

TIMBERLANE REGIONAL SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

TIMBERLANE REGIONAL SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Timberlane Regional School District
Plaistow, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Timberlane Regional School District, as of and for the year ended June 30, 2015, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on Governmental Activities

Management has not recorded the capital assets and the related accumulated depreciation in the governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Timberlane Regional School District, as of June 30, 2015, or the changes in financial position thereof for the year then ended.

**Timberlane Regional School District
Independent Auditor's Report**

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and aggregate remaining fund information of the Timberlane Regional School District, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general, food service, and grants funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1-N and 2-C to the financial statements, in 2015, the School District changed its method of accounting for other postemployment benefits with the adoption of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and for pension reporting with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 10), the Schedules of Funding Progress for Other Postemployment Benefit Plan (page 38), the Schedule of the School District's Proportionate Share of Net Pension Liability (page 39), and the Schedule of School District Contributions (page 40) 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 them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Timberlane Regional School District's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards 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 other 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 fund financial schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2016 on our consideration for the Timberlane Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Timberlane Regional School District's internal control over financial reporting and compliance.

July 28, 2016


PLODZIK & SANDERSON
Professional Association

TIMBERLANE REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2015

Management's Discussion and Analysis is presented by the School District Administration of the Timberlane Regional School District (the "District") and is intended to serve as an introduction to District's basic financial statements. The District's basic financial statements are comprised of four major components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

The District maintains several governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Food Service Fund, Grants Fund, and Other Governmental Fund, which encompasses the Timberlane Performing Arts Center.

The District adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for these fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 13-19 of this report.

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

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

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. The notes to the financial statements can be found on pages 22-37 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary consisting of Schedule of Funding Progress schedules for Other Postemployment Benefit Plan, Schedule of the School District's Proportionate Share of Net Pension Liability, and Schedule of School District Contributions.

Required supplementary information and notes can be found on pages 38-41 of this report. Additional schedules relating to the General Fund and Fiduciary Funds can be found at pages 42-52. Schedule of Expenditures of Federal Awards and accompanying notes can be found at pages 53-59.

Financial Highlights

- Total Government Funds Expenditures were reduced by \$80,036 from \$63,491,958 in fiscal year 2013-14 to \$63,411,922 in 2014-15 due to deferral of expenditures and cost savings measures.
- Revenue recognized in fiscal year 2014-15 by the District's general fund amounted to \$49,162 more than was budgeted.
- By District Ballot in March, 2016, voters approved a contribution of \$250,000 into the capital reserve fund from unassigned fund balance to be transferred in fiscal year 2015-16.
- The School Board authorized \$600,000 to be held as fund balance retention pursuant to RSA 198L4-bii in fiscal year 2014-15.
- Fiscal year 2014-15 fund balance used to reduce taxes for the 2015-16 fiscal year was \$3,502,166.

**Financial Analysis of the District as a Whole
Two-Year Comparison of Net Position
Governmental Activities**

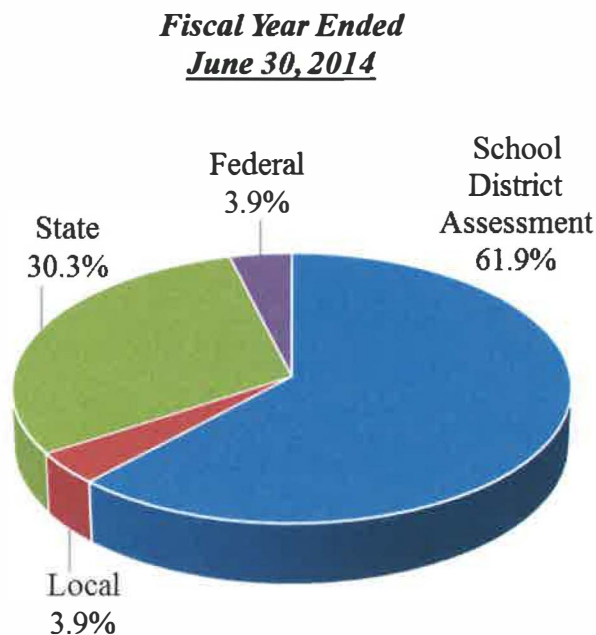
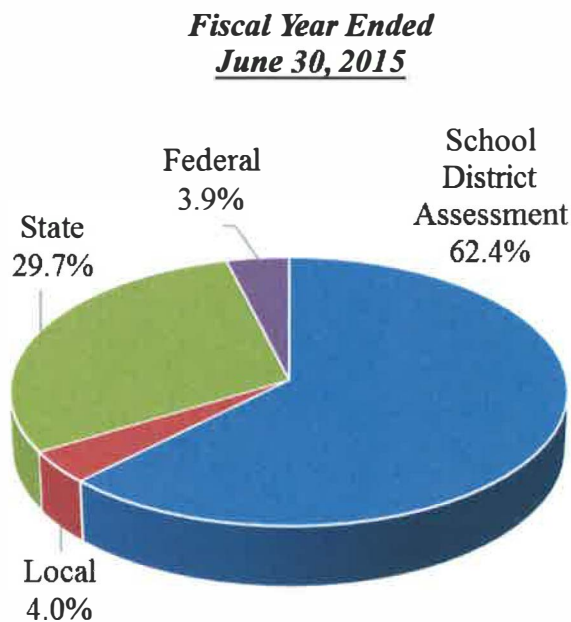
	<u>June 30, 2015</u>	<u>As Restated June 30, 2014</u>
ASSETS		
Cash and cash equivalents	\$ 3,881,787	\$ 2,269,548
Accounts receivable	43,706	42,201
Intergovernmental receivable	1,691,215	1,443,103
Inventory	14,527	31,282
Prepaid items	16,750	4,803
Total assets	<u>5,647,985</u>	<u>3,790,937</u>
DEFERRED OUTFLOWS OF RESOURCES		
Amounts related to pensions	<u>4,585,964</u>	<u>931,097</u>
LIABILITIES		
Accounts payable	453,130	306,830
Intergovernmental payable	34,408	31,566
Unearned revenue	2,511	-
Contracts payable	-	71,121
Accrued interest payable	125,304	186,411
Noncurrent obligations:		
Due within one year	1,600,000	1,600,000
Due in more than one year	9,193,666	8,720,303
Net pension liabilities	<u>42,125,600</u>	<u>47,167,174</u>
Total liabilities	<u>53,534,619</u>	<u>58,083,405</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - grants	5,367	5,528
Amounts related to pensions	<u>5,390,006</u>	<u>-</u>
Total deferred inflows of resources	<u>5,395,373</u>	<u>5,528</u>
NET POSITION		
Net investment in capital assets	(8,000,000)	(9,600,000)
Restricted	31,284	39,704
Unrestricted	<u>(40,727,327)</u>	<u>(43,806,603)</u>
Total net position (deficit)	<u>\$ (48,696,043)</u>	<u>\$ (53,366,899)</u>

On July 1, 2014, the District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which changes the way the District calculates and reports costs and obligations associated with postemployment benefits other than pensions, and 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. More information on these changes can be found under "2-C Change in Accounting Principle" on page 28.

