

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Souhegan Cooperative School District
Amherst, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Souhegan Cooperative School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2016, and the respective changes in financial position and, the respective budgetary comparison for the general fund and the grants fund 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, the Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of School District's Proportionate Share of Net Pension Liability, and the Schedule of School District Contributions 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

***Souhegan Cooperative School District
Independent Auditor's Report***

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

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Souhegan Cooperative School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

November 29, 2016

*Plodzik & Sanderson
Professional Association*

Souhegan Cooperative School District
Management's Discussion and Analysis (MD&A)
Of the Annual Financial Report for the Year Ended June 30, 2016

INTRODUCTION

The Superintendent of Schools and Business Administrator of New Hampshire School Administrative Unit (SAU) #39, as management of the Souhegan Cooperative School District (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position of (\$4,957,916) on June 30, 2016, consisted of \$8,148,297 in capital assets net of debt, \$32,186 restricted for use in the Capital Projects funds, and (\$13,138,399) unrestricted net position balance. This was a decrease of \$250,690 from the previous fiscal year. See Note 11.
- Governmental funds reported combined ending fund balances of \$1,106,057, a decrease of \$122,102 from the previous fiscal year. The General Fund shows an ending fund balance of \$1,073,871, a decrease of \$147,107, and Nonmajor Governmental Funds show an ending balance of \$32,186, an increase of \$25,005 from the previous fiscal year. See Note 12.
- The District's non-current portion of long-term obligations of \$14,785,915 consisted of \$846,020 in general obligation bonds, \$1,233,477 in compensated absences, \$750,354 in other postemployment benefits and \$11,956,064 in pension liability. These liabilities are reflected as a reduction in net position. See Exhibit C-2 and Note 8.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business, and to provide both long-term and short-term information.

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. This statement of net position includes debt, contractual obligations and compensable absences as elements of the liabilities of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. Growth in net position over time can generally be expected to reflect improving financial condition, while shrinkage would indicate declining financial condition. Other indicators of financial health might be changes in Districts revenues, facility condition, growth/decline in student population, and adequacy of District budgets.

The Government-wide Financial Statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as "Governmental Activities". Intergovernmental revenues include local, state and federal monies. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund Financial Statements. The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The School Board establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the governmental funds statements explaining the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others; the student activities funds and the private-purpose trust funds are fiduciary funds. The District is responsible for ensuring that those to whom the assets belong use only for their intended purposes and assets reported in these funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the district-wide financial statements because the District cannot use the assets to finance its operations.

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

NET POSITION

Net Position for the period ending June 30, 2016. The current year's net position is lower than last year's. The District combined net position was (\$4,957,916) at June 30, 2016 compared to (\$4,707,226) at June 30, 2015.

| Summary of Net Position | | | |
|--|---------------------|---------------------|------------------|
| Governmental Activities | | | |
| | June 30, | June 30, | Increase |
| | 2016 | 2015 | (Decrease) |
| Current Assets | 1,447,034 | 1,394,168 | 52,866 |
| Noncurrent Assets | 8,994,317 | 9,438,883 | (444,566) |
| Total Assets | 10,441,351 | 10,833,051 | (391,700) |
| Deferred Outflows of Resources | 1,842,805 | 1,012,527 | 830,278 |
| Current Liabilities | 351,631 | 154,136 | 197,495 |
| Noncurrent Liabilities | 14,785,915 | 14,612,253 | 173,662 |
| Total Liabilities | 15,137,546 | 14,766,389 | 371,157 |
| Deferred Inflows of Resources | 2,104,526 | 1,786,415 | 318,111 |
| Net Investment in Capital Assets | 8,148,297 | 8,430,840 | (282,543) |
| Restricted | 32,186 | - | 32,186 |
| Unrestricted Net Position (Deficit) | (13,138,399) | (13,138,066) | (333) |
| Total Net Position | (4,957,916) | (4,707,226) | (250,690) |

The District's negative net position is due to the following: As of June 30, 2015, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the School District to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.

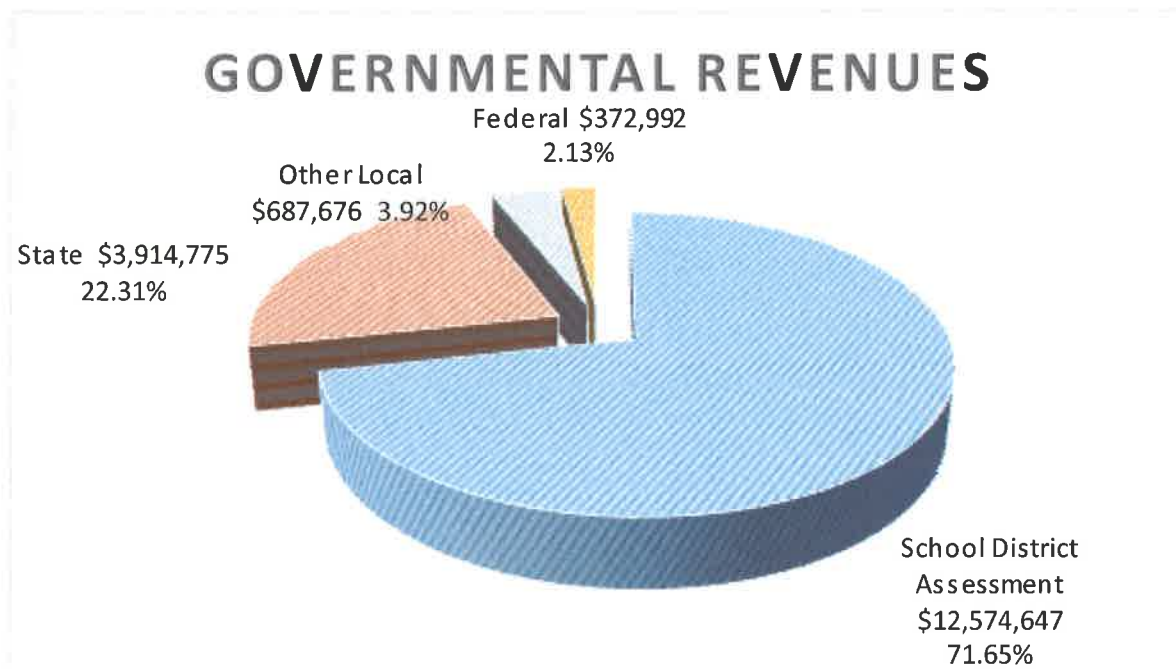
Changes in Net Position. The District's total revenue was \$17,550,090 and the total expenses \$17,800,780 resulting in a decrease of net position of \$250,690. The largest part of the District's revenue came from the local tax assessment and the State of New Hampshire. The State of New Hampshire's sources include the locally raised property tax, federal aid received through the state, and various state aid programs. The majority of the District's expenses were for instruction.

