i-v and 27-32 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.

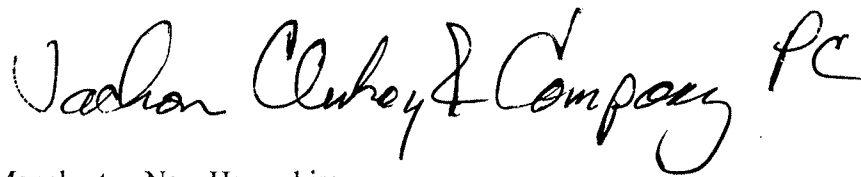
Supplementary Information

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

The schedule of expenditures of federal awards and the combining nonmajor governmental fund financial statements 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 schedule of expenditures of federal awards and the combining nonmajor governmental fund financial statements 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 February 26, 2018 on our consideration of the Hinsdale, New Hampshire 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hinsdale, New Hampshire School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Jackson Clukey & Company PC". The signature is written in a cursive, flowing style.

Manchester, New Hampshire
February 26, 2018

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Presented herewith please find the Management Discussion & Analysis Report for the Hinsdale School District for the fiscal year ending June 30, 2017. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the District's financial position, and the results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an accurate understanding of the District's financial activities have been included.

The School District Administration is responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Hinsdale School District using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to Hinsdale School District's financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

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 most private-sector companies.

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 remaining difference reported as net position. Over time, increases and 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 of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financial 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 government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and Federal Projects Fund, which are the District's major funds.

The District adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget. The budgetary information is not presented for the Federal Projects Fund as the information is neither practical nor meaningful.

Fiduciary funds are used to account for resources held for the benefit of parties outside of 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.

Notes to the Basic 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.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, as previously mentioned. Also, as required, this section also includes a schedule of funding progress for other post-employment benefits, schedule of changes in the District's proportionate share of the net pension liability and a schedule of District contributions.

Other Supplementary Information

Other supplementary information includes the schedule of expenditures of federal awards and combining financial statements for nonmajor governmental funds.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Government-Wide Financial Analysis

Statement of Net Position

The table below provides a summary of the District's net position for the years ended June 30, 2017 and 2016:

	<u>FY 2017</u>	<u>FY 2016</u>
Capital and other assets:		
Capital assets, net	\$ 12,142,894	\$ 12,573,111
Other assets	<u>1,697,395</u>	<u>2,155,015</u>
Total Assets	<u>13,840,289</u>	<u>14,728,126</u>
 Total Deferred Outflows of Resources	 <u>2,093,555</u>	 <u>531,970</u>
 Long-term and other liabilities:		
Long-term liabilities	14,436,395	12,966,965
Other liabilities	<u>895,602</u>	<u>955,679</u>
Total Liabilities	<u>15,331,997</u>	<u>13,922,644</u>
 Total Deferred Inflows of Resources	 <u>228,908</u>	 <u>807,988</u>
 Net Position:		
Net investment in capital assets	6,184,277	5,935,507
Restricted	20,516	16,340
Unrestricted (deficit)	<u>(5,831,854)</u>	<u>(5,422,383)</u>
Total Net Position	<u>\$ 372,939</u>	<u>\$ 529,464</u>

Statement of Activities

Changes in net position for the fiscal years ended June 30, 2017 and 2016 are as follows:

	<u>FY 2017</u>	<u>FY 2016</u>
Program revenues:		
Charges for services	\$ 167,470	\$ 233,902
Operating grants and contributions	988,934	946,024
Capital grants and contributions	<u>462,803</u>	<u>462,803</u>
Total Program revenues	<u>1,619,207</u>	<u>1,642,729</u>
 General revenues:		
Property taxes	5,873,431	5,327,943
State adequacy grant	4,131,575	4,201,953
Interest and investment income	26,345	26,008
Miscellaneous	<u>86,498</u>	<u>171,926</u>
Total General revenues	<u>10,117,849</u>	<u>9,727,830</u>
Total Revenues	<u>11,737,056</u>	<u>11,370,559</u>

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Expenses:		
Instruction	6,256,403	5,656,231
Supporting services	1,132,244	1,024,060
Instructional staff services	284,067	207,245
General administration	1,881,928	1,872,473
Operation and maintenance of plant	1,470,499	1,801,473
Pupil transportation	349,353	362,267
Food service	298,290	275,366
Other miscellaneous	4,965	4,000
Debt service	215,832	251,141
Total Expenses	<u>11,893,581</u>	<u>11,454,256</u>
Change in net position	(156,525)	(83,697)
Net position, beginning of year	<u>529,464</u>	<u>613,161</u>
Net position, end of year	<u>\$ 372,939</u>	<u>\$ 529,464</u>

As shown in the above statement, the District experienced a decrease in net position of (\$156,525) on the full accrual basis of accounting. This was primarily a result of decreased charges for services and miscellaneous revenue. The significant deficit unrestricted net position balance at year end is due to the required implementation of GASB Statement 68 during the year ended June 30, 2015. The unrestricted net position deficit increased by \$409,471 from the prior year. A deficit unrestricted net position balance is expected to continue into subsequent years due to the net pension liability being included on the government-wide financial statements.

Governmental Funds Analysis

The General Fund shows an ending fund balance of \$865,524, a decrease of \$69,300 or 7% from the previous fiscal year, which is better than anticipated as the District applied \$419,467 of its beginning fund balance to offset the tax rate. This resulted from a combination of cost savings (actual expenditures were \$282,751 less than budgeted) and unanticipated revenues from multiple sources (actual revenues were \$56,323 more than budgeted).