Financial Analysis of the District as a Whole
Two-Year Comparison
Revenue Analysis
Total Governmental Funds

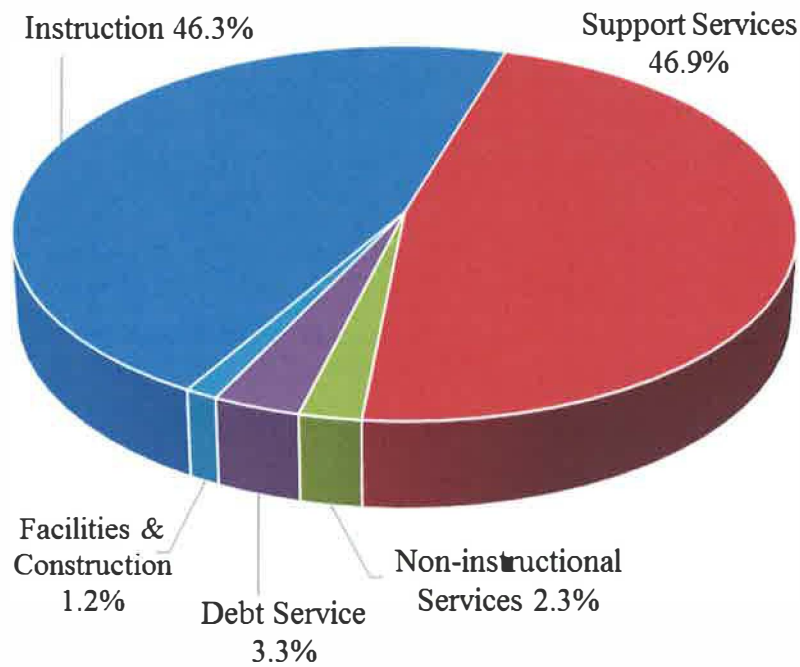
	<i><u>Fiscal Year Ended</u></i> <i><u>June 30, 2015</u></i>	<i><u>Fiscal Year Ended</u></i> <i><u>June 30, 2014</u></i>
School District Assessment	\$ 40,668,188	\$ 39,523,973
Local	2,584,756	2,489,395
State	19,367,138	19,345,953
Federal	<u>2,568,517</u>	<u>2,497,731</u>
	\$ 65,188,599	\$ 63,857,052



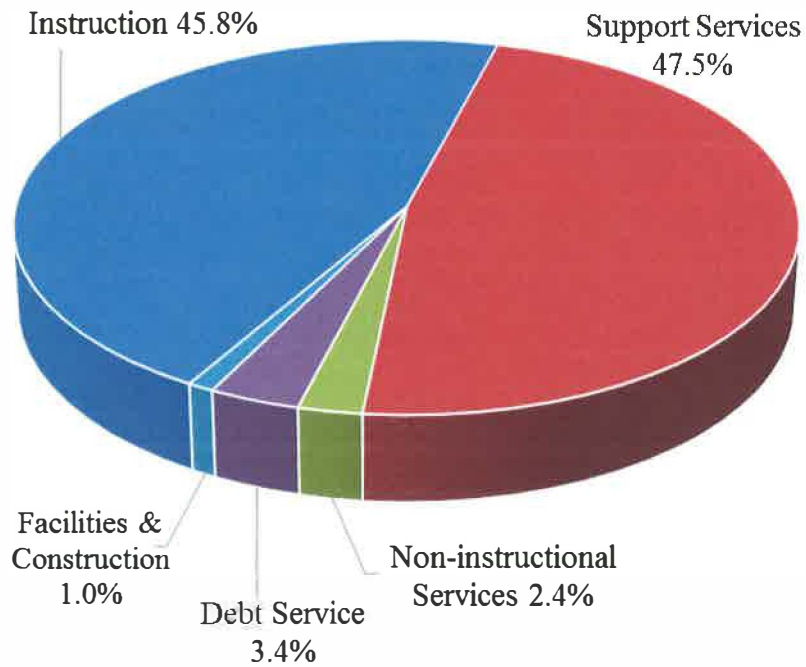
Financial Analysis of the District as a Whole
Two-Year Comparison
Statement of Expenditures – Total Governmental Funds

	<i>Fiscal Year Ended</i>	
	<i>June 30, 2015</i>	<i>June 30, 2014</i>
Instruction	29,355,443	29,063,774
Support Services:		
Student	3,233,343	3,267,611
Instructional Staff	1,319,955	1,211,255
General Administration	164,871	135,109
Executive Administration	1,603,897	1,598,250
School Administration	2,812,831	2,666,923
Business	56,480	65,342
Operation & Plant Maint	3,568,739	3,744,443
Student Transportation	2,750,660	2,726,289
Other	14,239,542	14,730,072
Total Support Services:	29,750,318	30,145,294
Non-instructional Services	1,475,364	1,518,193
Debt Service:		
Principal	1,600,000	1,600,000
Interest	462,000	546,000
Total Debt Service:	2,062,000	2,146,000
Facilities and Construction	768,797	618,697
Total Expenditures:	63,411,922	63,491,958

Total Government Fund Expenditures
As of June 30, 2015



Total Governmental Fund Expenditures
As of June 30, 2014



Fund Balance

Surplus funds from operations within the general fund are used each year to reduce local property taxes or for emergency expenditures that were not budgeted for. In the fiscal year 2015, the amount used from the beginning general fund unassigned fund balance for this purpose was \$2,150,680.

Long Term Debt

The District has long term debt as of June 30, 2015, as follows:

Timberlane Regional School District Comparative Statement of Long-Term Debt

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
General Obligation Bond Payable	\$ 8,000,000	\$ 9,600,000	\$(1,600,000)
Compensated Absences	719,709	720,303	(594)
Other Postemployment Benefits Net	<u>2,073,957</u>	<u>1,082,144</u>	<u>991,813</u>
Total Long-Term Debt*	<u>\$10,793,666</u>	<u>\$11,402,447</u>	<u>\$ 608,781</u>

** Excluding Net Pension Liability*

Fixed Assets

The District does not report fixed assets at this time, however the District is addressing the reporting of fixed assets and related depreciation in the 2015-2016 fiscal year.

Contact Information

This report is designed to provide a general overview of the Timberlane Regional School 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, please contact:

George Stokinger

Business Administrator

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BASIC FINANCIAL STATEMENTS

EXHIBIT A
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,881,787
Accounts receivable	43,706
Intergovernmental receivables	1,691,215
Inventory	14,527
Prepaid items	16,750
Total assets	<u>5,647,985</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	<u>4,585,964</u>
LIABILITIES	
Accounts payable	453,130
Intergovernmental payable	34,408
Unearned revenue	2,511
Accrued interest payable	125,304
Noncurrent obligations:	
Due within one year	1,600,000
Due in more than one year	9,193,666
Net pension liability	42,125,600
Total liabilities	<u>53,534,619</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - grants and donations	5,367
Amounts related to pensions	5,390,006
Total deferred inflows of resources	<u>5,395,373</u>
NET POSITION	
Net investment in capital assets	(8,000,000)
Restricted	31,284
Unrestricted	<u>(40,727,327)</u>
Total net position	<u><u>\$ (48,696,043)</u></u>

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

EXHIBIT B
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2015

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change In Net Position
Instruction	\$ 30,323,478	\$ 662,068	\$ 1,368,213	\$ -	\$ (28,293,197)
Support services:					
Student	3,233,998	-	-	-	(3,233,998)
Instructional staff	1,324,017	-	157,785	-	(1,166,232)
General administration	161,270	-	-	-	(161,270)
Executive administration	1,625,546	-	-	-	(1,625,546)
School administration	2,812,831	-	-	-	(2,812,831)
Business	56,672	-	-	-	(56,672)
Operation and maintenance of plant	3,568,739	-	250	-	(3,568,489)
Student transportation	2,750,887	-	42,484	-	(2,708,403)
Other	13,644,348	-	-	-	(13,644,348)
Noninstructional services	1,473,950	969,054	440,978	-	(63,918)
Interest on long-term debt	400,893	-	-	1,103,811	702,918
Facilities acquisition and construction	768,797	-	-	-	(768,797)
Total governmental activities	<u>\$ 62,145,426</u>	<u>\$ 1,631,122</u>	<u>\$ 2,009,710</u>	<u>\$ 1,103,811</u>	<u>(57,400,783)</u>
General revenues:					
School district assessment					40,668,188
Grants and contributions not restricted to specific programs					18,838,260
Unrestricted investment income					1,630
Miscellaneous					935,878
Total general revenues					<u>60,443,956</u>
Change in net position					3,043,173
Net position, beginning, as restated (see Note 12)					(51,739,216)
Net position, ending					<u>\$ (48,696,043)</u>

