

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**

**Financial Statements**

**June 30, 2015**

**and**

**Independent Auditor's Report**

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**June 30, 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

To the School Board  
Souhegan Cooperative 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 Souhegan Cooperative School 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. 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 Souhegan Cooperative 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, the schedule of changes in the District's proportionate share of the net pension liability, and the schedule of District contributions on pages i-vi and 22-26 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.

*Vachon Cluckey & Company PC*

Manchester, New Hampshire  
November 23, 2015

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

Presented herewith please find the Management Discussion & Analysis Report for the Souhegan Cooperative School District (the District) for the fiscal year ending June 30, 2015. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the District's financial position, including the results of operations of all the funds of the District. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the District's financial activities have been included.

The District is responsible for establishing accounting and internal control structures 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 District using the integrated approach as prescribed by GASB Statement 34.

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

1. Government-wide financial statements
2. Fund financial statements
3. 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 the control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All the funds of the District are included in two categories, governmental and fiduciary funds.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Position and Statement of Activities.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Federal Projects Fund, which are considered major funds. Data for the other governmental funds, such as the Food Service Fund and Capital Projects Fund, are combined into a single, aggregate presentation.

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. Budgetary information has not been included in these financial statements for the Federal Projects Fund, as it is neither practical nor meaningful, as the awarded grants figures are not available at the time of the budget process.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside of the general School District's operating budget. 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.

#### **Financial Highlights**

As of the close of the fiscal year, total assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by (\$4,707,226) (i.e., net position), an increase of \$175,827 from the previous fiscal year.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

Governmental funds reported combined ending fund balances of \$1,228,519, an increase of \$468,994 from the previous fiscal year.

The General Fund shows an ending fund balance of \$1,220,978, an increase of \$469,138 from the previous fiscal year.

The Nonmajor Governmental Funds show an ending fund balance of \$7,181, a decrease of (\$144) from the previous fiscal year.

**Government-Wide Financial Analysis**

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.

**Statement of Net Position for the fiscal years ending June 30, 2015 and 2014:**

	<u>FY 2015</u>	<u>FY 2014</u>
Capital and other assets:		
Capital assets, net	\$ 9,438,883	\$ 10,046,039
Other assets	1,394,168	1,064,408
Total Assets	<u>10,833,051</u>	<u>11,110,447</u>
Deferred Outflows of Resources:		
Deferred outflows related to pension	1,012,527	1,032,960
Total Deferred Outflows of Resources	<u>1,012,527</u>	<u>1,032,960</u>
Long-term and other liabilities:		
Bonds payable	1,015,224	1,205,983
Compensated absences	950,855	874,171
Other post-employment benefits	694,798	640,264
Net pension liability	11,951,376	13,979,235
Other liabilities	154,136	294,559
Total Liabilities	<u>14,766,389</u>	<u>16,994,212</u>
Deferred Inflows of Resources:		
Unearned grant revenue	11,183	15,885
Unearned food service revenue	14,147	11,617
Other unearned revenue	5,089	4,746
Deferred inflows related to pension	1,755,996	-
Total Deferred Inflows of Resources	<u>1,786,415</u>	<u>32,248</u>
Net Position:		
Net investment in capital assets	8,430,840	8,847,233
Unrestricted (deficit)	<u>(13,138,066)</u>	<u>(13,730,286)</u>
Total Net Position	<u>\$ (4,707,226)</u>	<u>\$ (4,883,053)</u>