The Federal Projects Fund, the District's other major fund, accounts for reimbursement based federal grants passed through the State of New Hampshire, and as such, had no beginning or ending fund balance. Both revenues and expenditures of this fund are related and driven exclusively by federal grant activity.

The ending fund balance of the Nonmajor Governmental Funds increased by \$4,176 from the prior year to \$21,318, primarily due to revenues in excess of expenditures in the Food Service Fund and Private Grants Fund of \$90 and \$4,086, respectively.

General Fund Budgetary Highlights

There was no difference between the original and final budgets for the General Fund in the current fiscal year. Actual revenues and other financing sources on the budgetary basis exceeded the budgeted amount by \$80,573 mainly coming from unanticipated federal medicaid to schools in excess of budget and refunds of prior year health insurance premiums. Actual appropriations (expenditures and transfers out) were less than budgeted amounts by \$282,751 with the majority of the savings coming from reduced tuitions and transportation costs for students attending out of district programs.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Variances between the final budgeted amounts and actual results in the General Fund are shown in the Required Supplementary Information and Notes on pages 27 and 31, respectively.

Capital assets

Hinsdale School District considers a capital asset to be an asset whose costs exceed or equal \$10,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. During fiscal year 2017, the net capital assets of the District decreased by (\$430,217). The decrease was a result of current period depreciation expense of \$473,044 with only \$42,827 of current year additions which related to preliminary architectural and engineering services performed on the Elementary School. See Note 3 in the Notes to the Basic Financial Statements for further information regarding capital asset activity.

Long-term Obligations

During fiscal year 2017, Hinsdale School District had a reduction in bonds payable of (\$650,000) from scheduled payments made during the year on an existing obligation. The related bond premium decreased by (\$24,561) due to current year amortization. The District had a decrease in capital leases payable due to scheduled payments of (\$4,426) made throughout the year. The District showed a net increase in potential future payments for the accrued longevity payout of \$46,652, an increase in other post-employment benefits of \$39,932, and an increase in net pension liability of \$2,061,833. See Notes 4, 5, and 6 in the Notes to the Basic Financial Statements for further information regarding long-term obligations activity.

CONTACTING HINSDALE SCHOOL DISTRICT FINANCIAL MANAGEMENT

This financial report is intended to provide our citizens and creditors with a general overview of the Hinsdale School District's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, please contact Hinsdale School District Business Office at 49 School Street, Hinsdale, NH 03451-0027 or by telephone at (603) 336-5728.

EXHIBIT A
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,048,893
Accounts receivable	12,205
Due from other governments	635,495
Inventory	802
Total Current Assets	<u>1,697,395</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	237,045
Depreciable capital assets, net	11,905,849
Total Noncurrent Assets	<u>12,142,894</u>
Total Assets	<u>13,840,289</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>2,093,555</u>
Total Deferred Outflows of Resources	<u>2,093,555</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	99,186
Accrued expenses	742,468
Due to other governments	50,980
Unearned revenue	2,968
Current portion of bonds payable	650,000
Current portion of capital lease payable	5,054
Current portion of accrued longevity payout	11,708
Total Current Liabilities	<u>1,562,364</u>
Noncurrent liabilities:	
Bonds payable	5,303,563
Accrued longevity payout	212,684
Other post-employment benefits liability	353,452
Net pension liability	7,899,934
Total Noncurrent Liabilities	<u>13,769,633</u>
Total Liabilities	<u>15,331,997</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>228,908</u>
Total Deferred Inflows of Resources	<u>228,908</u>
NET POSITION	
Net investment in capital assets	6,184,277
Restricted	20,516
Unrestricted (deficit)	(5,831,854)
Total Net Position	<u>\$ 372,939</u>

See accompanying notes to the basic financial statements

EXHIBIT B
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 6,256,403	\$ 69,714	\$ 572,237		\$ (5,614,452)
Supporting services	1,132,244		76,861		(1,055,383)
Instructional staff services	284,067		104,750		(179,317)
General administration	1,881,928		34,462		(1,847,466)
Operation and maintenance of plant	1,470,499				(1,470,499)
Pupil transportation	349,353				(349,353)
Food service	298,290	97,756	200,624		90
Other miscellaneous	4,965				(4,965)
Debt service	215,832			\$ 462,803	246,971
Total governmental activities	<u>\$ 11,893,581</u>	<u>\$ 167,470</u>	<u>\$ 988,934</u>	<u>\$ 462,803</u>	<u>(10,274,374)</u>
General revenues:					
					5,873,431
					4,131,575
					26,345
					86,498
					<u>10,117,849</u>
					(156,525)
					<u>529,464</u>
					<u>\$ 372,939</u>

See accompanying notes to the basic financial statements

EXHIBIT C
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Federal Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,048,893			\$ 1,048,893
Accounts receivable	7,221		\$ 4,984	12,205
Due from other governments	527,690	\$ 91,381	16,424	635,495
Due from other funds	91,381		27,229	118,610
Inventory			802	802
Total Assets	<u>1,675,185</u>	<u>91,381</u>	<u>49,439</u>	<u>1,816,005</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,675,185</u>	<u>\$ 91,381</u>	<u>\$ 49,439</u>	<u>\$ 1,816,005</u>
LIABILITIES				
Accounts payable	\$ 74,033		\$ 25,153	\$ 99,186
Accrued expenses	657,419			657,419
Due to other governments	50,980			50,980
Unearned revenue			2,968	2,968
Due to other funds	27,229	\$ 91,381		118,610
Total Liabilities	<u>809,661</u>	<u>91,381</u>	<u>28,121</u>	<u>929,163</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable			802	802
Restricted			20,516	20,516
Committed	468,645			468,645
Assigned	396,879			396,879
Total Fund Balances	<u>865,524</u>	<u>-</u>	<u>21,318</u>	<u>886,842</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,675,185</u>	<u>\$ 91,381</u>	<u>\$ 49,439</u>	<u>\$ 1,816,005</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 886,842
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,142,894
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Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.