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

EXHIBIT C-1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2015

	General	Food Service	Grants	Other Governmental Fund (Performing Arts Center)	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,714,460	\$ 102,790	\$ -	\$ 64,537	\$ 3,881,787
Receivables:					
Accounts	43,706	-	-	-	43,706
Intergovernmental	1,111,158	21,473	558,584	-	1,691,215
Interfund receivable	679,341	-	-	-	679,341
Inventory	-	14,527	-	-	14,527
Prepaid items	16,750	-	-	-	16,750
Total assets	<u>\$ 5,565,415</u>	<u>\$ 138,790</u>	<u>\$ 558,584</u>	<u>\$ 64,537</u>	<u>\$ 6,327,326</u>
LIABILITIES					
Accounts payable	\$ 409,722	\$ 43,408	\$ -	\$ -	\$ 453,130
Intergovernmental payable	34,408	-	-	-	34,408
Interfund payable	-	95,382	550,706	33,253	679,341
Unearned revenue	-	-	2,511	-	2,511
Total liabilities	<u>444,130</u>	<u>138,790</u>	<u>553,217</u>	<u>33,253</u>	<u>1,169,390</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants and donations	-	-	5,367	-	5,367
FUND BALANCES					
Nonspendable	16,750	14,257	-	-	31,007
Restricted	94,297	-	-	31,284	125,581
Committed	863,093	-	-	-	863,093
Assigned	294,979	-	-	-	294,979
Unassigned	3,852,166	(14,257)	-	-	3,837,909
Total fund balances	<u>5,121,285</u>	<u>-</u>	<u>-</u>	<u>31,284</u>	<u>5,152,569</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,565,415</u>	<u>\$ 138,790</u>	<u>\$ 558,584</u>	<u>\$ 64,537</u>	<u>\$ 6,327,326</u>

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

EXHIBIT C-2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balances of governmental funds (Exhibit C-1)		\$ 5,152,569
Amounts reported for governmental activities in the Statement of Net Position are different because:		
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	\$ 4,585,964	
Deferred inflows of resources related to pensions	<u>(5,390,006)</u>	
		(804,042)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (679,341)	
Payables	<u>679,341</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(125,304)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 8,000,000	
Compensated absences	719,709	
Other postemployment benefits	2,073,957	
Net pension liability	<u>42,125,600</u>	
		<u>(52,919,266)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (48,696,043)</u></u>

EXHIBIT C-3
TIMBERLANE REGIONAL SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2015

	General	Food Service	Grants	Other Governmental Fund (Performing Arts Center)	Total Governmental Funds
REVENUES					
School district assessment	\$ 40,668,188	\$ -	\$ -	\$ -	\$ 40,668,188
Local	1,545,663	969,054	16,126	53,913	2,584,756
State	19,348,501	18,637	-	-	19,367,138
Federal	749,423	422,341	1,396,753	-	2,568,517
Total revenues	<u>62,311,775</u>	<u>1,410,032</u>	<u>1,412,879</u>	<u>53,913</u>	<u>65,188,599</u>
EXPENDITURES					
Current:					
Instruction	28,045,708	-	1,250,985	58,750	29,355,443
Support services:					
Student	3,233,343	-	-	-	3,233,343
Instructional staff	1,162,170	-	157,785	-	1,319,955
General administration	164,871	-	-	-	164,871
Executive administration	1,603,897	-	-	-	1,603,897
School administration	2,812,831	-	-	-	2,812,831
Business	56,480	-	-	-	56,480
Operation and maintenance of plant	3,568,489	-	250	-	3,568,739
Student transportation	2,746,801	-	3,859	-	2,750,660
Other	14,235,959	-	-	3,583	14,239,542
Noninstructional services	-	1,475,364	-	-	1,475,364
Debt service:					
Principal	1,600,000	-	-	-	1,600,000
Interest	462,000	-	-	-	462,000
Facilities acquisition and construction	768,797	-	-	-	768,797
Total expenditures	<u>60,461,346</u>	<u>1,475,364</u>	<u>1,412,879</u>	<u>62,333</u>	<u>63,411,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,850,429</u>	<u>(65,332)</u>	<u>-</u>	<u>(8,420)</u>	<u>1,776,677</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	65,332	-	-	65,332
Transfers out	(65,332)	-	-	-	(65,332)
Total other financing sources (uses)	<u>(65,332)</u>	<u>65,332</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,785,097	-	-	(8,420)	1,776,677
Fund balances, beginning	3,336,188	-	-	39,704	3,375,892
Fund balances, ending	<u>\$ 5,121,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,284</u>	<u>\$ 5,152,569</u>

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

EXHIBIT C-4
TIMBERLANE REGIONAL 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, 2015

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 1,776,677
Amounts reported for governmental activities in the Statement of Activities are different because:		
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (65,332)	
Transfers out	<u>65,332</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	\$ 3,654,867	
Net pension expense	<u>(3,058,259)</u>	
		596,608
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position.		
Principal repayment of bond		1,600,000
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	\$ 61,107	
Decrease in compensated absences payable	594	
Increase in other postemployment benefits	<u>(991,813)</u>	
		<u>(930,112)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 3,043,173</u></u>

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

EXHIBIT D-1
TIMBERLANE REGIONAL 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, 2015

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
School district assessment	\$ 40,668,188	\$ 40,668,188	\$ 40,668,188	\$ -
Other local	1,653,316	1,653,316	1,525,552	(127,764)
State	19,325,998	19,325,998	19,348,501	22,503
Federal	595,000	595,000	749,423	154,423
Total revenues	62,242,502	62,242,502	62,291,664	49,162
EXPENDITURES				
Current:				
Instruction	29,574,686	29,576,920	28,026,833	1,550,087
Support services:				
Student	3,449,540	3,449,381	3,232,923	216,458
Instructional staff	1,295,666	1,297,320	1,132,880	164,440
General administration	169,189	169,189	162,002	7,187
Executive administration	1,706,144	1,700,021	1,603,897	96,124
School administration	2,739,420	2,738,314	2,817,495	(79,181)
Business	55,000	55,000	56,480	(1,480)
Operation and maintenance of plant	3,914,321	3,914,321	3,344,204	570,117
Student transportation	2,889,048	2,892,548	2,749,634	142,914
Other	15,921,808	15,921,808	14,239,959	1,681,849
Debt service:				
Principal	1,600,000	1,600,000	1,600,000	-
Interest	462,000	462,000	462,000	-
Facilities acquisition and construction	616,360	616,360	934,592	(318,232)
Total expenditures	64,393,182	64,393,182	60,362,899	4,030,283
Excess (deficiency) of revenues over (under) expenditures	(2,150,680)	(2,150,680)	1,928,765	4,079,445
OTHER FINANCING USES				
Transfers out	-	-	(65,332)	(65,332)
Net change in fund balance	\$ (2,150,680)	\$ (2,150,680)	1,863,433	\$ 4,014,113
Increase in nonspendable fund balance			(11,947)	
Increase in committed fund balance			(250,000)	
Unassigned fund balance, beginning			2,250,680	
Unassigned fund balance, ending			\$ 3,852,166	