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

**Statement of Activities for the fiscal years ending June 30, 2015 and 2014:**

	<u><b>FY 2015</b></u>	<u><b>FY 2014</b></u>
Program revenues:		
Charges for services	\$ 413,000	\$ 445,098
Operating grants and contributions	639,561	590,158
Total Program revenues	<u>1,052,561</u>	<u>1,035,256</u>
General revenues:		
Property taxes	14,903,083	14,250,086
State adequacy grant	1,687,708	1,716,636
Interest income (losses)	3,380	(28,808)
Miscellaneous	179,487	336,413
Total General revenues	<u>16,773,658</u>	<u>16,274,327</u>
Total Revenues	<u>17,826,219</u>	<u>17,309,583</u>
Expenses:		
Instruction	10,726,759	11,044,653
Supporting services	1,633,813	960,469
Instructional staff services	526,922	494,609
General administration	1,932,675	1,854,732
Operation and maintenance of plant	1,748,010	1,871,145
Pupil transportation	670,840	605,921
Food service	380,779	408,483
Other miscellaneous	10,148	23,999
Debt service	20,446	36,071
Total Expenses	<u>17,650,392</u>	<u>17,300,082</u>
Change in net position	175,827	9,501
Net position, beginning of year, as restated	<u>(4,883,053)</u>	<u>(4,892,554)</u>
Net position, end of year	<u>\$ (4,707,226)</u>	<u>\$ (4,883,053)</u>

***Financial Analysis***

**Government-Wide**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was a deficit of (\$4,707,226), an increase of \$175,827 from the previous fiscal year. See page 4 of the Basic Financial Statements for a detailed reconciliation between the government-wide and fund financial statements change in net position.

A significant portion of net position \$8,430,840, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

The restricted portion of net position represents resources that are subject to external restrictions on how they may be used. The District did not have any restricted net position at current fiscal year end. The remaining unrestricted amount is what is available to meet the government's ongoing obligations to its citizens and creditors. The significant deficit unrestricted net position balance at year end is due to the implementation of GASB Statement 68 during the current year. A deficit unrestricted net position balance is expected to continue into subsequent years.

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,228,159, an increase of \$468,994 when compared to last fiscal year. This includes a \$469,138 increase in the total fund balance of the General Fund. The General Fund is the chief operating fund of the District.

Fund Balances for the District may fall into one of the five following classifications - Nonspendable, Restricted, Committed, Assigned and Unassigned.

Assigned Fund Balances account for a significant percentage of the total Fund Balance and includes \$649,954 designated to offset the subsequent fiscal year tax rate and \$415 for other student funds. The Committed Fund Balance includes the Expendable Trusts balances of \$561,993. The Restricted Fund Balance represents the unspent bond proceeds in the Capital Projects Fund of \$7,181. The Nonspendable Fund Balance represents \$8,616 in prepaid expenses. Please see Note 11 in the Notes to the Basic Financial Statements, Components of Fund Balance, on page 21 for additional information.

**General Fund Budgetary Highlights**

Budgetary information for the District's major governmental funds (General Fund only, see below) is included in the "Required Supplementary Information" section. Please see Note 1 in the Notes to the Required Supplementary Information, Budget to Actual Reconciliation, for a reconciliation of the modified accrual basis of accounting to the budgetary basis of the General Fund. The budgetary information is not presented for the Federal Projects Fund, as it is neither practical nor meaningful.

Actual revenues on the budgetary basis exceeded the budgeted amount by \$28,300. There were no significant variances between budgeted and actual revenues in the current year. Actual expenditures on the budgetary basis were \$681,258 lower than expected. Significant savings were realized in all appropriation functions with the exception of debt service where actual expenditures matched budgeted amounts. See Schedule 1 on page 22 for additional information.

**Capital Assets**

The District considers a capital asset to be an asset whose cost equals or exceeds \$5,000 and has a useful life of greater than two years. Assets are depreciated using the straight-line method over the course of their estimated useful life. See Note 5 in the Notes to the Basic Financial Statements for additional information on the capital assets activity.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

**Long-Term Obligations**

During the current year the District showed a decrease in general obligations bonds of \$160,000 due to scheduled payments made on existing debt and a decrease of \$30,759 due to amortization of the related bond premium. Compensated absences had a net increase in potential future payments of \$76,684. The liabilities for other post-employment benefits and net pension had a net increase and decrease in potential future payments of \$54,534 and \$2,027,860, respectively. See Notes 6, 8 and 9 in the Notes to the Basic Financial Statements for additional information regarding the net pension liability, other post-employment benefits and other outstanding long-term obligations.