Deferred outflows of resources attributable to net pension liability	2,093,555
Deferred inflows of resources attributable to net pension liability	(228,908)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:

Accrued interest on long-term obligations	(85,049)
Bonds payable	(5,953,563)
Capital lease payable	(5,054)
Accrued longevity payout	(224,392)
Other post-employment benefits liability	(353,452)
Net pension liability	<u>(7,899,934)</u>

Net Position of Governmental Activities (Exhibit A)	<u>\$ 372,939</u>
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EXHIBIT D
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Federal Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,873,431			\$ 5,873,431
Intergovernmental	4,807,579	\$ 575,109	\$ 200,624	5,583,312
Charges for services	48,194		119,276	167,470
Investment income	26,345			26,345
Miscellaneous	77,924		8,574	86,498
Total Revenues	<u>10,833,473</u>	<u>575,109</u>	<u>328,474</u>	<u>11,737,056</u>
Expenditures:				
Current operations:				
Instruction	5,615,124	359,036	21,043	5,995,203
Supporting services	1,010,812	76,861		1,087,673
Instructional staff services	175,948	104,750		280,698
General administration	1,814,909	10,213		1,825,122
Operation and maintenance of plant	1,018,264			1,018,264
Pupil transportation	341,164			341,164
Food service			298,290	298,290
Other miscellaneous			4,965	4,965
Capital outlay			42,827	42,827
Debt service:				
Principal retirement	650,000			650,000
Interest and fiscal charges	257,974			257,974
Total Expenditures	<u>10,884,195</u>	<u>550,860</u>	<u>367,125</u>	<u>11,802,180</u>
Excess of revenues over (under) expenditures	<u>(50,722)</u>	<u>24,249</u>	<u>(38,651)</u>	<u>(65,124)</u>
Other financing sources (uses):				
Transfers in	24,249		42,827	67,076
Transfers out	(42,827)	(24,249)		(67,076)
Total other financing sources (uses)	<u>(18,578)</u>	<u>(24,249)</u>	<u>42,827</u>	<u>-</u>
Net change in fund balances	(69,300)	-	4,176	(65,124)
Fund balances at beginning of year	<u>934,824</u>	<u>-</u>	<u>17,142</u>	<u>951,966</u>
Fund balances at end of year	<u>\$ 865,524</u>	<u>\$ -</u>	<u>\$ 21,318</u>	<u>\$ 886,842</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ (65,124)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(430,217)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	650,000
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	4,426
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	24,561
In the statement of activities, interest is accrued on outstanding bonds payable, whereas in governmental funds, an interest expenditure is reported when due.	17,581
Some expenses reported in the statement of activities, such as accrued longevity payouts and other post-employment benefits, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	(86,584)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	<u>(271,168)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (156,525)</u>

See accompanying notes to the basic financial statements

EXHIBIT E
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

		Student Activities <u>Agency Funds</u>
	ASSETS	
Cash and cash equivalents		\$ 41,939
Total Assets		<u>\$ 41,939</u>
	LIABILITIES	
Due to student groups		\$ 41,939
Total Liabilities		<u>\$ 41,939</u>

See accompanying notes to the basic financial statements

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hinsdale, New Hampshire School District conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Hinsdale, New Hampshire School District (the “District”) is an independent governmental entity organized under the laws of the State of New Hampshire to provide public education within the borders of the Town of Hinsdale, New Hampshire. The District's legislative body is the annual meeting of registered voters within the District and is governed by an elected School Board. The District has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that are required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of two categories of funds: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

The *General Fund* is the main operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

The *Federal Projects Fund* is used to account for the financial transactions related to various federal education grants and the related expenditures.

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The District maintains one fiduciary fund, an agency fund known as the Student Activities Agency Funds. The agency fund was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, and student fees.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The District's budget represents functional appropriations as authorized by annual District meetings. The school board may transfer funds between operating categories as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but requires the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2017, the District applied \$419,467 of its unappropriated fund balance to reduce the tax rate.

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis. Inventory in governmental funds consists of food supplies held for consumption.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The District maintains a capitalization threshold of \$10,000. The District does not possess any infrastructure or intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	10
Buildings and improvements	5-39
Machinery and equipment	3-10

Bond Premium

The bond premium is amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premium.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

Compensated Absences

District teachers may accumulate sick leave days at a rate of fifteen days per year, cumulative to a maximum of 125 days. A provision for annual sick leave is made in the annual operating budget. No payment for unused sick leave is made upon termination or retirement.

Accrued Longevity Payout

District teachers with a minimum of fifteen years of service are entitled to a one-time lump sum payment at the time of their retirement equal to one percent (1%) of their current earnings, multiplied by the number of years of their service. An annual budgetary provision is made by the District for any expected lump sum payments.