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

EXHIBIT D-2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Food Service Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Local:				
Sales	\$ 1,257,000	\$ 1,257,000	\$ 969,054	\$ (287,946)
State:				
Lunch reimbursement	18,000	18,000	18,637	637
Federal:				
Lunch reimbursement	350,000	350,000	341,991	(8,009)
USDA commodities	-	80,350	80,350	-
Total revenues	1,625,000	1,705,350	1,410,032	(295,318)
EXPENDITURES				
Current:				
Noninstructional services	1,625,000	1,705,350	1,475,364	229,986
Deficiency of revenues under expenditures	-	-	(65,332)	(65,332)
OTHER FINANCING SOURCES				
Transfers in	-	-	65,332	65,332
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 D-3
TIMBERLANE REGIONAL 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, 2015

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Local	\$ -	\$ 16,126	\$ 16,126	\$ -
Federal	1,317,500	1,396,753	1,396,753	-
Total revenues	1,317,500	1,412,879	1,412,879	-
EXPENDITURES				
Current:				
Instruction	1,317,500	1,250,985	1,250,985	-
Support services:				
Instructional staff	-	157,785	157,785	-
Operation and maintenance of plant	-	250	250	-
Student transportation	-	3,859	3,859	-
Total expenditures	1,317,500	1,412,879	1,412,879	-
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-1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2015

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 307,076
Intergovernmental receivable	320,093	-
Total assets	320,093	307,076
LIABILITIES		
Due to student groups	-	307,076
NET POSITION		
Held in trust for specific purposes	\$ 320,093	\$ -

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

EXHIBIT E-2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
New funds	\$ 4,891
Interest	30
Total revenue	<u>4,921</u>
Deductions:	
Scholarships	<u>(16,371)</u>
Change in net position *	(11,450)
Net position, beginning	331,543
Net position, ending	<u><u>\$ 320,093</u></u>

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

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A Reporting Entity

The Timberlane Regional School District, in Plaistow, New Hampshire (the School District) is a municipal corporation governed by an elected nine-member 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 long-term liabilities, with the exception of the capital assets and related accumulated depreciation which have not been valued at historical cost, 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, with the exception of depreciation expense on the capital assets as noted above, 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 three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital 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. The School District has presented all major funds that met those qualifications.

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 School District’s deferred inflows of resources are noncurrent.) 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 measureable 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.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Net Position. These funds account for resources held by the School District for the benefit of other parties, and include the private purpose trust funds and agency funds. Fiduciary funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

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.

Food Service Fund – accounts for the operation of the School District’s food service program.

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 Fund – The School District also reports one nonmajor governmental fund, the Performing Arts Center fund.

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 policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources are available for use, 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.

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.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-E Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-F Inventory

The inventories of the School District are valued at cost (first-in, first-out), which approximates market. The inventories of the School District's food service fund consist of materials and supplies held for subsequent use. The cost of these inventories is expended when consumed rather than when purchased.

1-G 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-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 (expense) 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 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-J Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

In the fund financial statements, governmental fund types report the face amount of the debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-K Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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 or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Since the School District has not reported its capital assets, this amount represents the long-term debt outstanding, and is reported as a negative number.

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.

1-M 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). 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.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-N 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.

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, food service, and grants funds. 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 2015, \$2,150,680 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:	
Per Exhibit D-1 (budgetary basis)	\$ 62,291,664
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the expendable trust funds	95
Miscellaneous revenue of blended funds	20,016
Per Exhibit C-3 (GAAP basis)	<u>\$ 62,311,775</u>
	<i>(Continued)</i>

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 60,428,231
Adjustments:	
Basis difference:	
Encumbrances, beginning	390,546
Encumbrances, ending	(294,979)
GASB Statement No. 54:	
Expenditures of blending funds	2,880
Per Exhibit C-3 (GAAP basis)	<u>\$ 60,526,678</u>

2-C Change in Accounting Principle

Effective July 1, 2014, the School District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The requirements of this Statement change the way the School District calculates and reports the costs and obligations associated with postemployment benefits other than pensions. As a result of implementing GASB Statement No. 45, the School District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$1,082,144 (see Note 12). The reduction accounts for the other postemployment benefits liability.

In addition, effective July 1, 2014, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the School District calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68, the School District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$43,526,250 (see Note 12). The reduction accounts for the associated net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

Also, the School District adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement addresses an issue in GASB Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are 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 \$4,186,937 and the bank balances totaled \$6,104,801. Petty cash totaled \$1,931.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 3,881,787
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	307,076
Total cash and cash equivalents	<u>\$ 4,188,863</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2015, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, and other amounts. 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.

TIMBERLANE REGIONAL SCHOOL DISTRICT
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NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2015, are as follows:

Receivable Fund	Payable Fund	Amount
General	Food service	\$ 95,382
General	Grants	550,706
General	Nonmajor	33,253
		<u>\$ 679,341</u>

The interfund transfer in the amount of \$65,332 during the year ended June 30, 2015 was made from the general fund to cover the deficit balance in the food service fund.

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.

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$4,585,964, and deferred inflows of resources of \$5,390,006, both related to pensions, are discussed in Note 13. In addition, grant and donation deferred inflows of resources reported in the governmental funds for unavailable revenues consist of \$5,367 which represents revenues collected in advance of eligible expenditures.

NOTE 7 – OPERATING LEASE OBLIGATIONS

The School District is committed under a noncancelable operating lease agreement with Conway Office Solutions, which leased four Konica Minolta 951 photocopiers to the School District. These lease payments are recorded in the general fund, on a monthly basis at an amount of \$2,128 per month. As of June 30, 2015, 22 months remained on this lease obligation. Future minimum operating lease commitments are as follows:

Fiscal Year Ending	Principal
June 30,	
2016	\$ 25,536
2017	21,280
Totals	<u>\$ 46,816</u>

NOTE 8 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
General obligation bond payable	\$ 9,600,000	\$ -	\$ (1,600,000)	\$ 8,000,000	\$ 1,600,000
Compensated absences	720,303	26,786	(27,380)	719,709	-
Net other postemployment benefits	1,082,144	991,813	-	2,073,957	-
Total long-term liabilities	<u>\$ 11,402,447</u>	<u>\$ 1,018,599</u>	<u>\$ (1,627,380)</u>	<u>\$ 10,793,666</u>	<u>\$ 1,600,000</u>

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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, 2015
General obligation bond payable:					
School renovations	\$ 32,000,000	2000	2020	4.50 - 5.25%	<u>\$ 8,000,000</u>

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,600,000	\$ 378,000	\$ 1,978,000
2017	1,600,000	294,000	1,894,000
2018	1,600,000	210,000	1,810,000
2019	1,600,000	126,000	1,726,000
2020	1,600,000	42,000	1,642,000
Totals	<u>\$ 8,000,000</u>	<u>\$ 1,050,000</u>	<u>\$ 9,050,000</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 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2015 are as follows:

Current:	
Instruction:	
Regular programs	\$ 9,657
Special programs	7,143
Vocational programs	34,745
Other	284
Total instruction	<u>51,829</u>
Support services:	
Student	445
Instructional staff	23,741
General administration	1,612
School administration	5,272
Operation and maintenance of plant	29,395
Student transportation	12,890
Other	4,000
Total support services	<u>77,355</u>
Facilities acquisition and construction	<u>165,795</u>
Total encumbrances	<u>\$ 294,979</u>

TIMBERLANE REGIONAL SCHOOL DISTRICT
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NOTE 10 – GOVERNMENTAL ACTIVITIES NET POSITION

The governmental activities net position at June 30, 2015 consisted of the following:

Net investment in capital assets:		
Net property, buildings, and equipment	\$	-
Less:		
General obligation bond payable		(8,000,000)
Total net investment in capital assets		(8,000,000)
Restricted for performing arts center		31,284
Unrestricted		(40,727,327)
Total net position	\$	(48,696,043)

NOTE 11 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2015 consist of the following:

Nonspendable:		
Major funds:		
General:		
Prepaid items	\$	16,750
Food service:		
Inventory		14,257
Total nonspendable fund balance		\$ 31,007
Restricted:		
Major fund:		
General:		
Gate receipts	\$	94,297
Nonmajor fund:		
Performing arts center		31,284
Total restricted fund balance		125,581
Committed:		
Major fund:		
General:		
Expendable trust	\$	613,093
Voted appropriation - March 2015		250,000
Total committed fund balance		863,093
Assigned:		
Major fund:		
General:		
Encumbrances		294,979
Unassigned:		
Major fund:		
General		
Fund balance retention (RSA 198:4-b11)	\$	3,252,166
Food service (deficit)		600,000
Total unassigned fund balance		(14,257)
Total unassigned fund balance		3,837,909
Total governmental fund balances	\$	5,152,569

TIMBERLANE REGIONAL SCHOOL DISTRICT
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NOTE 12 – PRIOR PERIOD ADJUSTMENTS

Net position at July 1, 2014 was restated to give retroactive effect for the following adjustments:

	Government-wide Statements
To record the deferred outflows of resources for implementation of GASB Statements No. 68 and No. 71	\$ 3,640,924
To record the other postemployment benefits liability for implementation of GASB Statement No. 45	(1,082,144)
To record the net pension liability for implementation of GASB Statements No. 68 and No. 71	(47,167,174)
Net position, as previously reported	(7,130,822)
Net position, as restated	<u>\$ (51,739,216)</u>

NOTE 13 – 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.

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 1/4 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.

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 2015, the School District contributed 14.16% for teachers and 10.77% for other employees. The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$3,313,327, \$4,212,274, and \$4,234,503, respectively, which were paid in full in each year.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015 the School District reported a liability of \$42,125,600 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2014, the School District's proportion was 1.12227624% which was an increase of 0.02632976% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$3,058,259. At June 30, 2015, 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	\$ 931,097	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	5,390,006
Contributions subsequent to the measurement date	3,654,867	-
Total	<u>\$ 4,585,964</u>	<u>\$ 5,390,006</u>

The \$3,654,867 reported as deferred outflows of resources related to pensions results from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. 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	\$ (1,145,423)
2017	(1,145,423)
2018	(1,145,423)
2019	122,781
Totals	<u>\$ (3,313,487)</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2013, using the following actuarial assumptions which, accordingly apply to both 2014 and 2013 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, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

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.

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Following is a table presenting target allocations and long-term rates of return for 2014 and 2013:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2014	2013
Large Cap Equities	22.50%	3.25%	3.75%
Small/Mid Cap Equities	7.50%	3.25%	4.00%
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.25%	4.75%
Emerging Int'l Equities	7.00%	6.50%	6.75%
Total international equity	20.00%		
Core Bonds	18.00%	(0.47%)	(0.96%)
High-Yield Bonds	1.50%	1.50%	2.00%
Global Bonds (unhedged)	5.00%	(1.75%)	(2.25%)
Emerging Market Debt (external)	0.50%	2.00%	1.00%
Total fixed income	25.00%		
Private equity	5.00%	5.75%	6.00%
Private debt	5.00%	5.00%	5.50%
Real estate	10.00%	3.25%	3.00%
Opportunistic	5.00%	2.50%	2.63%
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, 2013	\$ 60,469,307	\$ 47,167,174	\$ 35,985,479
June 30, 2014	\$ 55,486,269	\$ 42,125,600	\$ 30,853,877

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.

TIMBERLANE REGIONAL SCHOOL DISTRICT
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NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to providing pension benefits, the School District provides post-employment health care and life insurance benefits to its eligible retirees and their spouses. The School District provides medical, prescription drug, mental health, and substance abuse benefits, as well as life insurance, to retirees and their covered dependents. Retirees under the age of 65 have a choice for a medical insurance plan of Matthew Thornton HMO or Blue Choice POS. Retirees over the age of 65 can enroll in the one of many Medicare Supplemental Plans. NOTE – since there is no implied subsidy for retirees over the age of 65, post 65 benefits are excluded from the OPEB calculation for all employees except for employees covered by the Hampstead Education Association Contract.

To qualify for these benefits employees must meet one of the following eligibility requirements:

Employees hired before July 1, 2011 qualify for benefits by meeting the one of the following eligibility criteria: age 60 regardless of years of creditable service, or age 50 with at least 10 years of creditable service, or at any age if have at least 20 years of creditable service and sum of age and years of creditable service is at least 70.

Employees hired on or after July 1, 2011 qualify for benefits by meeting the one of the following eligibility criteria: age 64 regardless of years of creditable service, or age 60 with at least 30 years of creditable service.

As of July 1, 2014, the most recent actuarial valuation date, approximately 24 retirees, and 698 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs and Net OPEB Obligation

The School District's fiscal June 30, 2015 ending annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined 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 the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the School District's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the School District's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Funding Policy - The School District offers benefits that require the retiree to pay 100% of the cost of premiums. The Underlying OPEB obligation for the district arises from an implied subsidy based on the fact that the benefits provided to the active and retirees employees are identical. As a result, the active employees are subsidizing the cost of the benefits provided to the retired employees. The funding policy used by the school is based on the pay-as-you-go methodology with the exception that the funding for the cost of retiree benefits is recognized annually through the payment of the premiums for the active employees. This funding practice results in no Net OPEB Obligation being carried to the balance sheet for the retirees.

As of July 1, 2014, the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$9,373,010 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$9,373,010. The covered payroll (annual payroll of active employees covered by the plan) was \$32,269,017, and the ratio of the UAL to the covered payroll was 29.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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The following table presents the OPEB cost for the year, the amount contributed, and changes in the OPEB plan for fiscal year 2015:

Annual required contribution/OPEB cost	\$ 1,057,301
Interest on net OPEB obligation	37,875
Adjustment to annual required contribution	<u>(57,834)</u>
Annual OPEB cost (expense)	1,037,342
Contributions made	<u>(45,529)</u>
Increase in net OPEB obligation	991,813
Net OPEB obligation - beginning of year	<u>1,082,144</u>
Net OPEB obligation - end of year	<u><u>\$ 2,073,957</u></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 2015 and the preceding year was as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2015	\$ 1,082,144	\$ 45,529	4.21%	\$ 2,073,957
June 30, 2014	\$ 1,136,776	\$ 54,632	4.81%	\$ 1,082,144

As of July 1, 2014, the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$9,373,010 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$9,373,010. The covered payroll (annual payroll of active employees covered by the plan) was \$32,269,017, and the ratio of the UAL to the covered payroll was 29.0%. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefit Plan, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information (since this is the first year of reporting, only one year is reflected) about whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

Actuarial Methods and Assumptions – In the July 2014 valuation, the Projected Unit Credit Method cost method was used. The assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The projected annual health care cost trend is 1.80% to 3.24% in the first year, increased to 7.00% for the second year and then reduced by annual decrements of 1.00% to an ultimate rate of 5.00%. The UAAL is being amortized as a level dollar amount over an open basis. The amortization period for active employees is 30 years. For retired employees the amortization period is 10 years, based on the minimum period allowed by GASB 45.

The annual healthcare cost trend rates below were applied:

Fiscal Year Ending June 30,	Medical
2016	9.00%
2017	8.00%
2018	7.00%
2019	6.00%
2020	5.00%

The amortization period for active employees is 30 years. For retired employees, the amortization period is 10 years, based on the minimum period allowed by GASB No. 45.