**Contacting District's Financial Management**

This financial report serves to provide our citizens and creditors with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the SAU #39 Business Office at 1 School Street – PO Box 849, Amherst, NH 03031-0849.

EXHIBIT A  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2015

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 836,557
Accounts receivable	2,596
Due from other governments	546,399
Prepaid expenses	8,616
Total Current Assets	<u>1,394,168</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,949,231
Depreciable capital assets, net	7,489,652
Total Noncurrent Assets	<u>9,438,883</u>
Total Assets	<u>10,833,051</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension	<u>1,012,527</u>
Total Deferred Outflows of Resources	<u>1,012,527</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	114,151
Accrued expenses	31,716
Due to other governments	8,269
Current portion of bonds payable	181,202
Current portion of compensated absences payable	45,195
Total Current Liabilities	<u>380,533</u>
Noncurrent Liabilities:	
Bonds payable	834,022
Compensated absences payable	905,660
Other post-employment benefits payable	694,798
Net pension liability	<u>11,951,376</u>
Total Noncurrent Liabilities	<u>14,385,856</u>
Total Liabilities	<u>14,766,389</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned grant revenue	11,183
Unearned food service revenue	14,147
Other unearned revenue	5,089
Deferred inflows related to pension	<u>1,755,996</u>
Total Deferred Inflows of Resources	<u>1,786,415</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,430,840
Unrestricted (deficit)	<u>(13,138,066)</u>
Total Net Position	<u>\$ (4,707,226)</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Statement of Activities**  
For the Year Ended June 30, 2015

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 10,726,759	\$ 87,629	\$ 578,883	\$(10,060,247)
Supporting services	1,633,813			(1,633,813)
Instructional staff services	526,922		23,876	(503,046)
General administration	1,932,675			(1,932,675)
Operation and maintenance of plant	1,748,010			(1,748,010)
Pupil transportation	670,840		2,332	(668,508)
Food service	380,779	325,371	34,470	(20,938)
Other miscellaneous	10,148			(10,148)
Debt service	20,446			(20,446)
Total governmental activities	<u>\$ 17,650,392</u>	<u>\$ 413,000</u>	<u>\$ 639,561</u>	<u>(16,597,831)</u>
General revenues:				
Property taxes				14,903,083
State adequacy education grant				1,687,708
Interest and investment earnings				3,380
Miscellaneous				179,487
Total general revenues				<u>16,773,658</u>
Change in net position				175,827
Net Position - beginning, as restated				<u>(4,883,053)</u>
Net Position - ending				<u>\$ (4,707,226)</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2015

	General Fund	Federal Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 829,326		\$ 7,231	\$ 836,557
Accounts receivable	2,529		67	2,596
Due from other governments	498,317	\$ 42,885	5,197	546,399
Due from other funds	31,752		8,997	40,749
Prepaid expenses	8,616			8,616
Total Assets	<u>1,370,540</u>	<u>42,885</u>	<u>21,492</u>	<u>1,434,917</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,370,540</u>	<u>\$ 42,885</u>	<u>\$ 21,492</u>	<u>\$ 1,434,917</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 114,151			\$ 114,151
Accrued expenses	13,170			13,170
Due to other governments	8,155		\$ 114	8,269
Due to other funds	8,997	\$ 31,702	50	40,749
Total Liabilities	<u>144,473</u>	<u>31,702</u>	<u>164</u>	<u>176,339</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned grant revenue		11,183		11,183
Unearned food service revenue			14,147	14,147
Other unearned revenue	5,089			5,089
Total Deferred Inflows of Resources	<u>5,089</u>	<u>11,183</u>	<u>14,147</u>	<u>30,419</u>
<b>FUND BALANCES</b>				
Nonspendable	8,616			8,616
Restricted			7,181	7,181
Committed	561,993			561,993
Assigned	650,369			650,369
Total Fund Balance	<u>1,220,978</u>	<u>-</u>	<u>7,181</u>	<u>1,228,159</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,370,540</u>	<u>\$ 42,885</u>	<u>\$ 21,492</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. 9,438,883