Summary of Changes in Net Position
Governmental Activities

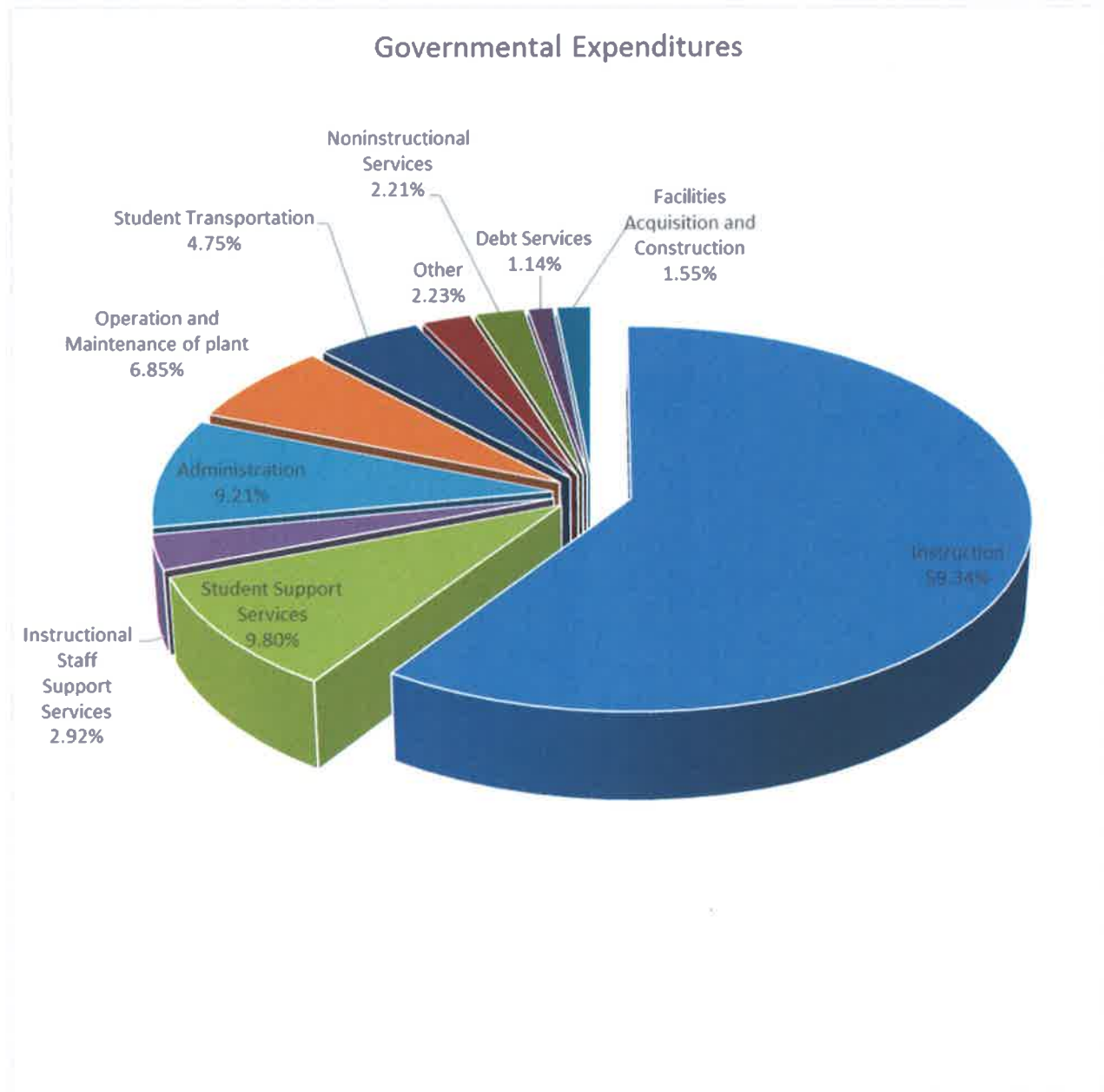
| | June 30, 2016 | June 30, 2015 | Increase (Decrease) |
|---|-------------------|-------------------|------------------------|
| Revenues: | | | |
| Program Revenue: | | | |
| Charges for Services | 623,092 | 413,000 | 210,092 |
| Operating Grants and Contributions | 841,933 | 639,561 | 202,372 |
| General Revenue: | | | |
| School District Assessment | 12,574,647 | 14,903,083 | (2,328,436) |
| Grants and Contributions not restricted | | | |
| to specific programs | 3,449,789 | 1,687,708 | 1,762,081 |
| Unrestricted Investment Income | 17,567 | 3,380 | 14,187 |
| Miscellaneous | 43,062 | 179,487 | (136,425) |
| Total Revenues | 17,550,090 | 17,826,219 | (276,129) |
| Expenses: | | | |
| Instruction | 10,318,028 | 10,726,759 | (408,731) |
| Support Services: | | | |
| Student | 1,721,007 | 1,633,813 | 87,194 |
| Instructional Staff | 506,988 | 526,922 | (19,934) |
| General Administration | 111,411 | 1,932,675 | (1,821,264) |
| Executive Administration | 779,158 | - | 779,158 |
| School Administration | 802,270 | - | 802,270 |
| Business | 2,663 | - | 2,663 |
| Operation and Maintenance of Plant | 1,897,482 | 1,748,010 | 149,472 |
| Student Transportation | 840,219 | 670,840 | 169,379 |
| Other | 405,304 | - | 405,304 |
| Noninstructional Services | 387,029 | 380,779 | 6,250 |
| Interest on Long-Term Debt | 29,221 | 20,446 | 8,775 |
| Other Miscellaneous | - | 10,148 | (10,148) |
| Total Expenses | 17,800,780 | 17,650,392 | 150,388 |
| Change in Net Position | (250,690) | 175,827 | (426,517) |
| Net Position, beginning | (4,707,226) | (4,883,053) | 175,827 |
| Net Position, ending | (4,957,916) | (4,707,226) | (250,690) |

GOVERNMENTAL FUNDS SUMMARY

Summary of Revenues. The biggest share \$12,574,647 (71.65%) of revenue was derived from School District Assessment. The state property tax is included as part of State revenue even though it is raised locally. This revenue statement includes revenues from the General Fund, Grants, Food Service, and Capital Projects funds.



