

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**

**Financial Statements**

**With Schedule of Expenditures of Federal Awards**

**June 30, 2015**

**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**

**Schedule of Findings and Questioned Costs**

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**June 30, 2015**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-v
<b>BASIC FINANCIAL STATEMENTS</b>	
EXHIBITS:	
A Statement of Net Position	1
B Statement of Activities	2
C Balance Sheet – Governmental Funds	3
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
E Statement of Fiduciary Net Position – Fiduciary Funds	5
NOTES TO BASIC FINANCIAL STATEMENTS	6-23
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
SCHEDULES:	
1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	24
2 Schedule of Funding Progress for Other Post-Employment Benefits	25
3 Schedule of Changes in the District's Proportionate Share of the Net Pension Liability	26
4 Schedule of District Contributions	27
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	28-29
<b>FEDERAL COMPLIANCE</b>	
SCHEDULE:	
I Schedule of Expenditures of Federal Awards	30
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	31
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>	32-33

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
June 30, 2015**

**TABLE OF CONTENTS (CONTINUED)**

**FEDERAL COMPLIANCE (CONTINUED)**

	<u>Page(s)</u>
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	34-35
Schedule of Findings and Questioned Costs	36-37

**SUPPLEMENTAL SCHEDULES**

**SCHEDULES:**

A Combining Balance Sheet – Governmental Funds – All Nonmajor Funds	38
B Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Funds	39

## **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, 2015, 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, 2015, 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, the 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 24-29 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.

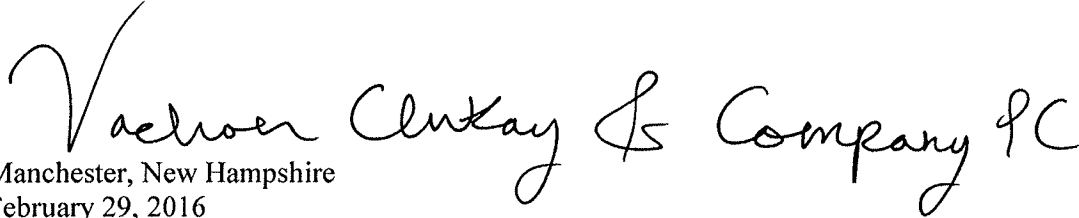
### *Supplementary Information*

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 29, 2016 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 cursive script that reads "Vachon Clark & Company PC". The signature is written in black ink and is positioned to the right of the typed text.

Manchester, New Hampshire  
February 29, 2016

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

Presented herewith please find the Management Discussion & Analysis Report for the Hinsdale School District for the fiscal year ending June 30, 2015. 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, 2015**

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, which is the District's sole major fund.

The District adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

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.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

**Government-Wide Financial Analysis**

***New Standards Implemented***

During the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*. Under GASB Statement 68, the District is required to report its proportional share of the New Hampshire Retirement Systems unfunded pension liability as 'Net Pension Liability' on the government-wide financial statements. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. See the notes to the basic financial statements for further information.



**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

***Statement of Net Position***

The table below provides a summary of the District's net position for the years ended June 30, 2015 and 2014:

	<u>FY 2015</u>	<u>FY 2014</u>
Capital and other assets:		
Capital assets, net	\$ 13,006,041	\$ 13,389,949
Other assets	2,127,961	2,069,516
Total Assets	<u>15,134,002</u>	<u>15,459,465</u>
Deferred Outflows of Resources:		
Deferred outflows related to pension	494,409	484,725
Total Deferred Outflows of Resources	<u>494,409</u>	<u>484,725</u>
Long-term and other liabilities:		
Bonds payable	7,305,628	7,986,075
Capital leases payable	13,356	21,206
Lump-sum retirement payable	147,923	138,712
Other post-employment benefits	249,518	185,349
Net pension liability	5,608,280	6,591,130
Other liabilities	840,844	970,000
Total Liabilities	<u>14,165,549</u>	<u>15,892,472</u>
Deferred Inflows of Resources		
Deferred inflows related to pension	849,701	-
Total Deferred Inflows of Resources	<u>849,701</u>	<u>-</u>
Net Position:		
Net investment in capital assets	5,687,057	5,384,063
Restricted	7,562	4,670
Unrestricted (Deficit)	<u>(5,081,458)</u>	<u>(5,337,015)</u>
Total Net Position	<u>\$ 613,161</u>	<u>\$ 51,718</u>

***Statement of Activities***

Changes in net position for the fiscal years ended June 30, 2015 and 2014 are as follows:

	<u>FY 2015</u>	<u>FY 2014</u>
Program revenues:		
Charges for services	\$ 233,861	\$ 196,730
Operating grants and contributions	954,017	1,071,323
Capital grants and contributions	462,803	462,802
Total Program revenues	<u>1,650,681</u>	<u>1,730,855</u>

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

General revenues:		
Property taxes	5,502,723	5,419,635
State adequacy grant	4,189,810	4,362,522
Interest and investment income (loss)	(5,471)	41,628
Miscellaneous	251,658	356,291
Total General revenues	<u>9,938,720</u>	<u>10,180,076</u>
Total Revenues	<u>11,589,401</u>	<u>11,910,931</u>
Expenses:		
Instruction	5,586,619	6,075,919
Supporting services	974,764	904,626
Instructional staff services	202,699	141,186
General administration	1,839,201	1,753,577
Operation and maintenance of plant	1,471,420	1,472,854
Pupil transportation	399,434	366,245
Food service	273,925	285,934
Other miscellaneous	4,500	13,400
Debt service	275,396	316,640
Total Expenses	<u>11,027,958</u>	<u>11,330,381</u>
Change in net position	561,443	580,550
Net position, beginning of year	51,718	5,577,573
Restatement due to implementation of GASB Statement #68		<u>(6,106,405)</u>
Net position, end of year	<u>\$ 613,161</u>	<u>\$ 51,718</u>

As shown in the above statement, the District experienced an increase in net position of \$561,443 on the full accrual basis of accounting. This was primarily a result of conservative spending and unanticipated miscellaneous revenue from insurance refunds. The significant deficit unrestricted net position balance at year end is due to the implementation of GASB Statement 68 during the current year. The unrestricted net position deficit decreased by \$255,557 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 \$1,394,014, an increase of \$167,579 or 14% from the previous fiscal year, which is greater than anticipated as the District applied \$629,254 of its beginning fund balance to offset the tax rate. This resulted from a balanced combination of cost savings (actual expenditures were \$502,552 less than budgeted) and unanticipated revenues from miscellaneous sources (actual miscellaneous revenues were \$138,658 more than budgeted).

The ending fund balance of the Nonmajor Governmental Funds increased by \$2,892 from the prior year to \$7,562, primarily due to revenues in excess of expenditures in the Food Service Fund of \$3,846.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2015**

**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 on the budgetary basis exceeded the budgeted amount by \$218,063. A significant portion of this difference is due to prior year insurance refunds received in the current year. Actual appropriations (expenditures and transfers out) were less than budgeted amounts by \$532,553 with the majority of the savings coming from reduced tuitions for students attending out of district programs. Variances between the final budgeted amounts and actual results in the General Fund are shown in the Required Supplementary Information and Notes on pages 24 and 28, 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 2015, the net capital assets of the District decreased by (\$383,908). The decrease was a result of current period depreciation expense of \$473,508 with only \$89,600 of current year additions. See Note 5 in the Notes to the Basic Financial Statements for a summary of all capital asset activity.

**Long-term Obligations**

During fiscal year 2015, 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 (\$30,447) due to current year amortization. The District had a decrease in capital leases payable due to scheduled payments of (\$7,850) made throughout the year. The District showed a net increase in potential future payments for lump-sum retirement of \$9,211, an increase in other post-employment benefits of \$64,169, and a decrease in net pension liability of (\$982,850). See Notes 6, 7, and 8 in the Notes to the Basic Financial Statements for a summary of all 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, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,573,162
Accounts receivable	1,483
Due from other governments	553,053
Inventory	263
Total Current Assets	<u>2,127,961</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	194,218
Depreciable capital assets, net	<u>12,811,823</u>
Total Noncurrent Assets	<u>13,006,041</u>
Total Assets	<u>15,134,002</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>494,409</u>
Total Deferred Outflows of Resources	<u>494,409</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	104,468
Accrued expenses	682,100
Due to other governments	50,980
Unearned revenue	3,296
Current portion of bonds payable	677,504
Current portion of capital leases payable	3,876
Total Current Liabilities	<u>1,522,224</u>
Noncurrent liabilities:	
Bonds payable	6,628,124
Capital leases payable	9,480
Lump-sum retirement payable	147,923
Other post-employment benefits payable	249,518
Net pension liability	<u>5,608,280</u>
Total Noncurrent Liabilities	<u>12,643,325</u>
Total Liabilities	<u>14,165,549</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>849,701</u>
Total Deferred Inflows of Resources	<u>849,701</u>
NET POSITION	
Net investment in capital assets	5,687,057
Restricted for:	
Private grants	3,716
Food service	3,846
Unrestricted (Deficit)	<u>(5,081,458)</u>
Total Net Position	<u>\$ 613,161</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, 2015