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NOTE 15 – 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 its members.

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, 2014 to June 30, 2015 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 School District billed and paid for the year ended June 30, 2015 was \$165,992 for workers' compensation and \$174,967 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 16 – 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 17 – USDA FOOD COMMODITIES

The food service program received \$80,350 in nonmonetary assistance for the 2014-2015 fiscal year from the Department of Agriculture. This is reported at fair market value on the date received and has been reported as both a revenue and expenditure in the food service fund.

NOTE 18 – 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 July 28, 2016, the date the June 30, 2015 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2015

Fiscal Year	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, 2015	July 1, 2014	\$ -	\$ 9,373,010	\$ 9,373,010	0.00%	\$ 32,269,017	29.05%
June 30, 2014	July 1, 2013	\$ -	\$ 9,580,289	\$ 9,580,289	0.00%	\$ 31,629,637	30.29%

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

EXHIBIT G
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
For the Fiscal Year Ended June 30, 2015

Fiscal Year	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, 2015	July 1, 2014	1.12227624%	\$ 42,125,600	\$ 31,246,536	134.82%	59.81%
June 30, 2014	July 1, 2013	1.09594648%	\$ 47,167,174	\$ 30,663,543	153.82%	66.32%

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

EXHIBIT H
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of School District Contributions of Net Pension Liability
For the Fiscal Year Ended June 30, 2015

<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>Contractually Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2015	July 1, 2014	\$ 3,640,924	\$ 3,640,924	\$ -	\$ 31,246,536	11.65%
June 30, 2014	July 1, 2013	\$ 2,725,111	\$ 2,725,111	\$ -	\$ 30,663,543	8.89%

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

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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, 2015, and the preceding year.

Key Assumptions:

Census Collection Date	July 1, 2014
Discount Rate	3.50%
June 30, 2014 Inflation Rate	10.00%
June 30, 2015 Inflation Rates	1.80% to 3.24%
Year 3 Inflation Rate	9.00%
Ultimate Inflation Rate	5.00%
Year Ultimate Inflation Rate	06/30/2020
Actuarial Cost Method	Projected Unit Credit

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, 2015.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2014:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 years beginning July 1, 2014
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	4.29% 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.
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 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE I
TIMBERLANE REGIONAL SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 40,668,188	\$ 40,668,188	\$ -
Other local sources:			
Tuition	627,600	532,615	(94,985)
Investment income	2,000	1,630	(370)
Impact fees	144,515	144,515	-
Miscellaneous	879,201	846,792	(32,409)
Total from other local sources	1,653,316	1,525,552	(127,764)
State sources:			
Adequacy aid (grant)	11,384,288	11,384,289	1
Adequacy aid (tax)	6,196,900	6,196,900	-
School building aid	1,103,810	1,103,811	1
Catastrophic aid	627,000	607,110	(19,890)
Vocational aid	14,000	38,625	24,625
Other state aid	-	17,766	17,766
Total from state sources	19,325,998	19,348,501	22,503
Federal sources:			
Medicaid	575,000	632,195	57,195
Other	20,000	117,228	97,228
Total from federal sources	595,000	749,423	154,423
Total revenues	62,242,502	\$ 62,291,664	\$ 49,162
Fund balance used to reduce school district assessment	2,150,680		
Total revenues and use of fund balance	\$ 64,393,182		

SCHEDULE 2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 54,147	\$ 19,502,504	\$ 18,774,372	\$ 9,657	\$ 772,622
Special programs	13,031	8,852,854	8,332,831	7,143	525,911
Vocational programs	-	61,000	40,725	34,745	(14,470)
Adult and community programs	646	171,954	139,517	-	33,083
Other	-	988,608	755,383	284	232,941
Total instruction	67,824	29,576,920	28,042,828	51,829	1,550,087
Support services:					
Student	865	3,449,381	3,233,343	445	216,458
Instructional staff	53,031	1,297,320	1,162,170	23,741	164,440
General administration	4,481	169,189	164,871	1,612	7,187
Executive administration	-	1,700,021	1,603,897	-	96,124
School administration	608	2,738,314	2,812,831	5,272	(79,181)
Business	-	55,000	56,480	-	(1,480)
Operation and maintenance of plant	253,680	3,914,321	3,568,489	29,395	570,117
Student transportation	10,057	2,892,548	2,746,801	12,890	142,914
Other	-	15,921,808	14,235,959	4,000	1,681,849
Total support services	322,722	32,137,902	29,584,841	77,355	2,798,428
Debt service:					
Principal of long-term debt	-	1,600,000	1,600,000	-	-
Interest on long-term debt	-	462,000	462,000	-	-
Total debt service	-	2,062,000	2,062,000	-	-
Facilities acquisition and construction	-	616,360	768,797	165,795	(318,232)
Other financing uses:					
Transfers out	-	-	65,332	-	(65,332)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 390,546	\$ 64,393,182	\$ 60,523,798	\$ 294,979	\$ 3,964,951

SCHEDULE 3
TIMBERLANE REGIONAL SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2015

Unassigned fund balance, beginning		\$ 2,250,680
Changes:		
Fund balance used to reduce school district assessment		(2,150,680)
2014-2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 49,162	
Unexpended balance of appropriations (Schedule 2)	3,964,951	
2014-2015 Budget surplus		4,014,113
Increase in nonspendable fund balance		(11,947)
Increase in committed fund balance		(250,000)
Total unassigned fund balance, ending (Non-GAAP budgetary basis) (Exhibit D-1)		3,852,166
<i>Adjustment to reconcile to unassigned fund balance returned to reduce school district assessment</i>		
Portion of unassigned fund balance retained per RSA 198:4-bII		(600,000)
Unassigned fund balance, ending		<u>\$ 3,252,166</u>

SCHEDULE 4
TIMBERLANE REGIONAL SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2015

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Timberlane Regional High School	\$ 154,140	\$ 441,391	\$ 412,480	\$ 183,051
Timberlane Regional Middle High School	24,637	168,987	169,623	24,001
Atkinson Academy	16,963	24,717	24,859	16,821
Danville Elementary School	31,557	17,121	13,896	34,782
Sandown Central School	4,284	8,860	9,116	4,028
Pollard School	27,308	39,971	33,861	33,418
Sandown North School	8,214	29,962	27,201	10,975
Totals	<u>\$ 267,103</u>	<u>\$ 731,009</u>	<u>\$ 691,036</u>	<u>\$ 307,076</u>

SCHEDULE 5
TIMBERLANE REGIONAL SCHOOL DISTRICT
High School Student Activities Fund
Schedule of Changes in Student Activity Fund
For the Fiscal Year Ended June 30, 2015