Summary of Net Expenditures. The School District used its resources as depicted below. The majority of expenditures (59.34%) were for instruction. All support services total 35.76%. The remaining 4.9% was used for non-instructional services, debt service, and facilities acquisition and construction. This expenditure statement includes expenditures from the General Fund, Grants, Food Service, and Capital Projects funds.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2016, the District reported capital assets of \$8,994,317, which consist of a broad range of capital assets, including land & improvements, buildings & improvements, machinery and equipment and infrastructure. More detailed information about the District's capital assets is presented in the notes to the financial statements.

| | Governmental Activities | | Total Change |
|--------------------------------|-------------------------|--------------|----------------|
| | 2016 | 2015 | 2016 over 2015 |
| Land & Improvements | 2,236,663 | 1,997,051 | 239,612 |
| Buildings & Improvements | 17,187,826 | 17,375,821 | (187,995) |
| Machinery & Equipment | 589,752 | 636,779 | (47,027) |
| Totals at Historical Cost | 20,014,241 | 20,009,651 | 4,590 |
| Total Accumulated Depreciation | (11,019,924) | (10,570,768) | (449,156) |
| NET CAPITAL ASSETS | 8,994,317 | 9,438,883 | (444,566) |

Long-Term Debt

The District showed a decrease in general obligation bonds of \$155,000 due to scheduled payments made on existing debt and a decrease of \$14,204 due to amortization of the related bond premium. Compensated absences had a net increase in potential future payments of \$282,622. The liabilities for other post-employment benefits and net pension had a net increase in potential future payments of \$55,556 and \$4,688, respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Peter Warburton, Superintendent, or Adam Steel, Business Administrator, at (603) 673-2690 or by mail at:

Souhegan Cooperative School District
ATTN: Business Office
PO Box 849
Amherst, NH 03031

BASIC FINANCIAL STATEMENTS

EXHIBIT A
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 858,225 |
| Accounts receivable | 3,777 |
| Intergovernmental receivable | 583,949 |
| Prepaid items | 1,083 |
| Capital assets, not being depreciated | 1,949,231 |
| Capital assets, net of accumulated depreciation | 7,045,086 |
| Total assets | <u>10,441,351</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to pensions | <u>1,842,805</u> |
| LIABILITIES | |
| Accounts payable | 277,269 |
| Accrued salaries and benefits | 54,859 |
| Intergovernmental payable | 3,722 |
| Accrued interest payable | 15,781 |
| Noncurrent obligations: | |
| Due within one year | 216,603 |
| Due in more than one year | 14,569,312 |
| Total liabilities | <u>15,137,546</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - received in advance | 5,127 |
| Related to pensions | 2,099,399 |
| Total deferred inflows of resources | <u>2,104,526</u> |
| NET POSITION | |
| Net investment in capital assets | 8,148,297 |
| Restricted | 32,186 |
| Unrestricted | <u>(13,138,399)</u> |
| Total net position | <u>\$ (4,957,916)</u> |

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

EXHIBIT B
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Statement of Activities
For The Fiscal Year Ended June 30, 2016

| | | Program Revenues | | Net (Expense) |
|--|----------------------|-------------------|-------------------|-----------------------|
| | | Charges | Operating | Revenue and |
| | | for | Grants and | Change In |
| | Expenses | Services | Contributions | Net Position |
| Instruction | \$ 10,318,028 | \$ 271,056 | \$ 742,330 | \$ (9,304,642) |
| Support services: | | | | |
| Student | 1,721,007 | - | 1,474 | (1,719,533) |
| Instructional staff | 506,988 | - | 30,270 | (476,718) |
| General administration | 111,411 | - | - | (111,411) |
| Executive administration | 779,158 | - | - | (779,158) |
| School administration | 802,270 | - | - | (802,270) |
| Business | 2,663 | - | - | (2,663) |
| Operation and maintenance of plant | 1,897,482 | 8,001 | - | (1,889,481) |
| Student transportation | 840,219 | - | 5,614 | (834,605) |
| Other | 405,304 | - | 32,945 | (372,359) |
| Noninstructional services | 387,029 | 344,035 | 29,300 | (13,694) |
| Interest on long-term debt | 29,221 | - | - | (29,221) |
| Total governmental activities | <u>\$ 17,800,780</u> | <u>\$ 623,092</u> | <u>\$ 841,933</u> | <u>(16,335,755)</u> |
| General revenues: | | | | |
| School district assessment | | | | 12,574,647 |
| Grants and contributions not restricted to specific programs | | | | 3,449,789 |
| Unrestricted investment income | | | | 17,567 |
| Miscellaneous | | | | 43,062 |
| Total general revenues | | | | <u>16,085,065</u> |
| Change in net position | | | | (250,690) |
| Net position, beginning | | | | (4,707,226) |
| Net position, ending | | | | <u>\$ (4,957,916)</u> |

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

EXHIBIT C-1
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2016

| | General | Grants | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 822,933 | \$ - | \$ 35,292 | \$ 858,225 |
| Receivables: | | | | |
| Accounts | 3,737 | - | 40 | 3,777 |
| Intergovernmental | 506,937 | 64,814 | 12,198 | 583,949 |
| Interfund receivable | 61,868 | - | - | 61,868 |
| Prepaid items | 1,083 | - | - | 1,083 |
| Total assets | <u>\$ 1,396,558</u> | <u>\$ 64,814</u> | <u>\$ 47,530</u> | <u>\$ 1,508,902</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 261,975 | \$ - | \$ 15,294 | \$ 277,269 |
| Accrued salaries and benefits | 54,859 | - | - | 54,859 |
| Intergovernmental payable | 3,722 | - | - | 3,722 |
| Interfund payable | - | 61,818 | 50 | 61,868 |
| Total liabilities | <u>320,556</u> | <u>61,818</u> | <u>15,344</u> | <u>397,718</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - received in advance | <u>2,131</u> | <u>2,996</u> | <u>-</u> | <u>5,127</u> |
| FUND BALANCES | | | | |
| Nonspendable | 1,083 | - | - | 1,083 |
| Restricted | - | - | 32,186 | 32,186 |
| Committed | 528,537 | - | - | 528,537 |
| Assigned | 415 | - | - | 415 |
| Unassigned | 543,836 | - | - | 543,836 |
| Total fund balances | <u>1,073,871</u> | <u>-</u> | <u>32,186</u> | <u>1,106,057</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 1,396,558</u> | <u>\$ 64,814</u> | <u>\$ 47,530</u> | <u>\$ 1,508,902</u> |

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

EXHIBIT C-2
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

| | | |
|---|---------------------|-----------------------|
| Total fund balances of governmental funds (Exhibit C-1) | | \$ 1,106,057 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds. | | |
| Cost | \$ 20,014,241 | |
| Less accumulated depreciation | <u>(11,019,924)</u> | |
| | | 8,994,317 |
| Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position. | | |
| Deferred outflows of resources related to pensions | \$ 1,842,805 | |
| Deferred inflows of resources related to pensions | <u>(2,099,399)</u> | |
| | | (256,594) |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position. | | |
| Receivables | \$ 61,868 | |
| Payables | <u>(61,868)</u> | |
| | | - |
| Interest on long-term debt is not accrued in governmental funds. | | |
| Accrued interest payable | | (15,781) |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds. | | |
| Bonds | \$ 775,000 | |
| Unamortized bond premium | 71,020 | |
| Compensated absences | 1,233,477 | |
| Other postemployment benefits | 750,354 | |
| Net pension liability | <u>11,956,064</u> | |
| | | (14,785,915) |
| Net position of governmental activities (Exhibit A) | | <u>\$ (4,957,916)</u> |