For governmental fund financial statements, accrued longevity payouts are reported as liabilities and expenditures as payments come due upon the occurrence of employee retirement. The entire accrued longevity payout liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, accrued longevity payouts that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Pensions

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts that can only be spent for specific purposes stipulated by external resource providers or by enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation.
- *Committed Fund Balance*: Amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision making authority (the School Board). Commitments may be changed or lifted only by the governing board taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance*: Amounts the District intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive fund balance is to be classified as "Assigned".
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and is available for any purpose. These amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

The School Board delegates to the Superintendent of Schools, through the Business Administrator, the authority to assign amounts to be used for specific purposes.

Minimum Level of Unassigned Fund Balance

Pursuant to the District's policy, the School Board will return to the Town, any unassigned fund balance of the General Fund at fiscal year-end, to be used to offset the subsequent fiscal year's tax rate.

Spending Prioritizations

The District's policy is to first apply restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Deficit Fund Balance

Pursuant to the District's policy, if any of the special revenue funds has a deficit unassigned fund balance at fiscal year end, the Superintendent is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—DEPOSITS

Deposits as of June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 1,048,893
Statement of Fiduciary Net Position:	
Cash and cash equivalents	41,939
Total deposits	<u>\$ 1,090,832</u>

Deposits at June 30, 2017 consist of the following:

Deposits with financial institutions	<u>\$ 1,090,832</u>
--------------------------------------	---------------------

The School District's investment policy for its governmental funds requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The District's deposits with financial institutions consist solely of demand deposits.

Deposits for the Student Activities Agency Funds are at the discretion of the School Principals and Superintendent of Schools.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's investment policy stipulates that all deposits and investments be covered by federal depository insurance, with all balances in excess of FDIC insurance limits collateralized.

Of the District's deposits with financial institutions at year end, \$1,009,680 was collateralized by securities held by the Bank of New York Mellon in the name of the District.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets of the governmental activities:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 194,218			\$ 194,218
Construction in progress		\$ 42,827		42,827
Total capital assets not being depreciated	<u>194,218</u>	<u>42,827</u>	<u>\$ -</u>	<u>237,045</u>
Other capital assets:				
Land improvements	109,576			109,576
Buildings and improvements	16,764,918			16,764,918
Machinery and equipment	317,127			317,127
Total other capital assets at historical cost	<u>17,191,621</u>	<u>-</u>	<u>-</u>	<u>17,191,621</u>
Less accumulated depreciation for:				
Land improvements	(73,964)	(10,957)		(84,921)
Buildings and improvements	(4,503,052)	(430,339)		(4,933,391)
Machinery and equipment	(235,712)	(31,748)		(267,460)
Total accumulated depreciation	<u>(4,812,728)</u>	<u>(473,044)</u>	<u>-</u>	<u>(5,285,772)</u>
Total other capital assets, net	<u>12,378,893</u>	<u>(473,044)</u>	<u>-</u>	<u>11,905,849</u>
Total capital assets, net	<u>\$ 12,573,111</u>	<u>\$ (430,217)</u>	<u>\$ -</u>	<u>\$ 12,142,894</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 19,807
General administration	8,184
Operation and maintenance of plant	436,864
Pupil transportation	8,189
	<u>\$ 473,044</u>

The balance of capital assets acquired through capital leases as of June 30, 2017 is as follows:

Machinery and equipment	\$ 16,750
Less: Accumulated depreciation	<u>(16,750)</u>
	<u>\$ -</u>

NOTE 4—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2017 are as follows:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

<u>Type</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 6,500,000		\$ (650,000)	\$ 5,850,000	\$ 650,000
Unamortized bond premium	128,124		(24,561)	103,563	
Total Bonds payable	6,628,124	\$ -	(674,561)	5,953,563	650,000
Capital lease payable	9,480		(4,426)	5,054	5,054
Accrued longevity payout	177,740	46,652		224,392	11,708
Totals	<u>\$ 6,815,344</u>	<u>\$ 46,652</u>	<u>\$ (678,987)</u>	<u>\$ 6,183,009</u>	<u>\$ 666,762</u>

Payments on the outstanding general obligation bond and capital lease, as well as accrued longevity payouts, are paid out of the General Fund. Amortization of the bond premium is recognized as a component of interest expense on the Statement of Activities (Exhibit B).

General Obligation Bond

Bonds payable at June 30, 2017 is comprised of the following individual issue:

<u>Description</u>	<u>Original</u> <u>Issue</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>June 30, 2017</u>
2010 Series A Refunding Bonds	<u>\$ 13,032,960</u>	4.0-5.0%	August 2025	\$ 5,850,000
			Add: <i>Unamortized bond premium</i>	103,563
			Total Bonds payable	<u>\$ 5,953,563</u>

Debt service requirements to retire the general obligation bond outstanding at June 30, 2017 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 650,000	\$ 225,474	\$ 875,474
2019	650,000	165,137	815,137
2020	650,000	138,406	788,406
2021	650,000	111,350	761,350
2022	650,000	83,888	733,888
2023-2026	<u>2,600,000</u>	<u>127,145</u>	<u>2,727,145</u>
Sub-total Bonds Payable	5,850,000	851,400	6,701,400
Add: <i>Unamortized Bond Premium</i>	103,563		103,563
Total Bonds Payable	<u>\$ 5,953,563</u>	<u>\$ 851,400</u>	<u>\$ 6,804,963</u>

