

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
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## **PLODZIK & SANDERSON**

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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 the aggregate remaining fund information of the Timberlane Regional School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Timberlane Regional School District, as of June 30, 2016, 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.

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

***Other Matters***

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-11), the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 40), the Schedule of District's Proportionate Share of Net Pension Liability (page 41), and the Schedule of School District Contributions (page 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**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 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund 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 procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017, on our consideration of 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.

March 2, 2017



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, 2016**

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 12-13 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 14-17 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 21-22 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 23-39 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 40-43 of this report. Additional schedules relating to the General Fund and Fiduciary Funds can be found at pages 44-47. Schedule of Expenditures of Federal Awards and accompanying notes can be found at pages 52-53.

### **Financial Highlights**

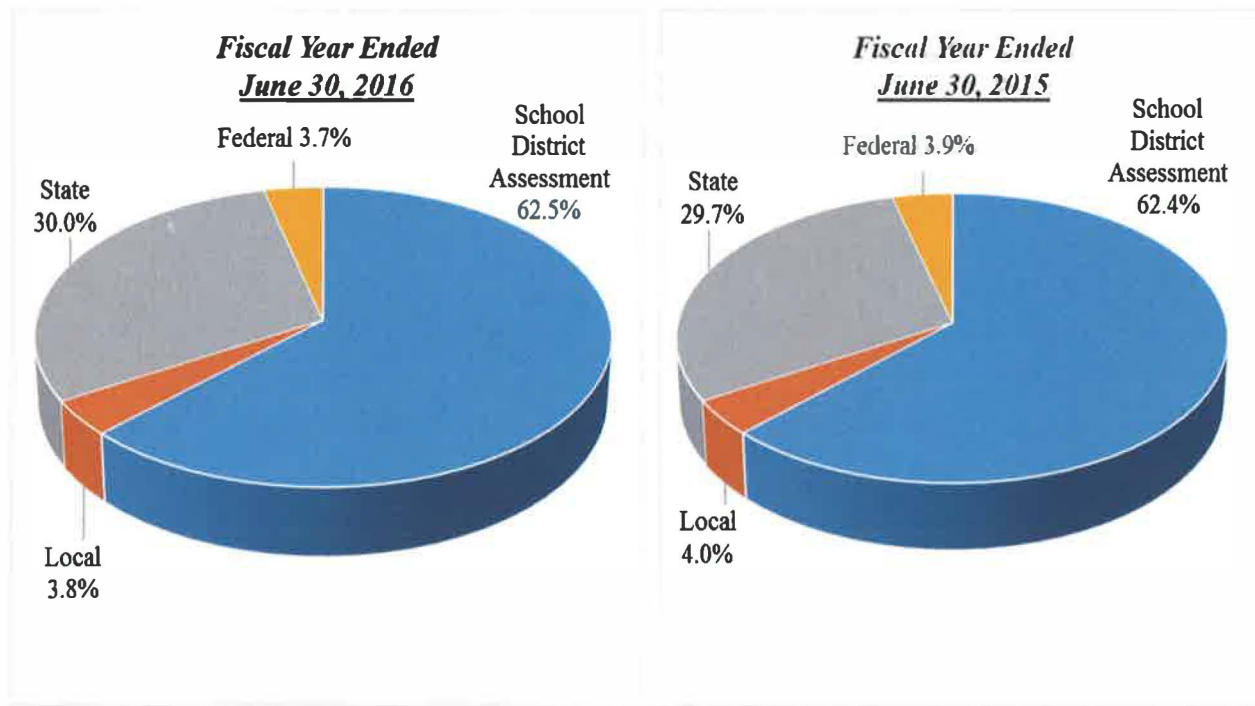
- Total Government Funds Expenditures increased by \$1,156,839, or 1.82% from \$63,411,922 in 2014-15 to \$64,568,761 in 2015-16 largely due to an increase in support services resulting from non-discretionary increases in teacher and non-teacher retirement and group insurance.
- Revenue recognized in fiscal year 2015-16 by the District's general fund amounted to \$121,979 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 \$200,000 to be held as fund balance retention pursuant to RSA 198L4-bii in fiscal year 2015-16. The fiscal year 2014-15 fund balance retention was \$600,000.
- Fiscal year 2015-16 fund balance used to reduce taxes for the 2016-17 fiscal year was \$3,599,044.
- Capital assets and related depreciation are now included in the Government-wide Financials. More information can be found under "Capital Assets" under this Management Discussion & Analysis, and in Note 1-H and Note 6 to the Financial Statements.