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

EXHIBIT C-3
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For The Fiscal Year Ended June 30, 2016

| | General | Grants | Other Governmental Funds | Total Governmental Funds |
|--|---------------|---------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| School district assessment | \$ 12,574,647 | \$ - | \$ - | \$ 12,574,647 |
| Other local | 312,625 | 3,955 | 371,096 | 687,676 |
| State | 3,913,787 | - | 988 | 3,914,775 |
| Federal | 127,193 | 217,487 | 28,312 | 372,992 |
| Total revenues | 16,928,252 | 221,442 | 400,396 | 17,550,090 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 10,330,535 | 156,753 | - | 10,487,288 |
| Support services: | | | | |
| Student | 1,730,405 | 1,474 | - | 1,731,879 |
| Instructional staff | 485,930 | 30,270 | - | 516,200 |
| General administration | 85,712 | - | - | 85,712 |
| Executive administration | 779,158 | - | - | 779,158 |
| School administration | 760,108 | - | - | 760,108 |
| Business | 2,663 | - | - | 2,663 |
| Operation and maintenance of plant | 1,209,736 | - | - | 1,209,736 |
| Student transportation | 840,219 | - | - | 840,219 |
| Other | 361,669 | 32,945 | - | 394,614 |
| Noninstructional services | - | - | 390,043 | 390,043 |
| Debt service: | | | | |
| Principal | 155,000 | - | - | 155,000 |
| Interest | 46,190 | - | - | 46,190 |
| Facilities acquisition and construction | 273,382 | - | - | 273,382 |
| Total expenditures | 17,060,707 | 221,442 | 390,043 | 17,672,192 |
| Excess (deficiency) of revenues over (under) expenditures | (132,455) | - | 10,353 | (122,102) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 14,652 | 14,652 |
| Transfers out | (14,652) | - | - | (14,652) |
| Total other financing sources (uses) | (14,652) | - | 14,652 | - |
| Net change in fund balances | (147,107) | - | 25,005 | (122,102) |
| Fund balances, beginning | 1,220,978 | - | 7,181 | 1,228,159 |
| Fund balances, ending | \$ 1,073,871 | \$ - | \$ 32,186 | \$ 1,106,057 |

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

EXHIBIT C-4
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 Fiscal Year Ended June 30, 2016

| | | |
|--|------------------|----------------------------|
| Net change in fund balances of total governmental funds (Exhibit C-3) | | \$ (122,102) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period. | | |
| Capitalized capital outlay | \$ 369,653 | |
| Depreciation expense | <u>(658,135)</u> | |
| | | (288,482) |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net assets. | | |
| Loss on disposal of capital assets | | (156,084) |
| Transfers in and out between governmental funds are eliminated on the Statement of Activities. | | |
| Transfers in | \$ 14,652 | |
| Transfers out | <u>(14,652)</u> | |
| | | - |
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses. | | |
| Contributions subsequent to the measurement date | \$ 1,075,228 | |
| Net pension expense | <u>(593,041)</u> | |
| | | 482,187 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt transaction, however, has any effect on net position. | | |
| Principal repayment of bond | \$ 155,000 | |
| Amortization of bond premium | <u>14,204</u> | |
| | | 169,204 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds. | | |
| Decrease in accrued interest expense | \$ 2,765 | |
| Increase in compensated absences payable | (282,622) | |
| Increase in other postemployment benefits | <u>(55,556)</u> | |
| | | (335,413) |
| Change in net position of governmental activities (Exhibit B) | | <u><u>\$ (250,690)</u></u> |

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

EXHIBIT D-1
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For The Fiscal Year Ended June 30, 2016

| | Budgeted Amounts | | | Variance Positive (Negative) |
|--|------------------|---------------|---------------|------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| School district assessment | \$ 12,574,647 | \$ 12,574,647 | \$ 12,574,647 | \$ - |
| Other local | 220,464 | 220,500 | 288,903 | 68,403 |
| State | 3,870,507 | 3,870,507 | 3,913,787 | 43,280 |
| Federal | 130,000 | 130,000 | 127,193 | (2,807) |
| Total revenues | 16,795,618 | 16,795,654 | 16,904,530 | 108,876 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 10,879,345 | 10,519,302 | 10,318,357 | 200,945 |
| Support services: | | | | |
| Student | 1,827,104 | 1,880,882 | 1,730,405 | 150,477 |
| Instructional staff | 555,540 | 564,175 | 485,930 | 78,245 |
| General administration | 73,878 | 85,711 | 85,712 | (1) |
| Executive administration | 779,158 | 779,158 | 779,158 | - |
| School administration | 746,498 | 768,249 | 760,108 | 8,141 |
| Business | 3,500 | 3,500 | 2,663 | 837 |
| Operation and maintenance of plant | 1,195,243 | 1,271,788 | 1,209,736 | 62,052 |
| Student transportation | 719,450 | 840,219 | 840,219 | - |
| Other | 348,282 | 361,668 | 361,669 | (1) |
| Debt service: | | | | |
| Principal | 155,000 | 155,000 | 155,000 | - |
| Interest | 46,190 | 46,190 | 46,190 | - |
| Facilities acquisition and construction | 220,000 | 273,382 | 273,382 | - |
| Total expenditures | 17,549,188 | 17,549,224 | 17,048,529 | 500,695 |
| Excess (deficiency) of revenues over (under) expenditures | (753,570) | (753,570) | (143,999) | 609,571 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 110,000 | 110,000 | 110,000 | - |
| Transfers out | (80,000) | (80,000) | (79,652) | 348 |
| Total other financing sources (uses) | 30,000 | 30,000 | 30,348 | 348 |
| Net change in fund balance | \$ (723,570) | \$ (723,570) | (113,651) | \$ 609,919 |
| Decrease in nonspendable fund balance | | | 7,533 | |
| Unassigned fund balance, beginning | | | 649,954 | |
| Unassigned fund balance, ending | | | \$ 543,836 | |

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

EXHIBIT D-2
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For The Fiscal Year Ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|----------------------------|------------------|----------|----------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local | \$ - | \$ 6,664 | \$ 3,955 | \$ (2,709) |
| Federal | 226,000 | 234,295 | 217,487 | (16,808) |
| Total revenues | 226,000 | 240,959 | 221,442 | (19,517) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 209,000 | 160,314 | 156,753 | 3,561 |
| Support services: | | | | |
| Student | - | 10,183 | 1,474 | 8,709 |
| Instructional staff | 17,000 | 36,172 | 30,270 | 5,902 |
| Other | - | 34,290 | 32,945 | 1,345 |
| Total expenditures | 226,000 | 240,959 | 221,442 | 19,517 |
| Net change in fund balance | \$ - | \$ - | - | \$ - |
| Fund balance, beginning | | | - | |
| Fund balance, ending | | | \$ - | |

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

EXHIBIT E
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
For The Fiscal Year Ended June 30, 2016

| | |
|---------------------------|----------------|
| | <u>Agency</u> |
| ASSETS | |
| Cash and cash equivalents | \$ 180,197 |
| LIABILITIES | |
| Due to student groups | <u>180,197</u> |
| NET POSITION | <u>\$ -</u> |

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

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

| | <u>NOTE</u> |
|--|--------------------|
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DETAILED NOTES ON ALL FUNDS

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SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A Reporting Entity

The Souhegan Cooperative School District, in Amherst, New Hampshire (the School District) is a municipal corporation governed by an elected 7-member Cooperative School Board. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States.