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 1,012,527  
Deferred inflows of resources attributable to net pension liability (1,755,996)

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 (1,015,224)  
Compensated absences payable (950,855)  
Accrued interest on long-term obligations (18,546)  
Other post-employment benefits payable (694,798)  
Net pension liability (11,951,376)

Net Position of Governmental Activities \$ (4,707,226)

See accompanying notes to the basic financial statements

## EXHIBIT D

## SOUHEGAN COOPERATIVE SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Federal Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 14,903,083			\$ 14,903,083
Intergovernmental	2,068,120	\$ 224,679	\$ 34,470	2,327,269
Charges for services	87,629		325,371	413,000
Interest income	3,376		4	3,380
Miscellaneous	155,754	20,989	2,744	179,487
Total Revenues	<u>17,217,962</u>	<u>245,668</u>	<u>362,589</u>	<u>17,826,219</u>
Expenditures:				
Current:				
Instruction	10,653,078	200,803		10,853,881
Supporting services	1,619,151	10,001		1,629,152
Instructional staff services	494,594	33,364		527,958
General administration	1,899,857			1,899,857
Operation and maintenance of plant	1,176,904			1,176,904
Pupil transportation	670,840			670,840
Food service		1,500	372,762	374,262
Other miscellaneous	10,148			10,148
Debt service:				
Principal retirement	160,000			160,000
Interest and fiscal charges	54,223			54,223
Total Expenditures	<u>16,738,795</u>	<u>245,668</u>	<u>372,762</u>	<u>17,357,225</u>
Excess of revenues over (under) expenditures	<u>479,167</u>	<u>-</u>	<u>(10,173)</u>	<u>468,994</u>
Other financing sources (uses):				
Transfers in			10,029	10,029
Transfers out	(10,029)			(10,029)
Total other financing sources (uses)	<u>(10,029)</u>	<u>-</u>	<u>10,029</u>	<u>-</u>
Net change in fund balances	469,138	-	(144)	468,994
Fund balances at beginning of year	<u>751,840</u>	<u>-</u>	<u>7,325</u>	<u>759,165</u>
Fund balances at end of year	<u>\$ 1,220,978</u>	<u>\$ -</u>	<u>\$ 7,181</u>	<u>\$ 1,228,159</u>

SOUHEGAN COOPERATIVE 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	\$ 468,994
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.	(607,156)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	3,018
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	160,000
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	30,759
Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(131,218)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and do not require the use of current financial resources. This is the amount by which pension contributions exceeded pension expense in the current period.	251,430
Change in Net Position of Governmental Activities	<u>\$ 175,827</u>

See accompanying notes to the basic financial statements

EXHIBIT E  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2015

		Student Activities <u>Agency Funds</u>
	ASSETS	
Cash and cash equivalents		\$ 168,628
Total Assets		<u>\$ 168,628</u>
	LIABILITIES	
Due to student groups		\$ 168,628
Total Liabilities		<u>\$ 168,628</u>

*See accompanying notes to the basic financial statements*

**SOUHEGAN COOPERATIVE 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 Souhegan Cooperative 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 Souhegan Cooperative 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 Towns of Mont Vernon and Amherst, New Hampshire. The District's legislative body is the annual deliberative session followed by balloting of registered voters within the District and is governed by an elected School Board. Administrative services are provided to the District by School Administrative Unit #39. The District has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

***Basis of Presentation***

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

**1. Government-Wide Financial Statements:**

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

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

**2. Fund Financial Statements:**

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



**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

***Fund Accounting***

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

**1. Governmental Funds:**

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

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

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

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The District maintains one fiduciary fund, an agency fund known as the Student Activities Agency Funds. The 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 statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

***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 unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

**3. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

***Budgetary Data***

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

State law requires balanced budgets but requires the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2015, the District applied \$185,528 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 estimated fair values as of the date received. The District maintains a capitalization threshold of \$5,000. 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	20
Buildings and improvements	20-30
Machinery, equipment and furnishings	5-20

***Compensated Absences***

Employees earn vacation and sick leave as they provide services. Pursuant to the District's personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused vacation and sick pay earned and upon severance of employment, will be compensated for such amounts at current rates of pay.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absences 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

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences 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.