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

	<i><u>June 30, 2016</u></i>	<i><u>As Restated June 30, 2015</u></i>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,614,106	\$ 3,881,787
Accounts receivable	88,924	43,706
Intergovernmental receivable	2,827,952	1,691,215
Inventory	25,812	14,527
Prepaid items	42,112	16,750
Capital assets, not being depreciated	515,901	515,901
Capital assets, net of accumulated depreciation	22,738,230	24,561,569
<b>Total assets</b>	<b><u>28,853,037</u></b>	<b><u>30,725,455</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Amounts related to pensions	4,678,556	4,585,964
<b>LIABILITIES</b>		
Accounts payable	343,373	453,130
Accrued salaries and benefits	2,479	-
Intergovernmental payable	32,040	34,408
Unearned revenue	3,219	2,511
Accrued interest payable	125,538	125,304
Noncurrent obligations:		
Due within one year	1,600,000	1,600,000
Due in more than one year	51,975,990	51,319,266
<b>Total liabilities</b>	<b><u>54,082,639</u></b>	<b><u>53,534,619</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - grants	5,008	5,367
Amounts related to pensions	3,187,205	5,390,006
<b>Total deferred inflows of resources</b>	<b><u>3,192,213</u></b>	<b><u>5,395,373</u></b>
<b>NET POSITION</b>		
Net investment in capital assets	16,854,131	17,077,470
Restricted	-	31,284
Unrestricted	(40,597,390)	(40,727,327)
<b>Total net position (deficit)</b>	<b><u>\$ (23,743,259)</u></b>	<b><u>\$ (23,618,573)</u></b>

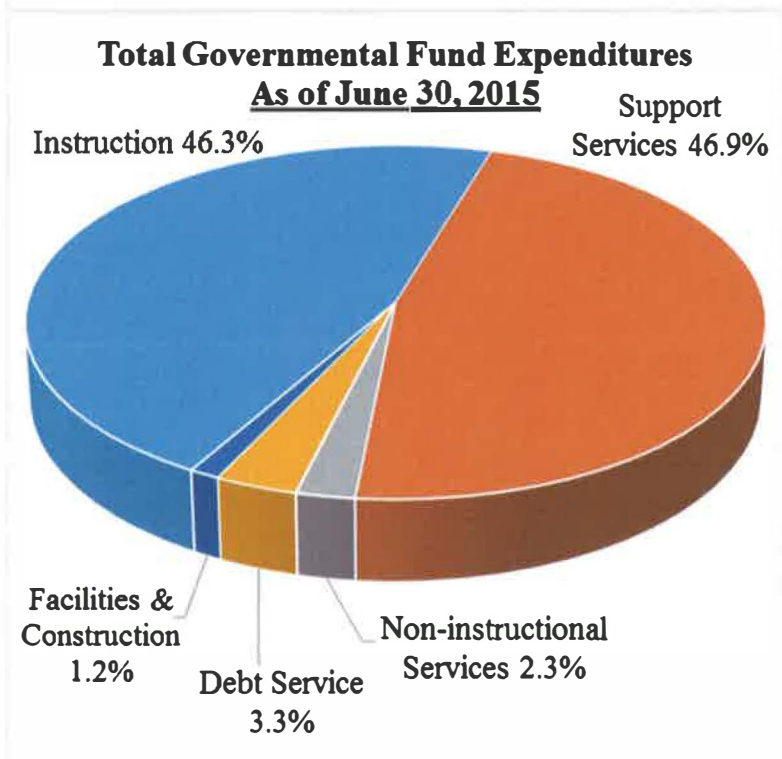
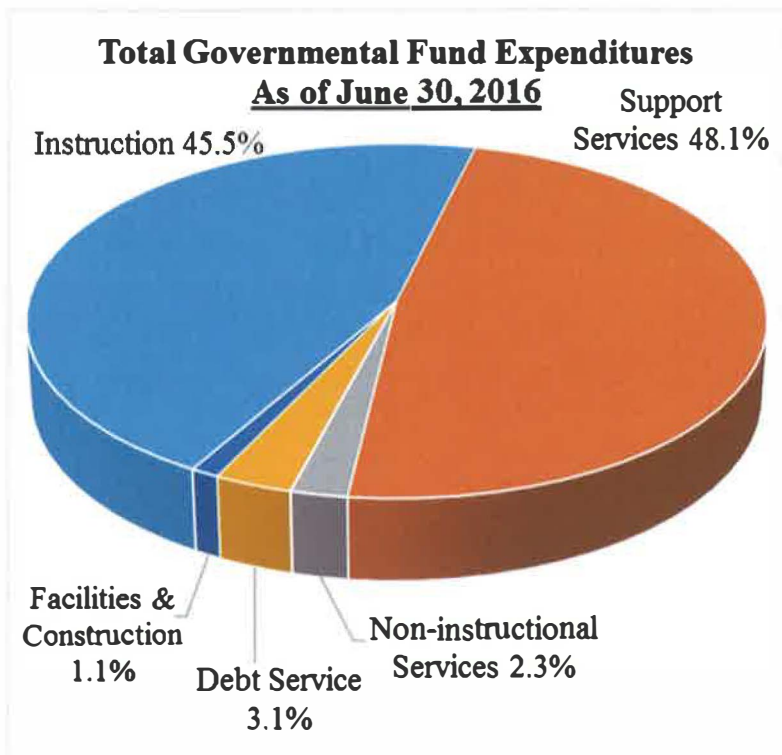
**Financial Analysis of the District as a Whole**  
**Two-Year Comparison**  
**Revenue Analysis**  
**Total Governmental Funds**