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
Instruction	\$ 5,586,619	\$ 121,643	\$ 670,718		\$ (4,794,258)
Supporting services	974,764				(974,764)
Instructional staff services	202,699		69,846		(132,853)
General administration	1,839,201		46,678		(1,792,523)
Operation and maintenance of plant	1,471,420				(1,471,420)
Pupil transportation	399,434		1,222		(398,212)
Food service	273,925	112,218	165,553		3,846
Other miscellaneous	4,500				(4,500)
Debt service	275,396			\$ 462,803	187,407
Total governmental activities	<u>\$ 11,027,958</u>	<u>\$ 233,861</u>	<u>\$ 954,017</u>	<u>\$ 462,803</u>	<u>(9,377,277)</u>
<b>General revenues:</b>					
					5,502,723
					4,189,810
					(5,471)
					251,658
					<u>9,938,720</u>
					561,443
					51,718
					<u>\$ 613,161</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,573,162		\$ 1,573,162
Accounts receivable	171	\$ 1,312	1,483
Due from other governments	472,309	80,744	553,053
Due from other funds	69,315	17,244	86,559
Inventory		263	263
<b>Total Assets</b>	<u>2,114,957</u>	<u>99,563</u>	<u>2,214,520</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 2,114,957</u>	<u>\$ 99,563</u>	<u>\$ 2,214,520</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 85,078	\$ 19,390	\$ 104,468
Accrued expenses	567,641		567,641
Due to other governments	50,980		50,980
Unearned revenue		3,296	3,296
Due to other funds	17,244	69,315	86,559
<b>Total Liabilities</b>	<u>720,943</u>	<u>92,001</u>	<u>812,944</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Deferred Inflows of Resources	-	-	-
<b>FUND BALANCES</b>			
Restricted		7,562	7,562
Committed	614,471		614,471
Assigned	779,543		779,543
<b>Total Fund Balances</b>	<u>1,394,014</u>	<u>7,562</u>	<u>1,401,576</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 2,114,957</u>	<u>\$ 99,563</u>	

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 13,006,041

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	494,409
Deferred inflows of resources attributable to net pension liability	(849,701)

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:

Bonds payable	(7,305,628)
Capital leases payable	(13,356)
Lump-sum retirement payable	(147,923)
Other post-employment benefits payable	(249,518)
Net pension liability	(5,608,280)
Accrued interest on long-term obligations	(114,459)

**Net Position of Governmental Activities** \$ 613,161

*See accompanying notes to the basic financial statements*

EXHIBIT D

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
 For the Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 5,502,723		\$ 5,502,723
Intergovernmental	4,898,398	\$ 708,232	5,606,630
Charges for services	102,397	131,464	233,861
Investment income (loss)	(5,471)		(5,471)
Miscellaneous	245,658	6,000	251,658
Total Revenues	<u>10,743,705</u>	<u>845,696</u>	<u>11,589,401</u>
Expenditures:			
Current operations:			
Instruction	5,128,170	447,855	5,576,025
Supporting services	994,519		994,519
Instructional staff services	137,313	69,846	207,159
General administration	1,831,824	28,802	1,860,626
Operation and maintenance of plant	1,044,118		1,044,118
Pupil transportation	395,485		395,485
Food service		273,925	273,925
Other miscellaneous		4,500	4,500
Capital outlay		89,600	89,600
Debt service:			
Principal retirement	650,000		650,000
Interest and fiscal charges	322,973		322,973
Total Expenditures	<u>10,504,402</u>	<u>914,528</u>	<u>11,418,930</u>
Excess of revenues over (under) expenditures	<u>239,303</u>	<u>(68,832)</u>	<u>170,471</u>
Other financing sources (uses):			
Transfers in	17,876	89,600	107,476
Transfers out	(89,600)	(17,876)	(107,476)
Total other financing sources (uses)	<u>(71,724)</u>	<u>71,724</u>	<u>-</u>
Net change in fund balances	167,579	2,892	170,471
Fund balances at beginning of year	<u>1,226,435</u>	<u>4,670</u>	<u>1,231,105</u>
Fund balances at end of year	<u>\$ 1,394,014</u>	<u>\$ 7,562</u>	<u>\$ 1,401,576</u>

**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, 2015

Change in Fund Balances - Total Governmental Funds	\$ 170,471
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.	(383,908)
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized as a component of interest expense in the statement of activities over the life of the related debt.	30,447
Repayment of bonds payable 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.	7,850
In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.	17,130
Some expenses reported in the statement of activities, such as lump-sum retirement 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.	(73,380)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the changes 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 contributions exceeded pension expense in the current period.	142,833
Change in Net Position of Governmental Activities	<u>\$ 561,443</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, 2015

	ASSETS	Student Activities <u>Agency Funds</u>
Cash and cash equivalents		\$ 39,773
Total Assets		<u>\$ 39,773</u>
	LIABILITIES	
Due to student groups		<u>\$ 39,773</u>
Total Liabilities		<u>\$ 39,773</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, 2015

**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

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

focus of governmental fund financial statements is on major funds. Each major fund is presented in a 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 is the District's sole major governmental fund:

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.