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Advanced Placement Program	\$ 2,519	\$ 250	\$ 750	\$ 2,019
Adventure Club	59	-	-	59
Art Department/Misc Supplies	24	-	-	24
Art Honor Society	889	575	184	1,280
Athletic Department	569	48,716	49,054	231
Athletic Gate Receipts	-	20,126	20,126	-
Athletic Tournaments	5	2,025	1,912	118
Band & Chorus	900	23,556	23,122	1,334
Best Buddies	290	2,688	1,563	1,415
Business Book Revenue	10	-	-	10
Business Honor Society	231	100	94	237
Class of 2014	8,223	40	8,263	-
Class of 2015	14,541	54,230	58,790	9,981
Class of 2016	4,271	16,948	8,043	13,176
Class of 2017	1,378	1,568	1,642	1,304
Class of 2018	500	5,522	3,121	2,901
Class of 2019	-	1,040	-	1,040
Comedy Club	268	135	100	303
Destination Imagination	3,655	-	-	3,655
Drama Club	9,442	11,687	12,379	8,750
Drug Prevention	71	-	-	71
Echos Club	609	228	240	597
English Field Trips	445	9,437	9,232	650
English Department - Textbook	28	50	-	78
English Honor Society	1,003	1,131	129	2,005
Equestrian Club	-	2,422	2,164	258
French Honor Society	224	353	196	381
GAPP	120	26	132	14
Gay - Straight Alliance	167	40	29	178
General Account	2,162	4,685	4,684	2,163
Guidance Department	871	5,767	5,585	1,053
Guidance/Miscellaneous	79	210	229	60
Habitat For Humanity	121	-	-	121
History Book Revenue	707	-	-	707
Home Economics	14	234	240	8
Home Economics Department	6	-	-	6
Library Fund	152	148	212	88
Literary Magazine	80	-	-	80
Lost Books	-	528	516	12
Math Book Revenue	277	-	-	277
Math Field Trips	88	-	-	88
Math Honor Society	2,535	2,664	2,203	2,996
Mealey Meals	19,839	14,977	11,198	23,618
Model UN	3,132	830	1,234	2,728
Music Department - Lessons	592	-	-	592
Musical	14,312	18,511	19,920	12,903
National Honor Society	374	970	268	1,076
Newspaper - The Scribe	157	-	-	157
Parking Stickers	9,119	6,412	3,018	12,513
Peer Outreach	947	915	1,186	676
Players Scholarship	40	-	-	40

(Continued)

SCHEDULE 5 (Continued)
TIMBERLANE REGIONAL SCHOOL DISTRICT
High School Student Activities Fund
Schedule of Changes in Student Activity Fund
For the Fiscal Year Ended June 30, 2015

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Poetry Slam	1,386	-	-	1,386
Postage/Miscellaneous	1,162	-	235	927
Principal's Account	3,358	1,864	3,181	2,041
Rho Kappa Honor Society	1,959	5,811	5,387	2,383
SADD	308	-	-	308
Science Book Revenue	34	-	-	34
Science Field Trips	248	63	57	254
Scholarship Program	1,173	50,574	47,820	3,927
Snow Riders	606	13,125	12,350	1,381
Spanish Book Revenue	361	-	-	361
Spanish Honor Society	744	175	274	645
Special Education Department	2,429	750	468	2,711
SS. Field Trips	588	2,280	1,755	1,113
Staff Activity Fund	713	-	-	713
Student Council	1,151	19,494	20,061	584
Student of Service	193	-	-	193
Student Store	3,631	6,093	5,165	4,559
Temporary Projects	20,466	35,413	16,184	39,695
TRHS Dance Team	1,003	9,349	9,412	940
Tri-M Music Honor Society	1,313	775	1,184	904
Ultimate Frisbee	146	50	-	196
US First (Robotics)	140	-	-	140
Vending Machine - Students	446	3,059	3,270	235
Vending Machine - Athletics	77	194	124	147
Vending Machine - Faculty	545	3,224	3,554	215
Vending Machine - Gym Lobby	253	-	-	253
Vending Machine - Music	1,816	4,795	5,725	886
WKID	723	-	-	723
WL Field Trips	161	-	-	161
Woodshop Recycle	435	165	147	453
Yearbook	527	24,321	24,332	516
Youth and Government	-	73	37	36
Totals	\$ 154,140	\$ 441,391	\$ 412,480	\$ 183,051

SCHEDULE 6
TIMBERLANE REGIONAL SCHOOL DISTRICT
Middle High School Student Activity Fund
Schedule of Changes in Student Activity Fund
For the Fiscal Year Ended June 30, 2015

Name of Account	Beginning Balance (Deficit)	Additions	Deductions	Ending Balance (Deficit)
6 Adventurers	\$ -	\$ 3,088	\$ 3,088	-
6 Builders	-	3,111	3,111	-
6 Champions	-	3,345	3,345	-
6 Rangers	-	3,558	3,558	-
6a - Camp Lincoln	-	3,339	3,339	-
6b - Camp Lincoln	-	3,339	3,339	-
6c - Camp Lincoln	-	3,624	3,624	-
6d - Camp Lincoln	-	3,922	3,922	-
7a Bengals	-	4,409	4,409	-
7b - Explorers	-	3,248	3,248	-
7c - Cardinals	-	3,583	3,583	-
7d- Dragons	-	3,472	3,472	-
8a- Annapolis	-	7,555	7,555	-
8b- Boston College	-	7,378	7,378	-
8c- Cornell	-	7,616	7,616	-
ART	208	-	-	208
Athletic	1,384	-	45	1,339
Athletic Officials	999	11,608	11,172	1,435
Basketball Fundrasier	2	-	-	2
Book Fund	539	-	126	413
Bridson's Kids	62	243	263	42
Camp Lincoln	1,408	14,457	12,714	3,151
Character Development	2,130	-	551	1,579
Checking Other	535	-	-	535
Coca-Cola	1,455	5,130	5,744	841
Destination Imagination	213	-	25	188
District Wellness	597	-	98	499
Ferry Beach 7th Grade	45	-	-	45
French Trip	3,925	11,715	12,032	3,608
General Account	557	2,327	2,307	577
Guidance	155	-	-	155
Images	1,227	-	-	1,227
Library	826	10,521	10,498	849
Magazine	1,601	13,571	13,763	1,409
Memory Book	(2,398)	10,085	10,583	(2,896)
Music	666	10	61	615
Newspaper	363	-	-	363
Principal's Account	3,991	1,057	2,179	2,869
Recycle	580	-	-	580
Sewing	147	-	90	57
Ski Club	468	13,413	12,812	1,069
Social Marketing	1	-	-	1
SOS	64	-	-	64
Special Education	1,941	-	232	1,709
Student Council	379	4,370	3,950	799
Student Fundraiser	368	2,186	2,085	469
Team Leadership	47	-	-	47
Wellness	128	-	-	128
X Country/Wrestling	24	3,707	3,706	25
Total	\$ 24,637	\$ 168,987	\$ 169,623	\$ 24,001

SCHEDULE 7
TIMBERLANE REGIONAL SCHOOL DISTRICT
Atkinson Academy Student Activity Fund
Schedule of Changes in Student Activity Fund
For the Fiscal Year Ended June 30, 2015

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Crisis Fund	\$ 493	\$ 1,050	\$ 668	\$ 875
Drama	8	-	-	8
Field Trip Grade 1	76	-	-	76
Field Trip Grade 2	1,212	2,106	2,632	686
Field Trip Grade 3	1,103	1,080	846	1,337
Field Trip Grade 4	265	-	45	220
Field Trip Grade 5	673	555	972	256
Fifth Grade Celebration	1,079	1,192	1,224	1,047
General Fund	4,093	7,989	8,967	3,115
Library	1,504	7,150	6,299	2,355
Music	54	-	-	54
Pepsi	147	514	569	92
SPED	3,770	-	-	3,770
Student Council	137	-	-	137
Sunshine	2,349	3,081	2,637	2,793
Total	<u>\$ 16,963</u>	<u>\$ 24,717</u>	<u>\$ 24,859</u>	<u>\$ 16,821</u>

SCHEDULE 8
TIMBERLANE REGIONAL SCHOOL DISTRICT
Danville Elementary School Student Activity Fund
Schedule of Changes in Student Activity Fund
For the Fiscal Year Ended June 30, 2015