	<i><b><u>Fiscal Year Ended</u></b></i> <i><b><u>June 30, 2016</u></b></i>	<i><b><u>Fiscal Year Ended</u></b></i> <i><b><u>June 30, 2015</u></b></i>
School District Assessment	\$ 40,398,399	\$ 40,668,188
Local	2,477,851	2,584,756
State	19,395,520	19,367,138
Federal	<u>2,357,209</u>	<u>2,568,517</u>
	<b>\$ 64,628,979</b>	<b>\$ 65,188,599</b>



**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, 2016</i>	<i>June 30, 2015</i>
Instruction	\$ 29,354,192	\$ 29,355,443
Support Services:		
Student	3,284,421	3,233,343
Instructional Staff	1,335,825	1,319,955
General Administration	201,229	164,871
Executive Administration	1,823,701	1,603,897
School Administration	2,952,030	2,812,831
Business	61,332	56,480
Operation & Plant Maint.	3,595,609	3,568,739
Student Transportation	2,748,103	2,750,660
Other	<u>15,047,893</u>	<u>14,239,542</u>
Total Support Services:	31,050,143	29,750,318
Non-instructional Services	1,453,068	1,475,364
Debt Service:		
Principal	1,600,000	1,600,000
Interest	<u>378,000</u>	<u>462,000</u>
Total Debt Service:	1,978,000	2,062,000
Facilities and Construction	<u>733,358</u>	<u>768,797</u>
<b>Total Expenditures:</b>	<b><u>\$ 64,568,761</u></b>	<b><u>\$ 63,411,922</u></b>



### **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 2016, the amount used from the beginning general fund unassigned fund balance for this purpose was \$3,502,167.

### **Long Term Debt**

The District has long term debt as of June 30, 2016, as follows:

#### **Timberlane Regional School District Comparative Statement of Long-Term Debt**

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
General Obligation Bond Payable	\$ 6,400,000	\$ 8,000,000	\$(1,600,000)
Compensated Absences	897,370	719,709	177,661
Net Pension Liability	43,214,222	42,125,600	1,088,622
Other Postemployment Benefits Net	<u>3,064,398</u>	<u>2,073,957</u>	<u>990,441</u>
<b>Total Long-Term Debt</b>	<b><u>\$53,575,990</u></b>	<b><u>\$52,919,266</u></b>	<b><u>\$ 656,724</u></b>

### **Capital Assets**

The District began reporting capital assets in the 2015-2016 fiscal year. Capital assets are those assets which are acquired by the District having more than one year of useful life and which meet certain value thresholds, depending on the type of asset. Capital assets are depreciated over their useful life, pursuant to policy. Capital asset depreciation is charged to the respective function for which the use is attributable.