***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 premium. The balance of the unamortized bond premium as of June 30, 2015 is \$85,224.

***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, 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.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

- 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 Annual District Meeting). Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally. The action must be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- Assigned Fund Balance: Amounts the District intends to use for a specific purpose; intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned Fund Balance: Amounts that are available for any purpose; these amounts are reported only in the General Fund, with the exception of any deficit fund balance of another governmental fund.

The School Board's policy is to return to the Towns, any unassigned fund balance at fiscal year end, to be used to offset the subsequent fiscal year's tax rate.

**Spending Prioritizations**

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. 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 and then unassigned amounts.

**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 in 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. Significant estimates include depreciation expense and the liability for other post-employment benefits.

**NOTE 2—PROPERTY TAXES**

Property taxes levied to support the Souhegan Cooperative School District are based on the assessed valuation of the prior April 1<sup>st</sup> for all taxable real property.

Under state statutes, the Towns of Mont Vernon and Amherst, New Hampshire (both independent governmental units) collect School District taxes as part of local property tax assessments. As collection

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

agents, the Towns are required to pay over to the District their share of property tax assessments through periodic payments based on cash flow requirements of the District. The Towns assume financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2015, School District taxes were \$13,271,452 and State of New Hampshire Education taxes were \$1,631,631. 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.

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 \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***Worker's Compensation***

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

**NOTE 4—DEPOSITS**

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

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

Statement of Net Position:	
Cash and cash equivalents	\$ 836,557
Statement of Fiduciary Net Position:	
Cash and cash equivalents	168,628
	<u>\$ 1,005,185</u>

Deposits at June 30, 2015 consist of the following:

Deposits with financial institutions	<u>\$ 1,005,185</u>
--------------------------------------	---------------------

The School District's investment policy 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 of demand deposits and savings accounts. Deposits for 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, \$974,999 was collateralized by securities held by the bank in the bank's name.

**NOTE 5—CAPITAL ASSETS**

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 1,949,231			\$ 1,949,231
Total capital assets not being depreciated	<u>1,949,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,949,231</u>
Other capital assets:				
Land improvements	47,820			47,820
Buildings and improvements	17,346,738	29,083		17,375,821
Machinery, equipment and furnishings	612,139	24,640		636,779
Total other capital assets at historical cost	<u>18,006,697</u>	<u>53,723</u>	<u>-</u>	<u>18,060,420</u>
Less accumulated depreciation for:				
Land improvements	(15,227)	(2,391)		(17,618)
Buildings and improvements	(9,529,619)	(594,155)		(10,123,774)
Machinery, equipment and furnishings	(365,043)	(64,333)		(429,376)
Total accumulated depreciation	<u>(9,909,889)</u>	<u>(660,879)</u>	<u>-</u>	<u>(10,570,768)</u>
Total other capital assets, net	<u>8,096,808</u>	<u>(607,156)</u>	<u>-</u>	<u>7,489,652</u>
Total capital assets, net	<u>\$ 10,046,039</u>	<u>\$ (607,156)</u>	<u>\$ -</u>	<u>\$ 9,438,883</u>

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 15,567
General administration	25,443
Operation and maintenance of plant	614,770
Food service	5,099
	<u>\$ 660,879</u>

**NOTE 6—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

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

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

Substantially all full-time state 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. Substantially 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.



**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

***Funding Policy***

Plan members are required to contribute 7.0% of their covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rates for the covered payroll of teachers and employees were 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.