The following is a summary of the more significant accounting policies:

1-B Basis of Accounting, Measurement Focus, and Financial Statement Presentation

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The School District’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the School District. Fiduciary activities of the School District are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the School District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in two categories: 1) charges for services, and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

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

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

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position. The School District’s fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Major Funds – The School District reports the following major governmental funds:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Grants Fund – accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Nonmajor Funds – The School District also reports two nonmajor governmental funds, the food service and capital project fund. All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The School District recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Various intergovernmental revenues, the district assessment, and most donations are examples of nonexchange transactions.

Under the terms of grant agreements, the School District funds certain programs by specific grants, resources, and/or general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs and then general revenues.

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

Prioritization and Use of Available Resources – When both restricted and unrestricted resources are available for use, it is the School District's practice to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources are available for use in the general fund, it is the School District's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources are available for use in any other governmental fund, it is the School District's policy to use committed resources first, then assigned, and then unassigned as needed.

1-C Cash and Cash Equivalents

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

1-E Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-F Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements and expensed as the items are used.

1-G Capital Assets

General capital assets are those assets of a capital nature which the School District owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

| | <u>Years</u> |
|-------------------------------------|--------------|
| Land improvements | 20 |
| Buildings and building improvements | 10 - 30 |
| Machinery, equipment, and vehicles | 5 - 20 |

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-H Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-I Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

1-J Compensated Absences

The School District's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

An expense and a liability for vacation, sick pay, and salary-related payments are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

1-K Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-L Net Position/Fund Balances

Net position in government-wide financial statements is classified as follows:

Net Investment in Capital Assets – This classification includes the School District's capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitation on their use. The School District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

Unassigned – This classification is the portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general, and grants fund, as well as the nonmajor food service fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2016, \$723,570 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The School District employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

| | |
|---|----------------------|
| Revenues and other financing sources: | |
| Per Exhibit D-1 (budgetary basis) | \$ 17,014,530 |
| Adjustments: | |
| Basis difference: | |
| GASB Statement No. 54: | |
| Miscellaneous revenue of blended funds | 23,722 |
| Net effect of transfers between blended funds | (110,000) |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 16,928,252</u> |
| Expenditures and other financing uses: | |
| Per Exhibit D-1 (budgetary basis) | \$ 17,128,181 |
| Adjustments: | |
| Basis difference: | |
| GASB Statement No. 54: | |
| Expenditures of blending funds | 12,178 |
| Net effect of transfers between blended funds | (65,000) |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 17,075,359</u> |

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the School District's deposits was \$1,038,422 and the bank balances totaled \$1,754,287.

Cash and cash equivalents reconciliation:

| | |
|--|---------------------|
| Cash per Statement of Net Position (Exhibit A) | \$ 858,225 |
| Cash per Statement of Net Position - Fiduciary Funds (Exhibit E) | 180,197 |
| Total cash and cash equivalents | <u>\$ 1,038,422</u> |

Custodial Credit Risk – The School District's repurchase agreements are all with banking institutions; therefore, are subject to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be recovered.

Interest Rate Risk – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the School District's investments.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2016, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, restricted grants, and expendable trust funds held by the Town of Amherst Trustees of the Trust Funds. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2016, are as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|------------------|
| General | Grants | \$ 61,818 |
| | Nonmajor | 50 |
| | | <u>\$ 61,868</u> |

Interfund transfers during the year ended June 30, 2016 are as follows:

| | |
|----------------|------------------|
| | Transfers In: |
| | Nonmajor |
| | Fund |
| Transfers out: | |
| General fund | <u>\$ 14,652</u> |

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 consisted of the following:

| | Balance, beginning | Additions | Retirements | Balance, ending |
|--|-----------------------|--------------|--------------|--------------------|
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 1,949,231 | \$ - | \$ - | \$ 1,949,231 |
| Being depreciated: | | | | |
| Land improvements | 47,820 | 279,032 | (39,420) | 287,432 |
| Buildings and building improvements | 17,375,821 | - | (187,995) | 17,187,826 |
| Machinery, equipment and vehicles | 636,779 | 90,621 | (137,648) | 589,752 |
| Total capital assets being depreciated | 18,060,420 | 369,653 | (365,063) | 18,065,010 |
| Total capital assets | 20,009,651 | 369,653 | (365,063) | 20,014,241 |
| Less accumulated depreciation: | | | | |
| Land improvements | (17,618) | (2,391) | 16,754 | (3,255) |
| Buildings and building improvements | (10,123,774) | (594,967) | 73,198 | (10,645,543) |
| Machinery, equipment and vehicles | (429,376) | (60,777) | 119,027 | (371,126) |
| Total accumulated depreciation | (10,570,768) | (658,135) | 208,979 | (11,019,924) |
| Net book value, capital assets being depreciated | 7,489,652 | (288,482) | (156,084) | 7,045,086 |
| Net book value, all capital assets | \$ 9,438,883 | \$ (288,482) | \$ (156,084) | \$ 8,994,317 |

Depreciation expense was charged to functions of the School District based on their usage of the related assets. The amounts allocated to each function are as follows:

| | |
|------------------------------------|------------|
| Instruction | \$ 14,617 |
| Support services: | |
| General administration | 25,699 |
| Operation and maintenance of plant | 612,720 |
| Noninstructional services | 5,099 |
| Total depreciation expense | \$ 658,135 |

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources of \$1,842,805 and \$2,099,399 respectively reported in the government-wide activities at June 30, 2016 consist of amounts related to pensions, see Note 9 for further information on deferred amounts.

Deferred inflows of resources of \$5,127 reported in the governmental funds for unavailable revenues consist of revenues received in advance of eligible expenditures being made.