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Art Fundraising	\$ 1,753	\$ 1,362	\$ 298	\$ 2,817
ASD	3,662	500	107	4,055
Box Tops	3,496	721	606	3,611
Coca Cola	346	381	173	554
Destination Imagination	560	-	-	560
Enrichment	4,392	500	1,494	3,398
Field Trips	2,433	3,866	3,214	3,085
General B2177	5,209	259	41	5,427
Interest	1	-	1	-
Library	1,083	3,913	3,971	1,025
Principal's Fund	3,760	1,487	811	4,436
Recycled Cartridges	10	-	10	-
Santa Fund	2,381	-	-	2,381
School Store	583	317	304	596
Student Activities	1,021	2,346	1,188	2,179
Student council	513	-	-	513
Sunshine	354	1,469	1,678	145
Total	<u>\$ 31,557</u>	<u>\$ 17,121</u>	<u>\$ 13,896</u>	<u>\$ 34,782</u>

SCHEDULE 9
TIMBERLANE REGIONAL SCHOOL DISTRICT
Sandown Central School Student Activity Fund
Schedule of Changes in Student Activity Fund
For the Fiscal Year Ended June 30, 2015

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Box Top	\$ 533	\$ -	\$ 256	\$ 277
Enrichment	28	-	-	28
Fifth Grade Field Trips	126	977	936	167
Fourth Grade Field Trips	47	926	821	152
Fundraiser account	45	-	-	45
Garden Donations	39	-	-	39
Hannaford	45	-	28	17
Hoops for Heart	-	157	157	-
Jump Rope for Heart	-	73	73	-
Library	22	3,652	3,667	7
Pennies for Patients	50	-	-	50
Picture	315	418	635	98
Recycled Cartridges	115	-	57	58
Recycled Paper	144	67	-	211
Salem Animal Rescue League	-	520	520	-
School Mall Fundraiser	148	-	26	122
School Store	2,538	945	860	2,623
Schoolwide Field Trip	-	1,080	1,080	-
Special Needs Donation	68	-	-	68
Target	21	45	-	66
Total	<u>\$ 4,284</u>	<u>\$ 8,860</u>	<u>\$ 9,116</u>	<u>\$ 4,028</u>

SCHEDULE 10
TIMBERLANE REGIONAL SCHOOL DISTRICT
Pollard School Student Activity Fund
Schedule of Changes in Student Activity Fund
For the Fiscal Year Ended June 30, 2015

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Assemblies	\$ 9,437	\$ -	\$ -	\$ 9,437
Charity	-	1,660	1,660	-
Climate	625	1,002	1,004	623
Coffee	78	290	286	82
Every Day Math	175	-	-	175
General School	5,807	1,239	798	6,248
Grade 1	-	1,341	683	658
Grade 2	665	1,276	939	1,002
Grade 3	241	928	249	920
Grade 4	62	1,655	1,686	31
Grade 5	607	2,791	1,618	1,780
Grade 5 Parent Committee	159	4,801	4,606	354
Homework Club	1,228	-	-	1,228
Kids Helping Kids	1,700	452	353	1,799
Kindergarten	-	311	-	311
Library	2,472	7,833	8,085	2,220
Literacy	136	-	-	136
Music	60	-	-	60
Pat Peters Scholarship Fund	1,190	-	-	1,190
Principal/Coca-Cola/Recycle	981	1,809	1,116	1,674
Run of Savages	-	11,355	9,984	1,371
Science	384	156	-	540
Ski Club	199	-	-	199
Social Committee	37	-	-	37
SPED	694	500	254	940
Student Council	137	-	128	9
Student Incentives	207	-	-	207
Volunteer Luncheon	27	572	412	187
Totals	\$ 27,308	\$ 39,971	\$ 33,861	\$ 33,418



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the School Board
Timberlane Regional School District
Plaistow, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Timberlane Regional School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Timberlane Regional School District's basic financial statements, and have issued our report thereon dated July 28, 2016. Our report on the financial statements of the governmental activities was adverse as indicated therein.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Timberlane Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Timberlane Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Timberlane Regional School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Timberlane Regional School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

July 28, 2016



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Members of the School Board
Timberlane Regional School District
Plaistow, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Timberlane Regional School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Timberlane Regional School District's major federal programs for the year ended June 30, 2015. The Timberlane Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Timberlane Regional School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Timberlane Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Timberlane Regional School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Timberlane Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Timberlane Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that

Timberlane Regional School District

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133

are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Timberlane Regional School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



PLODZIK & SANDERSON
Professional Association

July 28, 2016

SCHEDULE I
TIMBERLANE REGIONAL SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

**Auditor
Reference
Number**

**U.S. Department of Education passed through the State of New Hampshire Department of Education:
84.010 Title I Grants to Local Educational Agencies**

2014-001 **Criteria:** The State of New Hampshire, Department of Education (NH DOE) *Federal Funds Handbook* states that equipment is any tangible personal property having an acquisition cost of \$250 or more per unit and a useful life of more than one year. Any item meeting this criterion is required to be tagged with an inventory sticker. It further states that individual property records must be accurately maintained and contain the following: local identification number; a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; federal project title and project number; vendor name; percentage of federal funds used in the purchase of the equipment; location, use, and condition of the equipment and date information was reported; and ultimate disposition data, including the sale price or the method used to determine current fair market value.

Condition: During our testing, we noted that the School District's Title I program did not inventory or sticker any of the equipment items purchased with federal funds in the fiscal year. There were a total of 43 equipment items purchased.

Cause: The School District's Title I program was not aware of the NH DOE equipment requirements.

Effect: The School District's Title I program is not in compliance with equipment requirements.

Recommendation: We recommend that the School District ensure that all equipment items purchased be included on a federal equipment inventory listing and that the items be tagged with inventory stickers.

Management Response: A new Title I Coordinator was appointed at the beginning of the 2014-2015 school year. This Coordinator has been trained by the Department of Education regarding Title I responsibilities.

Status: Corrective action has been taken.

2014-002 **Criteria:** According to School District policy in order for a student to receive Title I services a permission slip must be signed by a parent allowing the student to enroll in the program.

Condition: During eligibility testing, we noted that three out of thirty-four parental permission slips could not be located.

Cause: The school in question held a Title I informational meeting with parents; however, signed parental permission slips were either not obtained or retained by the school.

Effect: The School District's Title I program is not in compliance with eligibility requirements.

Recommendation: We recommend that the School District ensure that parental permission slips are received and retained for all students receiving Title I services.

Management Response: A new Title I Coordinator was appointed at the beginning of the 2014-2015 school year. This Coordinator has been trained by the Department of Education regarding Title I responsibilities.

Status: Corrective action has been taken.

SCHEDULE II
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified opinion on each major fund and aggregate remaining fund information; and an adverse opinion on governmental activities.

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I Grants to Local Educational Agencies</u>
<u>84.027 and 84.173</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE III
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of New Hampshire Department of Education			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	N/A	\$ 43,237
National School Lunch Program (<i>note 3</i>)	10.555	N/A	379,104
<i>CLUSTER TOTAL</i>			<u>422,341</u>
Fresh Fruit and Vegetable Program	10.582	N/A	<u>21,321</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through the State of New Hampshire Department of Education			
Title I Grants to Local Educational Agencies:			
Title I - Part A	84.010	40142	77,098
Title I - Part A	84.010	50142	332,808
<i>PROGRAM TOTAL</i>			<u>409,906</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States	84.027	52503	812,054
Special Education - Preschool Grants	84.173	52503	23,962
<i>CLUSTER TOTAL</i>			<u>836,016</u>
English Language Acquisition State Grants	84.365	50814	<u>2,780</u>
Improving Teacher Quality State Grants:			
TITLE II Part A	84.367	44945	117,439
TITLE II Part A	84.367	48864	9,289
<i>PROGRAM TOTAL</i>			<u>126,728</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,819,092</u></u>

The accompanying notes are an integral part of this schedule.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Timberlane Regional School District under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Timberlane Regional School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Timberlane Regional School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2015 the value of food donations received was \$80,350.