**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 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

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

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, the recording of unearned 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 2). 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.

**2. Unearned Revenue:**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors.

**3. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 For the Year Ended June 30, 2015

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 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 also requires the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2015, the District applied \$629,254 of its unappropriated fund balance to reduce taxes.

***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 fair values as of the date received. 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 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***

Bond premiums are 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 premiums.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

***Compensated Absences***

District teachers may accumulate sick leave days at a rate of 15 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.

***Lump-sum Retirement Payable***

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, lump-sum retirement payments are reported as liabilities and expenditures as payments come due upon the occurrence of employee retirement. The entire lump-sum retirement 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, lump-sum retirement payments 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***

During the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for 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,

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

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.

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.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

*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.

*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—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, 2015, School District taxes were \$4,903,650 and State of New Hampshire Education taxes were \$599,073.

The District is entitled to receive monies under the established payment schedule and the unpaid amount at the fiscal year end, if any, is considered to be an "accounts receivable" since the revenue is both measurable and available.

**NOTE 3—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, 2015, 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.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

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, 2015.

***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 \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,000,000. 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 4—DEPOSITS**

Deposits as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 1,573,162
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>39,773</u>
Total deposits	<u>\$ 1,612,935</u>

Deposits at June 30, 2015 consist of the following:

Deposits with financial institutions	<u>\$ 1,612,935</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.



**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

For the Year Ended June 30, 2015

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, \$1,523,699 was collateralized by an Irrevocable Stand-by Letter of Credit issued by the Federal Home Loan Bank of Pittsburgh.

**NOTE 5—CAPITAL ASSETS**

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

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 194,218			\$ 194,218
Total capital assets not being depreciated	<u>194,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>194,218</u>
Other capital assets:				
Land improvements	109,576			109,576
Buildings and improvements	16,675,318	89,600		16,764,918
Machinery and equipment	328,112			328,112
Total other capital assets at historical cost	<u>17,113,006</u>	<u>89,600</u>	<u>-</u>	<u>17,202,606</u>
Less accumulated depreciation for:				
Land improvements	(52,049)	(10,957)		(63,006)
Buildings and improvements	(3,643,166)	(429,546)		(4,072,712)
Machinery and equipment	(222,060)	(33,005)		(255,065)
Total accumulated depreciation	<u>(3,917,275)</u>	<u>(473,508)</u>	<u>-</u>	<u>(4,390,783)</u>
Total other capital assets, net	<u>13,195,731</u>	<u>(383,908)</u>	<u>-</u>	<u>12,811,823</u>
Total capital assets, net	<u>\$ 13,389,949</u>	<u>\$ (383,908)</u>	<u>\$ -</u>	<u>\$ 13,006,041</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 25,180
General administration	10,848
Operation and maintenance of plant	433,531
Pupil transportation	3,949
	<u>\$ 473,508</u>

The balance of capital assets acquired through capital leases as of June 30, 2015 is as follows:

Machinery and equipment	\$ 16,750
Less: Accumulated depreciation	<u>(5,583)</u>
	<u>\$ 11,167</u>

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

**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 cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. 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 employees, public school teachers and administrators, 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. All of the District's eligible employees are classified as Group I.

***Benefits Provided***

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

Members 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 general employees were 14.16% and 10.77%, respectively, for the year ended June 30, 2015. The District contributes 100% of the employer cost for teachers and general employees of the District.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

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, 2015 were \$494,409.

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

At June 30, 2015, the District reported a liability of \$5,608,280 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. 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, 2014, the District's proportion was approximately 0.1494 percent, which was a decrease of (0.0037) from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$351,576. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments		\$ 717,584
Changes in proportion and differences between District contributions and proportionate share of contributions		132,117
District contributions subsequent to the measurement date	\$ 494,409	
Totals	<u>\$ 494,409</u>	<u>\$ 849,701</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as a decrease to unrestricted net position in the amount of \$355,292. The District reported \$494,409 as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>June 30</u>	
2015	\$ 208,070
2016	208,070
2017	208,070
2018	208,070
2019	17,421
	<u>\$ 849,701</u>

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

***Actuarial Assumptions***

The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Wage inflation	3.75 percent
Salary increases	5.8 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2000 mortality table projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2011 pursuant to an experience study of the period 2005-2010.