NOTE 8 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2016:

| | Balance July 1, 2015 | Additions | Reductions | Balance June 30, 2016 | Due Within One Year |
|-----------------------------------|----------------------------|------------|--------------|-----------------------------|------------------------|
| Bond payable: | | | | | |
| General obligation bond | \$ 930,000 | \$ - | \$ (155,000) | \$ 775,000 | \$ 155,000 |
| Premium | 85,224 | - | (14,204) | 71,020 | 14,204 |
| Total bond payable | 1,015,224 | - | (169,204) | 846,020 | 169,204 |
| Pension related debt | 11,951,376 | 4,688 | - | 11,956,064 | - |
| Net other postemployment benefits | 694,798 | 55,556 | - | 750,354 | - |
| Compensated absences | 950,855 | 282,622 | - | 1,233,477 | 47,399 |
| Total long-term liabilities | \$ 14,612,253 | \$ 342,866 | \$ (169,204) | \$ 14,785,915 | \$ 216,603 |

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The long-term bond is comprised of the following:

| | Original Amount | Issue Date | Maturity Date | Interest Rate | Outstanding at June 30, 2016 |
|---|--------------------|------------|------------------|------------------|---------------------------------|
| General obligation bond: 2013 Series C | \$ 1,090,000 | 2013 | 2021 | 2.14% | <u>\$ 775,000</u> |

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2016, including interest payments, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|-------------------|-------------------|-------------------|
| 2017 | \$ 155,000 | \$ 37,898 | \$ 192,898 |
| 2018 | 155,000 | 29,218 | 184,218 |
| 2019 | 155,000 | 20,538 | 175,538 |
| 2020 | 155,000 | 12,245 | 167,245 |
| 2021 | 155,000 | 4,146 | 159,146 |
| Totals | <u>\$ 775,000</u> | <u>\$ 104,045</u> | <u>\$ 879,045</u> |

All debt is general obligation debt of the School District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), 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 Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: 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 available to pay retirement benefits to all members.

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

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Contributions: The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2016, the School District contributed 15.67% for teachers and 11.17% for other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$1,193,463, \$1,171,882, and \$1,291,604, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016 the School District reported a liability of \$11,956,064 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the School District's proportion was 0.30180443% which was a decrease of 0.01659446% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$593,041. At June 30, 2016 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes in proportion | \$ - | \$ 749,918 |
| Net difference between projected and actual investment earnings on pension plan investments | 767,577 | 1,087,117 |
| Differences between expected and actual experience | - | 262,364 |
| Contributions subsequent to the measurement date | 1,075,228 | - |
| Total | <u>\$ 1,842,805</u> | <u>\$ 2,099,399</u> |

The \$1,075,228 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | |
|--------------------------------|-----------------------|
| 2016 | \$ (409,662) |
| 2017 | (409,662) |
| 2018 | (409,662) |
| 2019 | (27,973) |
| 2020 | (74,862) |
| Totals | <u>\$ (1,331,821)</u> |

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions which, apply to 2015 measurements:

| | |
|----------------------------|---|
| Inflation: | 3.0% |
| Salary increases: | 3.75- 5.8% average, including inflation |
| Investment rate of return: | 7.75% 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.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

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Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2015:

| Asset Class | Target Allocation | Weighted average long-term expected real rate of return 2015 |
|----------------------------------|-------------------|---|
| Large Cap Equities | 22.50% | 3.00% |
| Small/Mid Cap Equities | 7.50% | 3.00% |
| Total domestic equity | 30.00% | |
| Int'l Equities (unhedged) | 13.00% | 4.00% |
| Emerging Int'l Equities | 7.00% | 6.00% |
| Total international equity | 20.00% | |
| Core Bonds | 4.50% | (0.70) |
| Short Duration | 2.50% | (1.00) |
| Global Multi-Sector Fixed Income | 11.00% | 0.28% |
| Unconstrained Fixed Income | 7.00% | 0.16% |
| Total fixed income | 25.00% | |
| Private equity | 5.00% | 5.50% |
| Private debt | 5.00% | 4.50% |
| Real estate | 10.00% | 3.50% |
| Opportunistic | 5.00% | 2.75% |
| Total alternative investments | 25.00% | |
| Total | 100.00% | |

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

| Actuarial Valuation Date | 1% Decrease 6.75% | Current Single Rate Assumption 7.75% | 1% Increase 8.75% |
|--------------------------|----------------------|---|----------------------|
| June 30, 2015 | \$ 17,921,673 | \$ 11,956,064 | \$ 8,731,427 |
| June 30, 2014 | \$ 15,741,906 | \$ 11,951,376 | \$ 8,753,495 |
| June 30, 2013 | \$ 15,738,605 | \$ 13,979,235 | \$ 10,665,249 |

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Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Annual OPEB Cost - The School District provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provision of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the School District's contractual agreements.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2016:

| | |
|--|-------------------|
| Annual required contribution/OPEB cost | \$ 70,157 |
| Interest on net OPEB obligation | 27,792 |
| Adjustment to annual required contribution | (39,400) |
| Annual OPEB cost (expense) | 58,549 |
| Contributions made | (2,993) |
| Increase in net OPEB obligation | 55,556 |
| Net OPEB obligation - beginning of year | 694,798 |
| Net OPEB obligation - end of year | <u>\$ 750,354</u> |

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the four preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Contribution Cost | Actual Contributions (pay-as-you-go) | Percentage Contributed | Net OPEB Obligation |
|-------------------|-------------------------------|--------------------------------------|------------------------|---------------------|
| June 30, 2016 | \$ 58,549 | \$2,993 | 5.11% | \$ 750,354 |
| June 30, 2015 | \$ 57,925 | \$3,391 | 5.85% | \$ 694,798 |
| June 30, 2014 | \$ 139,572 | \$42,430 | 30.40% | \$ 640,264 |
| June 30, 2013 | \$ 132,978 | \$21,011 | 15.80% | \$ 543,191 |
| June 30, 2012 | \$ 126,241 | \$20,199 | 16.00% | \$ 431,155 |

As of July 1, 2015, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$637,993, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$637,993. The covered payroll (annual payroll of active employees covered by the plan) was \$9,037,323 during fiscal year 2016, and the ratio of the UAAL to the covered payroll was 7.06%.

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2020 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2016 was 30 years.

NOTE 11 – GOVERNMENTAL ACTIVITIES NET POSITION

The governmental activities net position at June 30, 2016 consisted of the following:

| | |
|--|------------------------------|
| Net investment in capital assets: | |
| Net property, buildings, and equipment | \$ 8,994,317 |
| Less: | |
| General obligation bond payable | (775,000) |
| Unamortized bond premium | (71,020) |
| Total net investment in capital assets | <u>8,148,297</u> |
| Restricted for: | |
| Capital project | 32,186 |
| Unrestricted | (13,138,399) |
| Total net position | <u><u>\$ (4,957,916)</u></u> |

NOTE 12 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2016 consist of the following:

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|----------------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | |
| Prepaid | \$ 1,083 | \$ - | \$ 1,083 |
| Restricted: | | | |
| Capital project | - | 32,186 | 32,186 |
| Committed: | | | |
| Expendable trust | 463,537 | - | 463,537 |
| Voted appropriation - March 2016 | 65,000 | - | 65,000 |
| Total committed fund balances | <u>528,537</u> | <u>-</u> | <u>528,537</u> |
| Assigned: | | | |
| Student balances | 415 | - | 415 |
| Unassigned | <u>543,836</u> | <u>-</u> | <u>543,836</u> |
| Total governmental fund balances | <u><u>\$ 1,073,871</u></u> | <u><u>\$ 32,186</u></u> | <u><u>\$ 1,106,057</u></u> |

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NOTE 13 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2015, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance program for member School Districts and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2016 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Souhegan Cooperative School District billed and paid for the year ended June 30, 2016 was \$39,180 for workers' compensation and \$61,289 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 14 – CONTINGENT LIABILITIES

There are various claims and suits pending against the School District which arose in the normal course of the School District's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the School District.