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 years ending June 30, 2015, 2014, and 2013 were \$1,171,882, \$1,193,463, and \$980,630, respectively, equal to the required contributions for each year.

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

At June 30, 2015, the District reported a liability of \$11,951,376 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 0.3184 percent, which was a decrease of 0.0064 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$761,097. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$ 1,529,188
Changes in proportion and differences between District contributions and proportionate share of contributions		226,808
District contributions subsequent to the measurement date	\$ 1,012,527	
Totals	<u>\$ 1,012,527</u>	<u>\$ 1,755,996</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as a decrease to unrestricted net position in the amount of \$743,469. The District reported \$1,012,527 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

Year ended <u>June 30,</u>	
2015	\$ (431,522)
2016	(431,522)
2017	(431,522)
2018	(431,522)
2019	<u>(29,908)</u>
	<u><u>\$(1,755,996)</u></u>

***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%	(0.47)-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>	

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

***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 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	\$ 15,741,905	\$ 11,951,376	\$ 8,753,496

**NOTE 7—DEFINED CONTRIBUTION PLAN**

The District contributes to the Souhegan Cooperative School District 403(b) Plan and the Souhegan Cooperative School District 457 Plan. Both plans are considered to be defined contribution plans and were established under Internal Revenue Code (IRC) section 457. The plans allow employees to defer income taxation on retirement savings into future years and are administered by the District. All employees of the District are eligible to make contributions to the plans. The plans have no required minimum contributions for employees. Under the terms of the plans, the District matches contributions up to 6.2% of gross pay for all full-time employees enrolled in the NHRS. The District contributes an additional \$1,500 in lieu of additional long-term disability coverage for the building administrator. Contributions to the 403(b) Plan made by plan members and the District for the fiscal year ended June 30, 2015 were \$441,128 and \$252,200, respectively. Contributions to the 457 Plan made by plan members and the District for the fiscal year ended June 30, 2015 were \$270,485 and \$193,805, respectively.

**NOTE 8—OTHER POST-EMPLOYMENT BENEFITS**

In addition to providing pension benefits, the District provides post-employment health care and life insurance benefits to its eligible retirees and their spouses. The District provides medical, prescription drug, mental health and substance abuse benefits, as well as life insurance, to retirees and their covered dependents. Retirees under the age of 65 have a choice for a medical insurance plan of Anthem Matthew Thornton Blue HMO, Anthem BCBS Blue Choice POS, and Anthem BCBS Blue Shield JY Plan. Retirees over the age of 65 must enroll in the Medicare Supplement Plan Medicomp III or Medicomp III without prescription drug. To qualify for these benefits employees hired before July 1, 2011 must meet

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

one of the following eligibility requirements: age 60 or older with no minimum service requirement, age 50 with 10 years of service, or age plus service equals 70 with a minimum of 20 years of service. Employees hired after July 1, 2011 must be either age 65 or older with no minimum service requirement, or age 60 with a minimum of 30 years of service, to qualify for these benefits. Retirees and their covered spouses pay the full cost of the medical premium. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2014, the most recent actuarial valuation date, approximately 6 retirees and 137 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 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, 2014 is as follows:

Annual Required Contribution (ARC)	\$ 68,622
Interest on net OPEB obligation	25,611
Adjustment to ARC	<u>(36,308)</u>
Annual OPEB cost	57,925
Contributions made	<u>(3,391)</u>
Increase in net OPEB obligation	54,534
Net OPEB obligation - beginning of year	<u>640,264</u>
Net OPEB obligation - end of year	<u>\$ 694,798</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2015, 2014 and 2013 are as follows:

Fiscal Year	Annual	Percentage of	Net OPEB	Covered	OPEB Cost
<u>Ending</u>	<u>OPEB Cost</u>	<u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Obligation</u>	<u>Payroll</u>	<u>% of Pay</u>
6/30/2015	\$ 57,925	5.9%	\$ 694,798	\$ 8,860,121	6.90%
6/30/2014	\$ 139,572	30.4%	\$ 640,264	\$ 9,099,187	1.50%
6/30/2013	\$ 132,978	15.8%	\$ 543,191	\$ 8,877,255	1.50%

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, 2014, the date of the most recent actuarial valuation is as follows:

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

Actuarial Accrued Liability (AAL)	\$ 610,920
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 610,920</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 8,860,121
UAAL as a percentage of covered payroll	6.9%

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 actuarial 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 required 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.