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 3.0%)</u>
Fixed income	25%	(1.75)-2.0%
Domestic equity	30%	3.3%
International equity	20%	4.25-6.5%
Real estate	10%	3.3%
Private equity	5%	5.8%
Private debt	5%	5.0%
Opportunistic	5%	2.5%
Total	<u>100%</u>	

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee 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. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

payments of current active and inactive employees. 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 7.75 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:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$ 7,387,017	\$ 5,608,280	\$4,107,649

**NOTE 7—OTHER POST-EMPLOYMENT BENEFITS**

In addition to providing pension benefits, the District provides post-employment health care benefits to its eligible retirees and their covered spouses. Employees are eligible for retiree health care coverage until Medicare eligibility once they meet the New Hampshire Retirement System (NHRS) eligibility requirements. To qualify for these benefits employees covered by the NHRS must meet one of the following eligibility requirements: reach the age of 50 with 10 years of service, obtain 70 points (the sum of age and years of service) or reach the age of 60 with no minimum service requirement. Retirees are required to pay the full cost of coverage. Upon death of a retiree or active employee, covered 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, 2013, the most recent actuarial valuation date, approximately 5 retirees and 87 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

***Annual OPEB Costs***

For the year ended June 30, 2015 the District's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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, 2015 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, 2013 is as follows:

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

Annual Required Contribution (ARC)	\$ 85,952
Interest on Net OPEB Obligation (NOO)	8,341
NOO Amortization adjustment to ARC	<u>(11,131)</u>
Annual OPEB cost	83,162
Contributions made	<u>(18,993)</u>
Increase in Net OPEB obligation	64,169
Net OPEB obligation - beginning of year	<u>185,349</u>
Net OPEB obligation - end of year	<u>\$ 249,518</u>

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, 2015, 2014 and 2013 are as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2015	\$ 83,162	22.8%	\$ 249,518
6/30/2014	\$ 87,476	9.1%	\$ 185,349
6/30/2013	\$ 60,353	38.1%	\$ 105,840

The District's net OPEB obligation as of June 30, 2015 is recognized as a liability of the governmental activities in these financial statements.

***Funded Status and Funding Progress for OPEB***

The funded status of the plan as of July 1, 2013, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 692,297
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 692,297</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 5,255,856
UAAL as a percentage of covered payroll	13.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other key assumptions. 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 to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

***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, 2013 actuarial valuation, the Projected Unit Credit cost method was used with linear proration to decrement. The actuarial value of assets was not determined as the District has not advanced 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 initial annual health care cost trend rate used was 2.76%, which increases to 9.5% for the second year, and then decreases annually in 0.5% decrements to an ultimate rate of 5.0% after ten years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on an open group basis. This has been calculated assuming an annual payroll increase at a rate of 3.0% per year.

**NOTE 8—LONG-TERM OBLIGATIONS**

***Changes in Long-Term Obligations of Governmental Activities***

The changes in the long-term obligations for the year ended June 30, 2015 are as follows:

<u>Type</u>	<u>Balance</u>			<u>Amounts</u>	
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
				<u>June 30, 2015</u>	<u>One Year</u>
Bonds payable	\$ 7,800,000		\$ (650,000)	\$ 7,150,000	\$ 650,000
Unamortized bond premium	186,075		(30,447)	155,628	27,504
Total Bonds payable	7,986,075	\$ -	(680,447)	7,305,628	677,504
Capital leases payable	21,206		(7,850)	13,356	3,876
Lump-sum retirement payable	138,712	9,211		147,923	
Totals	<u>\$ 8,145,993</u>	<u>\$ 9,211</u>	<u>\$ (688,297)</u>	<u>\$ 7,466,907</u>	<u>\$ 681,380</u>

Payments on outstanding general obligation bonds and capital leases, as well as lump-sum retirement payable, 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 Bonds***

Bonds payable at June 30, 2015 is comprised of the following individual issue:

<u>Description</u>	<u>Original</u>	<u>Interest</u>	<u>Maturity</u>	<u>Balance at</u>
	<u>Issue</u>	<u>Rate</u>	<u>Date</u>	<u>June 30, 2015</u>
2010 Series A Refunding Bonds	<u>\$ 13,032,960</u>	4.0-5.0%	August 2025	\$ 7,150,000
				155,628
				<u>\$ 7,305,628</u>