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through November 29, 2016, the date the June 30, 2016 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For The Fiscal Year Ended June 30, 2016

| Fiscal Year End | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ([b-a]/c) |
|-----------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| June 30, 2016 | July 1, 2015 | \$ - | \$ 637,993 | \$ 637,993 | 0.00% | \$ 9,037,323 | 7.06% |
| June 30, 2015 | July 1, 2014 | \$ - | \$ 610,920 | \$ 610,920 | 0.00% | \$ 8,860,121 | 6.90% |
| June 30, 2014 | July 1, 2011 | \$ - | \$ 819,809 | \$ 819,809 | 0.00% | \$ 8,660,737 | 9.47% |
| June 30, 2013 | July 1, 2008 | \$ - | \$ 942,912 | \$ 942,912 | 0.00% | \$ 8,760,256 | 10.76% |

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

EXHIBIT G
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For The Fiscal Year Ended June 30, 2016

| Fiscal Year End | Valuation Date | District's Proportion of Net Pension Liability | Proportionate Share of Net Pension Liability | Covered Payroll | District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------|-------------------|--|--|--------------------|---|--|
| June 30, 2016 | July 1, 2015 | 0.30180443% | \$ 11,956,064 | \$ 8,680,787 | 137.73% | 65.74% |
| June 30, 2015 | July 1, 2014 | 0.31839889% | \$ 11,951,376 | \$ 8,856,904 | 134.94% | 66.32% |
| June 30, 2014 | July 1, 2013 | 0.32481262% | \$ 13,979,235 | \$ 9,088,182 | 153.82% | 59.81% |

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

EXHIBIT H
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Schedule of School District Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For The Fiscal Year Ended June 30, 2016

| Fiscal Year End | Valuation Date | Contractually Required Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-----------------------|-------------------|---|------------------------|--|--------------------|--|
| June 30, 2016 | July 1, 2015 | \$ 1,012,518 | \$ 1,012,518 | \$ - | \$ 8,680,787 | 11.66% |
| June 30, 2015 | July 1, 2014 | \$ 1,032,960 | \$ 1,032,960 | \$ - | \$ 8,856,904 | 11.66% |
| June 30, 2014 | July 1, 2013 | \$ 807,658 | \$ 807,658 | \$ - | \$ 9,088,182 | 8.89% |

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

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
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Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit F represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2016, and the three preceding years.

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

Assumption and Methodology:

Census Collection Date: The census used in this report represents the eligible population as of July 1, 2014.

Mortality: RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA.

Discount Rate: An interest rate of 4.00% was used.

Retirement Rates: The following are representative assumed retirement rates for eligible employees.

| Age | Male | Female |
|------|--------|--------|
| 50 | .03010 | .03000 |
| 60 | .12500 | .13000 |
| 65 | .24000 | .19000 |
| >=70 | 1.0000 | 1.0000 |

Termination Rates: These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement:

| Age | Male | Female |
|-----|---------|---------|
| 35 | 0.05500 | 0.06000 |
| 40 | 0.04500 | 0.05000 |
| 45 | 0.04000 | 0.04000 |
| 50 | 0.03500 | 0.03500 |

Participation Rate: It was assumed that 85% of future retirees eligible for coverage will elect the will elect coverage under the MTB5 (07) RX 10 / 20 / 45 plan. Part time employees who are less than 75% full-time-equivalent are excluded from the valuation.

Percent Married: It was assumed that 80% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used.

Per Capita Costs: Are based on the premiums levels of the plans utilized. The premium levels are summarized in the plan provisions in section of this report. The premiums paid by the School District are independent of the School District's experience and demographic profile, and are expected to change consistent with a community rated plan.

Trend: It was assumed that health care costs would increase in accordance with the trend rates in the following table:

| Year | Medical |
|---------------|---------|
| June 30, 2015 | (1.53%) |
| June 30, 2016 | 9.00% |
| June 30, 2017 | 8.00% |
| June 30, 2018 | 7.00% |
| June 30, 2019 | 6.00% |
| June 30, 2020 | 5.00% |

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
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Actuarial Value of Assets: None.

Administrative Expenses: Included in the premiums used.

Actuarial Cost Method: This report was developed using the Entry Age Normal (EAN) - Level Dollar Open Method cost method.

Morbidity/Implicit Rate Subsidy (Pre 65 Employees): Benefits provided by the School District are experienced rated benefits. The premiums offered to the active and retired employee are identical in terms of costs and scope. This offering of benefits is referred to as blended rate premiums.

When the same premiums are charged to active employees and retirees, and the School District is unable to obtain age-adjusted premium information for the retirees from the insurer, GASB 45 requires the School District to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

For the purpose of this valuation, the following morbidity table was used to adjust the blended premiums based on an average age of the pre 65 population of 56 as of July 1, 2014. This illustration is based on the MTB5 (07) RX 10 / 20 / 45 plan.

| Age | Factor | Adjusted Per Capita |
|-----|---------|---------------------|
| 20 | 42.11% | \$3,524.85 |
| 25 | 45.37% | \$3,797.26 |
| 30 | 49.60% | \$4,151.54 |
| 35 | 55.03% | \$4,606.15 |
| 40 | 61.96% | \$5,186.07 |
| 45 | 70.79% | \$5,925.03 |
| 55 | 96.53% | \$8,079.38 |
| 56 | 100.00% | \$8,370.24 |
| 60 | 115.20% | \$9,642.22 |

Additional Comments: The amounts in this OPEB valuation represent a closed group and do not reflect new entrants after the census collection date, July 1, 2014.