Capital Lease Obligation

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following is the individual capital lease obligation at June 30, 2017:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

Office Equipment, due in monthly installments of \$452
through June 2018, including interest of 13.35% \$ 5,054

Debt service requirements to retire the capital lease obligation outstanding at June 30, 2017 are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	<u>\$ 5,054</u>	<u>\$ 373</u>	<u>\$ 5,427</u>

NOTE 5—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the District provides post-employment health care benefits to its eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the District's agreements, or collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Employees are eligible for retiree health care coverage until Medicare eligibility once they meet the New Hampshire Retirement System (NHRS) eligibility requirements. Employees hired before July 1, 2011 must meet one of the following eligibility requirements: age 60 or older with no minimum service requirement, age 50 with 10 years of service, or age plus service equals 70 with a minimum of 20 years of service. Employees hired on or after July 1, 2011 must meet the following eligibility requirements: age 65 regardless of years of creditable service, or age 60 with at least 30 years of creditable service. Retirees and their covered spouses are required to pay the full cost of coverage. Upon death of a retiree or active employee, spouse coverage switches to COBRA. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2016, the actuarial valuation date, approximately 3 retirees and 113 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The District's annual OPEB expense for the fiscal year ended June 30, 2017 is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years.

The District's annual OPEB cost for the fiscal year ending June 30, 2017 including the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2016 is as follows:

Annual Required Contribution (ARC)	\$ 78,801
Interest on Net OPEB Obligation (NOO)	14,108
NOO Amortization adjustment to ARC	<u>(18,828)</u>
Annual OPEB cost	74,081
Contributions made	<u>(34,149)</u>
Increase in Net OPEB obligation	39,932
Net OPEB obligation - beginning of year	<u>313,520</u>
Net OPEB obligation - end of year	<u>\$ 353,452</u>

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2017, 2016 and 2015 are as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 74,081	46.1%	\$ 353,452
6/30/2016	\$ 81,100	21.1%	\$ 313,520
6/30/2015	\$ 83,162	22.8%	\$ 249,518

The District's net OPEB obligation as of June 30, 2017, is recognized as a liability of the governmental activities in the government-wide financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of July 1, 2016, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 838,093
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 838,093</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 4,826,489
UAAL as a percentage of covered payroll	17.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples included assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and the new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions for OPEB

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

For the July 1, 2016 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial value of assets was not determined as the District has not advance funded its obligation. The District employs the Pay-as-you-go Cash Basis to fund the plan. The actuarial assumptions include a 4.5% investment rate of return. The projected annual healthcare cost trend rate is 5.6% in the first year, increased to 9.5% for the second year, and then reduced by annual decrements of ½ percent to an

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

ultimate rate of 5.0% after 10 years. The amortization costs for the Unfunded Actuarial Accrued Liability (UAAL) is a level dollar amount for a period of thirty years on an open group basis.

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the New Hampshire Retirement System (NHRS), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The New Hampshire Retirement System is a public employee retirement system that administers a single cost-sharing multiple- employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members.

Benefits Provided

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

Group II members vested by January 1, 2012, who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have not attained status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $1/4$ of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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

Funding Policy

Plan members are required to contribute 7.0% of their covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rates for the covered payroll of teachers and employees were 12.72% and 10.86%, respectively for the year ended June 30, 2017. The District contributes 100% of the employer cost for teachers and general employees of the District.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contributions to the NHRS for the year ending June 30, 2017 were \$565,340.

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

At June 30, 2017, the District reported a liability of \$7,899,934 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2015. The District's proportion of the net pension liability was based on actual contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2016, the District's proportion was approximately 0.1486 percent, which was an increase of 0.0012 percentage points from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$836,508. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 21,954	\$ 99,757
Change in assumptions	972,231	
Net difference between projected and actual earnings on pension plan investments	494,261	
Changes in proportion and differences between District contributions and proportionate share of contributions	39,769	129,151
District contributions subsequent to the measurement date	<u>565,340</u>	
Totals	<u>\$ 2,093,555</u>	<u>\$ 228,908</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$1,864,647. The District reported \$565,340 as deferred outflows of resources related to pension resulting from District contributions made subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense for the measurement periods as follows:

<u>June 30</u>	
2017	\$ 237,635
2018	237,635
2019	427,265
2020	377,741
2021	<u>19,031</u>
	<u>\$ 1,299,307</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions:

Inflation	2.5 Percent
Wage Inflation	3.25 Percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2015 pursuant to an experience study of the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 2.5%)</u>
Fixed income	25%	(0.25)-1.71%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.75-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	3.68%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%, which is a decrease of 0.50% from the discount rate used for the prior measurement period of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. 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 collective pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 10,150,878	\$ 7,899,934	\$6,033,134

NOTE 7—INTERFUND BALANCES AND TRANSFERS

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2017 are as follows:

	General Fund	Due From Federal Projects Fund	Totals
Due to General Fund		\$ 91,381	\$ 91,381
Nonmajor Governmental Funds	\$ 27,229		27,229
	<u>\$ 27,229</u>	<u>\$ 91,381</u>	<u>\$ 118,610</u>