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

Debt service requirements to retire the general obligation bonds outstanding at June 30, 2015 are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 650,000	\$ 290,473	\$ 940,473
2017	650,000	257,974	907,974
2018	650,000	225,473	875,473
2019	650,000	165,138	815,138
2020	650,000	138,406	788,406
2021-2025	3,250,000	318,713	3,568,713
2026	650,000	3,670	653,670
Sub-total Bonds Payable	7,150,000	1,399,847	8,549,847
Add: <i>Unamortized Bond Premium</i>	155,628	-	155,628
Total Bonds Payable	<u>\$ 7,305,628</u>	<u>\$ 1,399,847</u>	<u>\$ 8,705,475</u>

As included on the Statement of Activities (Exhibit B) as 'Debt service' expense, interest expense for the year ended June 30, 2015 was \$275,396 on general obligation debt of the governmental activities.

***Capital Lease Obligations***

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 are the individual capital lease obligations outstanding at June 30, 2015:

Office Equipment, due in monthly installments of \$452 through June 2018, including interest of 13.35%	<u>\$ 13,356</u>
---	------------------

Debt service requirements to retire capital lease obligations outstanding at June 30, 2015 are as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 3,876	\$ 1,551	\$ 5,427
2017	4,426	1,001	5,427
2018	5,054	373	5,427
	<u>\$ 13,356</u>	<u>\$ 2,925</u>	<u>\$ 16,281</u>

**NOTE 9—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, 2015 are as follows:



**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

	Due From		Totals
	General Fund	Nonmajor Governmental Funds	
General Fund		\$ 69,315	\$ 69,315
Nonmajor Governmental Funds	\$ 17,244		17,244
	<u>\$ 17,244</u>	<u>\$ 69,315</u>	<u>\$ 86,559</u>

During the year, several interfund transactions occurred between funds. The Federal Projects Fund, a Nonmajor Governmental Fund, made a transfer at fiscal year end to the General Fund in order to offset indirect costs associated with grant administration. Additionally, during the year the General Fund made a transfer from an expendable trust account to the Capital Projects Fund, a Nonmajor Governmental Fund, for the purpose of financing a roof replacement project. The transfer was properly authorized by the School Board and made in accordance with the purpose of the District's expendable trust account. Interfund transfers for the year ended June 30, 2015 are as follows:

	Transfers in	Transfers out
General Fund	\$ 17,876	\$ 89,600
Nonmajor Governmental Funds:		
Federal Projects Fund		17,876
Capital Projects Fund	89,600	
	<u>\$ 107,476</u>	<u>\$ 107,476</u>

**NOTE 10—COMPONENTS OF FUND BALANCE**

The components of the District's fund balance for its governmental funds at June 30, 2015 are as follows:

Fund Balances	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted for:</b>			
Private grants		\$ 3,716	\$ 3,716
Food service		3,846	3,846
<b>Committed for:</b>			
Subsequent year appropriation	\$ 150,000		150,000
Expendable trusts	464,471		464,471
<b>Assigned for:</b>			
Encumbrances	123,412		123,412
Designated to offset subsequent fiscal year tax rate	656,131		656,131
	<u>\$ 1,394,014</u>	<u>\$ 7,562</u>	<u>\$ 1,401,576</u>

**NOTE 11—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

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

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 12—RESTATEMENT OF NET POSITION**

During the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as described in Note 1 of these financial statements. The impact on net position of the Governmental Activities as of July 1, 2014 is as follows:

	Governmental <u>Activities</u>
Net Position - July 1, 2014 (as previously reported)	\$ 6,158,123
Amount of restatement due to :	
Net Pension Liability	(6,591,130)
Contributions subsequent to measurement date	<u>484,725</u>
Net Position - July 1, 2014, as restated	<u>\$ 51,718</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 5,502,723	\$ 5,502,723	\$ 5,502,723	\$ -
Intergovernmental	4,871,390	4,871,390	4,898,398	27,008
Charges for services	50,000	50,000	102,397	52,397
Miscellaneous	107,000	107,000	245,658	138,658
Total Revenues	<u>10,531,113</u>	<u>10,531,113</u>	<u>10,749,176</u>	<u>218,063</u>
Expenditures:				
Current operations:				
Instruction	5,649,037	5,649,037	5,128,170	520,867
Supporting services	1,000,335	1,000,335	994,519	5,816
Instructional staff services	190,478	190,478	137,488	52,990
General administration	1,831,017	1,831,017	1,835,363	(4,346)
Operation and maintenance of plant	1,061,187	1,061,187	1,163,816	(102,629)
Pupil transportation	425,339	425,339	395,485	29,854
Debt service:				
Principal retirement	650,000	650,000	650,000	-
Interest and fiscal charges	322,973	322,973	322,973	-
Total Expenditures	<u>11,130,366</u>	<u>11,130,366</u>	<u>10,627,814</u>	<u>502,552</u>
Excess of revenues over (under) expenditures	<u>(599,253)</u>	<u>(599,253)</u>	<u>121,362</u>	<u>720,615</u>
Other financing (uses):				
Transfers in	-	-	17,876	17,876
Transfers out	<u>(80,001)</u>	<u>(80,001)</u>	<u>(50,000)</u>	<u>30,001</u>
Total other financing (uses)	<u>(80,001)</u>	<u>(80,001)</u>	<u>(32,124)</u>	<u>47,877</u>
Net change in fund balance	<u>(679,254)</u>	<u>(679,254)</u>	<u>89,238</u>	<u>768,492</u>
Fund balances at beginning of year,				
- Budgetary Basis	<u>716,893</u>	<u>716,893</u>	<u>716,893</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 37,639</u>	<u>\$ 37,639</u>	<u>\$ 806,131</u>	<u>\$ 768,492</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, 2015

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%

*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, 2015

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.1494%	0.1531%
District's proportionate share of the net pension liability (asset)	\$ 5,608,280	\$ 6,591,130
District's covered-employee payroll	\$ 4,156,311	\$ 4,285,391
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	134.93%	153.80%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 494,409	\$ 484,725	\$ 380,807
Contributions in relation to the contractually required contribution	<u>(494,409)</u>	<u>(484,725)</u>	<u>(380,807)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,234,568	\$ 4,156,311	\$ 4,285,391
Contributions as a percentage of covered-employee payroll	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, 2015

**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 and expenditures and other financing uses were adjusted for non-budgetary revenues, non-budgetary transfers out, budgetary transfers out, and encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 10,761,581	\$ 10,594,002
Non-budgetary revenues	5,471	
Non-budgetary transfers out		(89,600)
Budgetary transfers out		50,000
Encumbrances - June 30, 2015		<u>123,412</u>
Per Schedule 1	<u>\$ 10,767,052</u>	<u>\$ 10,677,814</u>

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund at June 30, 2015 are as follows:

<i>Committed for:</i>	
School Building Maintenance Fund	\$ 150,000
<i>Assigned for:</i>	
Designated to offset subsequent fiscal year tax rate	<u>656,131</u>
	<u>\$ 806,131</u>

**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 only been presented for the two most recent actuarial valuation reports. Additional disclosures will be made as the information becomes available.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
For the Year Ended June 30, 2015

**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.



SCHEDULE I  
**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2015

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>		
Pass Through Payments from the New Hampshire Department of Education		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	\$ 25,755
National School Lunch Program	10.555	133,132
Summer Food Service Program for Children	10.559	8,761
<b>Total Child Nutrition Cluster</b>		<u>167,648</u>
Fresh Fruit and Vegetable Program	10.582	11,981
<b>Total Department of Agriculture</b>		<u>179,629</u>
<b>DEPARTMENT OF EDUCATION</b>		
Pass Through Payments from the New Hampshire Department of Education		
Title I Grants to Local Educational Agencies		
#40061	84.010	28,392
#50061		157,155
		<u>185,547</u>
<i>Special Education Cluster:</i>		
Special Education - Grants to States	84.027	
#42562		9,524
#52561		110,063
		<u>119,587</u>
Special Education - Preschool Grants	84.173	
#42562		3,017
#52561		1,718
		<u>4,735</u>
<b>Total Special Education Cluster</b>		<u>124,322</u>
Twenty-First Century Community Learning Centers	84.287	
#55328		124,110
Department of Education Direct Programs		
Rural Education	84.358	
#S358A128105		1,626
#S358A138105		14,295
#S358A148105		11,850
		<u>27,771</u>
Pass Through Payments from the New Hampshire Department of Education		
Improving Teacher Quality State Grants		
#34851	84.367	10,938
#44851		23,248
#45346		10,000
#54851		1,642
#55346		4,500
		<u>50,328</u>
<b>Total Department of Education</b>		<u>512,078</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Department of Health and Human Services Direct Programs		
Drug-Free Communities Support Program Grants		
#B3642G1	93.276	30,601
<b>Total Department of Health and Human Services</b>		<u>30,601</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 722,308</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, 2015

**NOTE 1—GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Hinsdale, New Hampshire School District (the District). The District's reporting entity is defined in Note 1 of the District's basic financial statements. All federal funds are included on the schedule.