Schedule of the School District's Proportionate Share of Net Pension Liability & Schedule of School District Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the School District's pension plan at June 30, 2016.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2015:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage-of-Payroll, Closed |
| Remaining Amortization Period | 25 years beginning July 1, 2015 (30 years beginning July 1, 2009) |
| Asset Valuation Method | 5-year smooth market for funding purposes |
| Price Inflation | 3.0% per year |
| Wage Inflation | 3.75% per year |
| Salary Increases | 5.8% Average, including inflation |
| Municipal Bond Rate | 3.80% per year |
| Investment Rate of Return | 7.75% per year |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010. |

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

| | |
|---------------------------|--|
| Mortality | 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. |
| Other Information: | |
| Notes | Contribution rates for Fiscal Year 2015 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC. |

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For The Fiscal Year Ended June 30, 2016

| | Estimated | Actual | Variance Positive (Negative) |
|--|---------------|---------------|------------------------------------|
| School district assessment: | | | |
| Current appropriation | \$ 12,574,647 | \$ 12,574,647 | \$ - |
| Other local sources: | | | |
| Tuition | 75,000 | 134,958 | 59,958 |
| Investment income | 4,000 | 6,018 | 2,018 |
| Student activities | 134,464 | 136,098 | 1,634 |
| Miscellaneous | 7,036 | 11,829 | 4,793 |
| Total from other local sources | 220,500 | 288,903 | 68,403 |
| State sources: | | | |
| Adequacy aid (grant) | 1,805,806 | 1,805,806 | - |
| Adequacy aid (tax) | 1,643,701 | 1,643,701 | - |
| Catastrophic aid | 420,000 | 458,384 | 38,384 |
| Vocational aid | 1,000 | 5,614 | 4,614 |
| Other state aid | - | 282 | 282 |
| Total from state sources | 3,870,507 | 3,913,787 | 43,280 |
| Federal sources: | | | |
| Medicaid | 130,000 | 127,193 | (2,807) |
| Total from federal sources | 130,000 | 127,193 | (2,807) |
| Other financing sources: | | | |
| Transfers in | 110,000 | 110,000 | - |
| Total revenues and other financing sources | 16,905,654 | \$ 17,014,530 | \$ 108,876 |
| Fund balance used to reduce school district assessment | 723,570 | | |
| Total revenues, other financing sources, and use of fund balance | \$ 17,629,224 | | |

SCHEDULE 2
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)
For The Fiscal Year Ended June 30, 2016

| | <u>Appropriations</u> | <u>Expenditures</u> | Variance Positive (Negative) |
|---|-----------------------|----------------------|------------------------------------|
| Current: | | | |
| Instruction: | | | |
| Regular programs | \$ 7,333,068 | \$ 7,260,049 | \$ 73,019 |
| Special programs | 2,516,808 | 2,452,335 | 64,473 |
| Adult and community programs | 10,281 | 4,776 | 5,505 |
| Other | 659,145 | 601,197 | 57,948 |
| Total instruction | <u>10,519,302</u> | <u>10,318,357</u> | <u>200,945</u> |
| Support services: | | | |
| Student | 1,880,882 | 1,730,405 | 150,477 |
| Instructional staff | 564,175 | 485,930 | 78,245 |
| General administration | 85,711 | 85,712 | (1) |
| Executive administration | 779,158 | 779,158 | - |
| School administration | 768,249 | 760,108 | 8,141 |
| Business | 3,500 | 2,663 | 837 |
| Operation and maintenance of plant | 1,271,788 | 1,209,736 | 62,052 |
| Student transportation | 840,219 | 840,219 | - |
| Other | 361,668 | 361,669 | (1) |
| Total support services | <u>6,555,350</u> | <u>6,255,600</u> | <u>299,750</u> |
| Debt service: | | | |
| Principal of long-term debt | 155,000 | 155,000 | - |
| Interest on long-term debt | 46,190 | 46,190 | - |
| Total debt service | <u>201,190</u> | <u>201,190</u> | <u>-</u> |
| Facilities acquisition and construction | <u>273,382</u> | <u>273,382</u> | <u>-</u> |
| Other financing uses: | | | |
| Transfers out | <u>80,000</u> | <u>79,652</u> | <u>348</u> |
| Total appropriations, expenditures, other financing uses, and encumbrances | <u>\$ 17,629,224</u> | <u>\$ 17,128,181</u> | <u>\$ 501,043</u> |

SCHEDULE 3
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For The Fiscal Year Ended June 30, 2016

| | | |
|--|----------------|--------------------------|
| Unassigned fund balance, beginning | | \$ 649,954 |
| Changes: | | |
| Fund balance used to reduce school district assessment | | (723,570) |
| 2015-2016 Budget summary: | | |
| Revenue surplus (Schedule 1) | \$ 108,876 | |
| Unexpended balance of appropriations (Schedule 2) | <u>501,043</u> | |
| 2015-2016 Budget surplus | | 609,919 |
| Decrease in nonspendable fund balance | | <u>7,533</u> |
| Unassigned fund balance, ending (Non-GAAP budgetary basis) | | <u><u>\$ 543,836</u></u> |

SCHEDULE 4
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

| | Special Revenue Fund Food Service | Capital Project Turf Field Project | Total |
|-------------------------------------|---|---|------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,056 | \$ 32,236 | \$ 35,292 |
| Receivables: | | | |
| Accounts | 40 | - | 40 |
| Intergovernmental | 12,198 | - | 12,198 |
| Total assets | <u>\$ 15,294</u> | <u>\$ 32,236</u> | <u>\$ 47,530</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 15,294 | \$ - | \$ 15,294 |
| Interfund payable | - | 50 | 50 |
| Total liabilities | <u>15,294</u> | <u>50</u> | <u>15,344</u> |
| FUND BALANCES | | | |
| Restricted | - | 32,186 | 32,186 |
| Total liabilities and fund balances | <u>\$ 15,294</u> | <u>\$ 32,236</u> | <u>\$ 47,530</u> |

SCHEDULE 5
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For The Fiscal Year Ended June 30, 2016

| | Special Revenue Fund Food Service | Capital Project Turf Field Project | Total |
|--|---|---|------------|
| Revenues: | | | |
| Local | \$ 346,091 | \$ 25,005 | \$ 371,096 |
| State | 988 | - | 988 |
| Federal | 28,312 | - | 28,312 |
| Total revenues | 375,391 | 25,005 | 400,396 |
| Expenditures: | | | |
| Current: | | | |
| Noninstructional services | 390,043 | - | 390,043 |
| Excess (deficiency) of revenues over (under) expenditures | (14,652) | 25,005 | 10,353 |
| Other financing sources: | | | |
| Transfers in | 14,652 | - | 14,652 |
| Net change in fund balances | - | 25,005 | 25,005 |
| Fund balances, beginning | - | 7,181 | 7,181 |
| Fund balances, ending | \$ - | \$ 32,186 | \$ 32,186 |

SCHEDULE 6
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For The Fiscal Year Ended June 30, 2016

| | Balance, beginning | Additions | Deductions | Balance, ending |
|----------------------|-----------------------|-------------------|-------------------|--------------------|
| Schools: | | | | |
| Souhegan High School | \$ 165,020 | \$ 723,391 | \$ 715,135 | \$ 173,276 |
| High School Athletic | 3,608 | 53,077 | 49,764 | 6,921 |
| Totals | <u>\$ 168,628</u> | <u>\$ 776,468</u> | <u>\$ 764,899</u> | <u>\$ 180,197</u> |