During the year, several interfund transactions occurred between funds. The General Fund made a transfer from an expendable trust account to the Capital Projects Fund, a Nonmajor Governmental Fund, for the purpose of architectural and engineering services at the elementary school. The transfer was properly authorized by the School Board and made in accordance with the purpose of the District's expendable trust account. Additionally, during the year the Federal Projects Fund made a transfer to the General Fund for indirect costs allocated to grants. The transfer was made in accordance with the terms and provisions of the grant awards. Interfund transfers for the year ended June 30, 2017 are as follows:

	General Fund	Transfer from Federal Projects Fund	Totals
Transfer to General Fund		\$ 24,249	\$ 24,249
Nonmajor Governmental Funds	\$ 42,827		42,827
	<u>\$ 42,827</u>	<u>\$ 24,249</u>	<u>\$ 67,076</u>

NOTE 8—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes as follows:

Food service operations	\$ 8,402
Afterschool and instructional activities	12,114
	<u>\$ 20,516</u>

NOTE 9—COMPONENTS OF FUND BALANCE

The components of the District's fund balance for its governmental funds at June 30, 2017 are as follows:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable :</i>			
Food service inventory		\$ 802	\$ 802
<i>Restricted for:</i>			
Food service operations		8,402	8,402
Afterschool and instructional activities		12,114	12,114
<i>Committed for:</i>			
Expendable trusts	\$ 468,645		468,645
<i>Assigned for:</i>			
Encumbrances	18,440		18,440
Designated to offset subsequent fiscal year tax rate	378,439		378,439
	<u>\$ 865,524</u>	<u>\$ 21,318</u>	<u>\$ 886,842</u>

NOTE 10—PROPERTY TAXES

Property taxes levied to support the Hinsdale, New Hampshire School District are based on the assessed valuation of the prior April 1st for all taxable real property.

Under state statutes, the Town of Hinsdale, New Hampshire (an independent governmental unit) collects School District taxes and State of New Hampshire Education taxes as part of local property tax assessments. As collection agent, the Town is required to pay over to the District its share of property tax assessments through periodic payments based on cash flow requirements of the District. The Town assumes financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2017, School District taxes were \$5,342,455 and State of New Hampshire Education taxes were \$530,976.

NOTE 11—RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2017, the District was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2017.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member school districts, school administrative units, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the District shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member school districts, school administrative units, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 12—CONTINGENT LIABILITIES

Federal Grants

The District participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Litigation

There may be various claims and suits pending against the District, which arise in the normal course of the District's activities. In the opinion of District management, any potential claims against the District, which are not covered by insurance are immaterial and would not affect the financial position of the District.

NOTE 13—SUBSEQUENT EVENTS

At the March 2017 Annual District Meeting, voters authorized the issuance of up to \$1,500,000 in bonds or notes for construction and furnishing of an addition to Hinsdale Elementary School and renovation of existing space for the lower grade levels. The total gross cost of the project is not to exceed \$3,300,000 in fiscal year 2018 and \$450,000 in fiscal year 2019 (total of \$3,750,000), with funding to consist of the \$1,500,000 in authorized bonds or notes and \$2,250,000 in State of New Hampshire building aid (contingent on approval). Additionally, the sum of \$37,500 will be raised through taxation in fiscal year 2018 for the first interest payment on the bonds or notes.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2017

NOTE 14—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Government Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which the District is required to implement in the fiscal year ending June 30, 2018. Management believes that this pronouncement will have a potentially significant impact on the District's government-wide financial statements. The District will have to report its proportional share of the New Hampshire Retirement System's unfunded OPEB liability in the financial statements for the fiscal year beginning after June 15, 2017. Additionally, Statement No. 75 modifies the allowable methods, recognition and measurement criteria related to how the District accounts for and reports its single employer OPEB plan, currently disclosed in Note 5.

SCHEDULE 1
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	\$ 5,873,431	\$ 5,873,431	\$ 5,873,431	\$ -
Intergovernmental	4,765,402	4,765,402	4,807,579	42,177
Charges for services	60,000	60,000	48,194	(11,806)
Miscellaneous	51,972	51,972	77,924	25,952
Total Revenues	<u>10,750,805</u>	<u>10,750,805</u>	<u>10,807,128</u>	<u>56,323</u>
Expenditures:				
Current operations:				
Instruction	5,877,143	5,877,143	5,615,768	261,375
Supporting services	1,037,865	1,037,865	1,010,537	27,328
Instructional staff services	212,902	212,902	176,164	36,738
General administration	1,730,439	1,730,439	1,810,961	(80,522)
Operation and maintenance of plant	1,019,536	1,019,536	1,024,952	(5,416)
Pupil transportation	384,412	384,412	341,164	43,248
Debt service:				
Principal retirement	650,000	650,000	650,000	-
Interest and fiscal charges	257,974	257,974	257,974	-
Total Expenditures	<u>11,170,271</u>	<u>11,170,271</u>	<u>10,887,520</u>	<u>282,751</u>
Excess of revenues over (under) expenditures	<u>(419,466)</u>	<u>(419,466)</u>	<u>(80,392)</u>	<u>339,074</u>
Other financing sources (uses):				
Transfers in	-	-	24,249	24,249
Transfers out	<u>(50,001)</u>	<u>(50,001)</u>	<u>(50,000)</u>	<u>1</u>
Total other financing sources (uses)	<u>(50,001)</u>	<u>(50,001)</u>	<u>(25,751)</u>	<u>24,250</u>
Net change in fund balance	<u>(469,467)</u>	<u>(469,467)</u>	<u>(106,143)</u>	<u>363,324</u>
Fund balances at beginning of year,				
- Budgetary Basis	<u>484,582</u>	<u>484,582</u>	<u>484,582</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 15,115</u>	<u>\$ 15,115</u>	<u>\$ 378,439</u>	<u>\$ 363,324</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT

Schedule of Funding Progress for Other Post-Employment Benefits

For the Year Ended June 30, 2017

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
7/1/2010	\$ -	\$ 340,354	\$ 340,354	0%	\$ 4,728,403	7.2%
7/1/2013	\$ -	\$ 692,297	\$ 692,297	0%	\$ 5,255,856	13.2%
7/1/2016	\$ -	\$ 838,093	\$ 838,093	0%	\$ 4,826,489	17.4%

See accompanying notes to the required supplementary information

SCHEDULE 3

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**Schedule of Changes in the District's Proportionate Share of the Net Pension Liability**

For the Year Ended June 30, 2017

	For the Measurement Period Ended June 30:			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.1486%	0.1474%	0.1494%	0.1531%
District's proportionate share of the net pension liability (asset)	\$ 7,899,934	\$ 5,838,101	\$ 5,608,280	\$ 6,591,130
District's covered-employee payroll	\$ 4,307,606	\$ 4,234,568	\$ 4,156,311	\$ 4,285,391
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	183.39%	137.87%	134.93%	153.80%
Plan fiduciary net position as a percentage of the total pension liability	58.30%	65.47%	66.32%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 4
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of District Contributions
For the Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 565,340	\$ 531,970	\$ 494,409	\$ 484,725	\$ 380,807
Contributions in relation to the contractually required contribution	<u>(565,340)</u>	<u>(531,970)</u>	<u>(494,409)</u>	<u>(484,725)</u>	<u>(380,807)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$4,573,961	\$4,307,606	\$ 4,234,568	\$ 4,156,311	\$ 4,285,391
Contributions as a percentage of covered-employee payroll	12.36%	12.35%	11.68%	11.66%	8.89%

See accompanying notes to the required supplementary information

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the District. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). General Fund budgetary revenues and other financing sources were adjusted for non-budgetary revenues, and General Fund budgetary expenditures and other financing uses were adjusted for non-budgetary transfers, budgetary transfers, and encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 10,857,722	\$ 10,927,022
Non-budgetary revenues	(26,345)	
Non-budgetary transfers		(42,827)
Budgetary transfers		50,000
Encumbrances - June 30, 2017		18,440
Encumbrances - June 30, 2016		(15,115)
Per Schedule 1	<u>\$ 10,831,377</u>	<u>\$ 10,937,520</u>

Major Special Revenue Fund

The District adopts its budgets under regulations of the New Hampshire Departments of Education and Revenue Administration which differ from accounting principles generally accepted in the United States of America. Consequently, budgetary information is not presented for the Federal Projects Fund as the information is neither practical nor meaningful.

NOTE 2—BUDGETARY FUND BALANCE

At June 30, 2017, the entire budgetary fund balance of the General Fund is considered 'Assigned' to be designated to offset the subsequent fiscal year tax rate in the amount of \$378,439.

NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the District is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The District implemented the provisions of GASB Statement #45 during the fiscal year ended June 30, 2011. Accordingly, the funding progress has been presented for the three most recent actuarial valuation reports.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2017

NOTE 4—SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF DISTRICT CONTRIBUTIONS

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the district's proportionate share of the net pension liability, and schedule of district contributions. The District implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

Changes in Actuarial Assumptions

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE I
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE			
Pass Through Payments from the New Hampshire Department of Education			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	\$ -	\$ 29,928
National School Lunch Program	10.555		
- School Lunch (Cash)			125,506
- Commodities (Non-cash)			23,871
		-	149,377
Summer Food Service Program for Children	10.559		12,328
<i>Total Child Nutrition Cluster</i>		-	191,633
Child and Adult Care Food Program	10.558	-	14,602
Fresh Fruit and Vegetable Program	10.582	-	14,245
Total Department of Agriculture		-	220,480
DEPARTMENT OF EDUCATION			
Pass Through Payments from the New Hampshire Department of Education			
Title I Grants to Local Educational Agencies	84.010		
#60061			33,712
#70061			176,154
#71558			7,500
		-	217,366
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027		
#62569			10,861
#72577			113,952
		-	124,813
Special Education - Preschool Grants			
#72577	84.173		1,976
		-	1,976
<i>Total Special Education Cluster (IDEA)</i>		-	126,789
Twenty-First Century Community Learning Centers	84.287		
#65328			4,625
#75328			134,115
		-	138,740
Department of Education Direct Programs			
Rural Education	84.358		
#S358A158105			8,876
#S358A168105			3,618
		-	12,494

See notes to schedule of expenditures of federal awards

SCHEDULE I
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	Passed Through to Subrecipients	Total Federal Expenditures
Pass Through Payments from the New Hampshire Department of Education			
Improving Teacher Quality State Grants	84.367		
#54851			17,854
#64851			31,341
#65346			2,000
#74851			13,679
#75346			14,846
		<u>-</u>	<u>79,720</u>
Total Department of Education		<u>-</u>	<u>575,109</u>
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments from the New Hampshire Department of Safety			
Emergency Management Performance Grants	97.042	<u>-</u>	<u>3,040</u>
Total Department of Homeland Security		<u>-</u>	<u>3,040</u>
Total Expenditures of Federal Awards		<u>\$ -</u>	<u>\$ 798,629</u>

See notes to schedule of expenditures of federal awards

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Hinsdale, New Hampshire School District (the District) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

The Hinsdale, New Hampshire School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the District's basic financial statements as intergovernmental revenues in the governmental funds as follows:

Major Governmental Funds:	
General Fund	\$ 3,040
Federal Projects Fund	575,109
Nonmajor Governmental Funds:	
Food Service Fund	196,609
	<u>\$ 774,758</u>

**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 School Board
Hinsdale, New Hampshire School District

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 Hinsdale, New Hampshire School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hinsdale, New Hampshire School District's basic financial statements, and have issued our report thereon dated February 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hinsdale, New Hampshire 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 Hinsdale, New Hampshire School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hinsdale, New Hampshire 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.