**NOTE 2—BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is described in Note 1 of the District's basic financial statements.

**NOTE 3—NON-CASH TRANSACTIONS**

The District participates in the USDA Food Distribution Program which is a non-cash program. On the Schedule of Expenditures of Federal Awards, \$17,950 has been reported as part of the National School Lunch Program which represents the value of commodities received by the District.

**NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

Nonmajor Governmental Funds:	
Federal Projects Fund	\$ 542,679
Food Service Fund	<u>161,679</u>
	<u>\$ 704,358</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, 2015, 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 29, 2016.

**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.

Vachon Clark & Company PC

Manchester, New Hampshire  
February 29, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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 A-133 Compliance 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.


## 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Vachon Cluckey & Company PC". The signature is written in black ink and is positioned above the printed name and address of the firm.

Manchester, New Hampshire  
February 29, 2016

**Hinsdale, New Hampshire School District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2015**

**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	___X___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___ none reported
Noncompliance material to financial statements noted?	_____yes	___X___ no

**Federal Awards**

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	___X___ none reported

Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	___X___ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B program: \$ 300,000 .

Auditee qualified as low-risk auditee?                              X   yes                            \_\_\_\_\_ 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 OMB Circular A-133 .510(a).



SCHEDULE A  
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT  
Combining Balance Sheet  
Governmental Funds - All Nonmajor Funds  
June 30, 2015

	Food Service <u>Fund</u>	Federal Projects <u>Fund</u>	Private Grants <u>Fund</u>	Total Nonmajor <u>Funds</u>
ASSETS				
Accounts receivable	\$ 1,312			\$ 1,312
Due from other governments	11,429	\$ 69,315		80,744
Due from other funds	13,528		\$ 3,716	17,244
Inventory	263			263
Total Assets	<u>26,532</u>	<u>69,315</u>	<u>3,716</u>	<u>99,563</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 26,532</u>	<u>\$ 69,315</u>	<u>\$ 3,716</u>	<u>\$ 99,563</u>
LIABILITIES				
Accounts payable	\$ 19,390			\$ 19,390
Unearned revenue	3,296			3,296
Due to other funds		\$ 69,315		69,315
Total Liabilities	<u>22,686</u>	<u>69,315</u>	<u>\$ -</u>	<u>92,001</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Restricted	3,846		3,716	7,562
Total Fund Balances	<u>3,846</u>	<u>-</u>	<u>3,716</u>	<u>7,562</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,532</u>	<u>\$ 69,315</u>	<u>\$ 3,716</u>	<u>\$ 99,563</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, 2015

	Food Service <u>Fund</u>	Federal Projects <u>Fund</u>	Private Grants <u>Fund</u>	Total Nonmajor Special Revenue <u>Funds</u>	Capital Projects <u>Fund</u>	Total Nonmajor <u>Funds</u>
Revenues:						
Intergovernmental	\$ 165,553	\$ 542,679		\$ 708,232		\$ 708,232
Charges for services	112,218		\$ 19,246	131,464		131,464
Miscellaneous			6,000	6,000		6,000
Total Revenues	<u>277,771</u>	<u>542,679</u>	<u>25,246</u>	<u>845,696</u>	<u>\$ -</u>	<u>845,696</u>
Expenditures:						
Current operations:						
Instruction		426,155	21,700	447,855		447,855
Instructional staff services		69,846		69,846		69,846
General administration		28,802		28,802		28,802
Food service	273,925			273,925		273,925
Other miscellaneous			4,500	4,500		4,500
Capital outlay					89,600	89,600
Total Expenditures	<u>273,925</u>	<u>524,803</u>	<u>26,200</u>	<u>824,928</u>	<u>89,600</u>	<u>914,528</u>
Excess of revenues over (under) expenditures	<u>3,846</u>	<u>17,876</u>	<u>(954)</u>	<u>20,768</u>	<u>(89,600)</u>	<u>(68,832)</u>
Other financing sources (uses):						
Transfers in				-	89,600	89,600
Transfers out		(17,876)		(17,876)		(17,876)
Total other financing sources (uses)	<u>-</u>	<u>(17,876)</u>	<u>-</u>	<u>(17,876)</u>	<u>89,600</u>	<u>71,724</u>
Net change in fund balances	3,846	-	(954)	2,892	-	2,892
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>4,670</u>	<u>4,670</u>	<u>-</u>	<u>4,670</u>
Fund balances at end of year	<u>\$ 3,846</u>	<u>\$ -</u>	<u>\$ 3,716</u>	<u>\$ 7,562</u>	<u>\$ -</u>	<u>\$ 7,562</u>