***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, 2014 actuarial valuation, the Entry Age Normal Method was used. The actuarial value of assets was not determined as the District has not advance funded its obligation. The District employs the Pay-as-you-go Cash Basis to fund the plan. The actuarial assumptions included a 4.0% investment rate of return. The initial annual health care cost trend is (1.53%), which increases to 9% for the second year, and then decreases annually in 1% decrements to an ultimate rate of 5.0% after six 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 basis.

**NOTE 9—LONG-TERM OBLIGATIONS**

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

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

Type	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
General obligation bonds	\$ 1,090,000		\$ (160,000)	\$ 930,000	\$ 155,000
Unamortized bond premium	115,983		(30,759)	85,224	26,202
Total Bonds Payable	1,205,983	\$ -	(190,759)	1,015,224	181,202
Compensated absences payable	874,171	139,622	(62,938)	950,855	45,195
Total	<u>\$ 2,080,154</u>	<u>\$ 139,622</u>	<u>\$ (253,697)</u>	<u>\$ 1,966,079</u>	<u>\$ 226,397</u>

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

Payments on the general obligation bonds payable and compensated absences 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 are comprised of the following individual issue:

<u>Description</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance at June 30, 2015</u>
2013 Series C	<u>\$ 1,090,000</u>	2.14%	August 2020	\$ 930,000
		Add: <i>Unamortized bond premium</i>		85,224
				<u>\$ 1,015,224</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 155,000	\$ 46,190	\$ 201,190
2017	155,000	37,898	192,898
2018	155,000	29,218	184,218
2019	155,000	20,537	175,537
2020	155,000	12,245	167,245
2021	<u>155,000</u>	<u>4,146</u>	<u>159,146</u>
Sub-total Bonds payable	930,000	150,234	1,080,234
Add: <i>Unamortized bond premium</i>	85,224	-	85,224
	<u>\$ 1,015,224</u>	<u>\$ 150,234</u>	<u>\$ 1,165,458</u>

**NOTE 10—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:

	<u>Due from</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Federal Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund		\$ 31,702	\$ 50	\$ 31,752
Nonmajor Governmental Funds	\$ 8,997			8,997
	<u>\$ 8,997</u>	<u>\$ 31,702</u>	<u>\$ 50</u>	<u>\$ 40,749</u>

During the year, an interfund transaction occurred between funds. The General Fund transferred \$10,029 to the Food Service Fund, a Nonmajor Governmental Fund, to offset a deficit fund balance. The transfer was made in accordance with budgetary authorization.

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2015

**NOTE 11—COMPONENTS OF FUND BALANCE**

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>			
Prepaid expenses	\$ 8,616		\$ 8,616
<b>Restricted for:</b>			
Capital projects		\$ 7,181	7,181
<b>Committed for:</b>			
Expendable trusts	561,993		561,993
<b>Assigned for:</b>			
Other student funds	415		415
Designated to offset subsequent fiscal year tax rate	649,954		649,954
	<u>\$ 1,220,978</u>	<u>\$ 7,181</u>	<u>\$ 1,228,159</u>

**NOTE 12—CONTINGENT LIABILITIES**

***Federal Grants***

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

***Litigation***

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

**NOTE 13—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:

	<u>Governmental Activities</u>
Net Position - July 1, 2014 (as previously reported)	\$ 8,063,222
Amount of restatement due to:	
Net Pension Liability	(13,979,235)
Contributions subsequent to measurement date	<u>1,032,960</u>
Net Position - July 1, 2014, as restated	<u>\$ (4,883,053)</u>