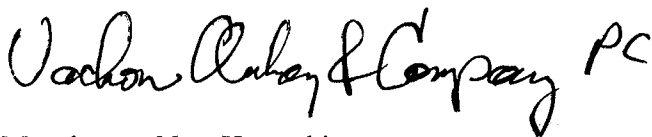
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Hinsdale, New Hampshire 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.

A handwritten signature in black ink that reads "Vachon Casey & Company PC". The signature is written in a cursive, flowing style.

Manchester, New Hampshire
February 26, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the School Board
Hinsdale, New Hampshire School District

Report on Compliance for Each Major Federal Program

We have audited the Hinsdale, New Hampshire School District's compliance with the types of compliance requirements described in the *OMB Circular Supplement* that could have a direct and material effect on each of the Hinsdale, New Hampshire School District's major federal programs for the year ended June 30, 2017. The Hinsdale, New Hampshire School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Hinsdale, New Hampshire School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

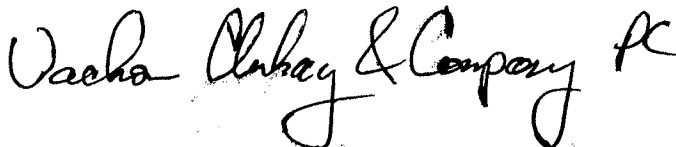
Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink that reads "Vacha Olney & Company PC". The signature is written in a cursive, flowing style.

Manchester, New Hampshire
February 26, 2018

**Hinsdale, New Hampshire School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified – all reporting units</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	<u> X </u> no
Significant deficiency(ies) identified?	_____yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____yes	<u> X </u> no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	<u> X </u> no
Significant deficiency(ies) identified	_____yes	<u> X </u> none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

_____yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B program: \$ 750,000 .

Auditee qualified as low-risk auditee? _____yes X no

Section II--Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III--Federal Award Findings and Questioned Costs

There were no findings and questioned costs as defined under 2 CFR 200.516(a).

SCHEDULE A
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2017

	Food Service Fund	Private Grants Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Funds
ASSETS				
Accounts receivable	\$ 4,984		\$ 4,984	\$ 4,984
Due from other governments	16,424		16,424	16,424
Due from other funds	15,115	\$ 12,114	27,229	27,229
Inventory	802		802	802
Total Assets	<u>37,325</u>	<u>12,114</u>	<u>49,439</u>	<u>49,439</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 37,325</u>	<u>\$ 12,114</u>	<u>\$ 49,439</u>	<u>\$ 49,439</u>
LIABILITIES				
Accounts payable	\$ 25,153		\$ 25,153	\$ 25,153
Unearned revenue	2,968		2,968	2,968
Total Liabilities	<u>28,121</u>	<u>\$ -</u>	<u>28,121</u>	<u>28,121</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	802		802	802
Restricted	8,402	12,114	20,516	20,516
Total Fund Balances	<u>9,204</u>	<u>12,114</u>	<u>21,318</u>	<u>21,318</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 37,325</u>	<u>\$ 12,114</u>	<u>\$ 49,439</u>	<u>\$ 49,439</u>

SCHEDULE B

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Funds

For the Year Ended June 30, 2017

	Food Service Fund	Private Grants Fund	Total Nonmajor Special Revenue Funds	Capital Projects Fund	Total Nonmajor Funds
Revenues:					
Intergovernmental	\$ 200,624		\$ 200,624		\$ 200,624
Charges for services	97,756	\$ 21,520	119,276		119,276
Miscellaneous		8,574	8,574		8,574
Total Revenues	<u>298,380</u>	<u>30,094</u>	<u>328,474</u>	<u>\$ -</u>	<u>328,474</u>
Expenditures:					
Current operations:					
Instruction		21,043	21,043		21,043
Food service	298,290		298,290		298,290
Other miscellaneous		4,965	4,965		4,965
Capital outlay				42,827	42,827
Total Expenditures	<u>298,290</u>	<u>26,008</u>	<u>324,298</u>	<u>42,827</u>	<u>367,125</u>
Excess of revenues over (under) expenditures	<u>90</u>	<u>4,086</u>	<u>4,176</u>	<u>(42,827)</u>	<u>(38,651)</u>
Other financing sources:					
Transfers in			-	42,827	42,827
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,827</u>	<u>42,827</u>
Net change in fund balances	90	4,086	4,176	-	4,176
Fund balances at beginning of year	<u>9,114</u>	<u>8,028</u>	<u>17,142</u>	<u>-</u>	<u>17,142</u>
Fund balances at end of year	<u>\$ 9,204</u>	<u>\$ 12,114</u>	<u>\$ 21,318</u>	<u>\$ -</u>	<u>\$ 21,318</u>