SCHEDULE 1  
**SOUHEGAN COOPERATIVE 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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	\$ 14,903,083	\$ 14,903,083	\$ 14,903,083	\$ -
Intergovernmental	2,051,688	2,051,688	2,068,120	16,432
Charges for services	61,500	61,500	87,629	26,129
Interest income	4,000	4,000	4,139	139
Miscellaneous	160,000	160,000	145,600	(14,400)
Total Revenues	<u>17,180,271</u>	<u>17,180,271</u>	<u>17,208,571</u>	<u>28,300</u>
Expenditures:				
Current:				
Instruction	11,706,225	10,892,442	10,608,553	283,889
Supporting services	1,064,287	1,808,041	1,615,818	192,223
Instructional staff services	548,696	558,633	494,594	64,039
General administration	1,907,713	1,929,305	1,888,609	40,696
Operation and maintenance of plant	1,226,164	1,226,164	1,176,904	49,260
Pupil transportation	683,491	721,991	670,840	51,151
Debt service:				
Principal retirement	160,000	160,000	160,000	-
Interest and fiscal charges	54,223	54,223	54,223	-
Total Expenditures	<u>17,350,799</u>	<u>17,350,799</u>	<u>16,669,541</u>	<u>681,258</u>
Excess of revenues over (under) expenditures	<u>(170,528)</u>	<u>(170,528)</u>	<u>539,030</u>	<u>709,558</u>
Other financing uses:				
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(75,029)</u>	<u>4,971</u>
Total other financing uses	<u>(80,000)</u>	<u>(80,000)</u>	<u>(75,029)</u>	<u>4,971</u>
Net change in fund balance	(250,528)	(250,528)	464,001	714,529
Fund balances at beginning of year				
- Budgetary Basis	<u>259,569</u>	<u>259,569</u>	<u>259,569</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 9,041</u>	<u>\$ 9,041</u>	<u>\$ 723,570</u>	<u>\$ 714,529</u>

See accompanying notes to the required supplementary information



SCHEDULE 2

**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**

**Schedule of Funding Progress for Other Post-Employment Benefits**

For the Year Ended June 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ -	\$ 942,912	\$ 942,912	0%	\$ 8,760,256	10.8%
7/1/2011	\$ -	\$ 819,809	\$ 819,809	0%	\$ 8,660,737	9.5%
7/1/2014	\$ -	\$ 610,920	\$ 610,920	0%	\$ 8,860,121	6.9%

*See accompanying notes to the required supplementary information*

SCHEDULE 3

**SOUHEGAN COOPERATIVE 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)	0.3184%	0.3248%
District's proportionate share of the net pension liability (asset)	\$ 11,951,376	\$ 13,979,235
District's covered-employee payroll	\$ 8,856,904	\$ 9,088,182
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	134.94%	153.82%
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  
**SOUHEGAN COOPERATIVE SCHOOL DISTRICT**  
Schedule of District Contributions  
For the Year Ended June 30, 2015

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,012,527	\$ 1,032,960
Contributions in relation to the contractually required contribution	<u>(1,012,527)</u>	<u>(1,032,960)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,680,787	\$ 8,856,904
Contributions as a percentage of covered-employee payroll	11.66%	11.66%

*See accompanying notes to the required supplementary information*

**SOUHEGAN COOPERATIVE 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 and expenditures, budgetary transfers out and encumbrances as follows:

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 17,217,962	\$ 16,748,824
Non-budgetary revenues and expenditures	(9,391)	(10,148)
Budgetary transfers out		65,000
Encumbrances - June 30, 2014		(59,106)
Per Schedule 1	<u>\$ 17,208,571</u>	<u>\$ 16,744,570</u>

***Major Special Revenue Fund***

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

**NOTE 2—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 year ended June 30, 2009. Accordingly, the funding progress has been presented for the three most recent actuarial valuation reports.

**NOTE 3—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.