The value of capital assets, net of accumulated depreciation, is included in the Government-wide Statement of Net Position (see Exhibit A). Additional information on capital assets and guidelines is found in Financial Statement Note 1-H. Capital asset beginning and ending balances are shown below. Further information, including accumulated depreciation by asset category, is shown in Note 6 – Capital Assets.

**Timberlane Regional School District  
Comparative Statement of Capital Assets**

	Beginning Balance (as restated) July 1, 2015	Changes	Ending Balance June 30, 2016
Non-Depreciable Assets:			
Land	\$ 515,901	\$ -	\$ 515,901
Depreciable Assets:			
Land Improvements	2,601,355	-	2,601,355
Buildings and Building Improvements	59,394,448	-	59,394,448
Machinery, Equipment, and Vehicles	3,420,878	77,691	3,498,569
Total Capital Assets	65,932,582	77,691	66,010,273
Less Accumulated Depreciation	(40,855,112)	(1,901,030)	(42,756,142)
<b>Net Value, All Capital Assets</b>	<b>\$25,077,470</b>	<b>\$ (1,823,339)</b>	<b>\$ 23,254,131</b>

**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

**Timberlane Regional School District / SAU #55**

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Plaistow, NH 03865

603-382-6119 Ext.2221

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## ***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
*Statement of Net Position*  
*June 30, 2016*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,614,106
Accounts receivable	88,924
Intergovernmental receivables	2,827,952
Inventory	25,812
Prepaid items	42,112
Capital assets, not being depreciated	515,901
Capital assets, net of accumulated depreciation	22,738,230
Total assets	<u>28,853,037</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	<u>4,678,556</u>
<b>LIABILITIES</b>	
Accounts payable	343,373
Accrued salaries and benefits	2,479
Intergovernmental payable	32,040
Unearned revenue	3,219
Accrued interest payable	125,538
Noncurrent obligations:	
Due within one year	1,600,000
Due in more than one year	51,975,990
Total liabilities	<u>54,082,639</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - grants and donations	5,008
Amounts related to pensions	3,187,205
Total deferred inflows of resources	<u>3,192,213</u>
<b>NET POSITION</b>	
Net investment in capital assets	16,854,131
Unrestricted	<u>(40,597,390)</u>
Total net position	<u>\$ (23,743,259)</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, 2016*

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change In Net Position
Instruction	\$ 30,241,140	\$ 586,740	\$ 1,146,906	\$ -	\$ (28,507,494)
Support services:					
Student	3,297,733	-	1,000	-	(3,296,733)
Instructional staff	1,343,815	-	118,019	-	(1,225,796)
General administration	201,229	-	-	-	(201,229)
Executive administration	1,869,924	-	-	-	(1,869,924)
School administration	3,096,205	-	-	-	(3,096,205)
Business	61,332	-	-	-	(61,332)
Operation and maintenance of plant	5,496,005	-	-	-	(5,496,005)
Student transportation	2,748,103	-	39,661	-	(2,708,442)
Other	13,833,209	-	-	-	(13,833,209)
Noninstructional services	1,453,378	982,782	439,739	-	(30,857)
Interest on long-term debt	378,234	-	-	1,103,811	725,577
Facilities acquisition and construction	733,358	-	-	-	(733,358)
Total governmental activities	<u>\$ 64,753,665</u>	<u>\$ 1,569,522</u>	<u>\$ 1,745,325</u>	<u>\$ 1,103,811</u>	<u>(60,335,007)</u>
General revenues:					
School district assessment					40,398,399
Grants and contributions not restricted to specific programs					18,913,185
Miscellaneous					898,737
Total general revenues					<u>60,210,321</u>
Change in net position					(124,686)
Net position, beginning, as restated (see Note 15)					<u>(23,618,573)</u>
Net position, ending					<u>\$ (23,743,259)</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, 2016**

	General	Food Service	Grants	Other Governmental Fund (Performing Arts Center)	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,308,611	\$ 295,361	\$ -	\$ 10,134	\$ 2,614,106
Receivables:					
Accounts	88,924	-	-	-	88,924
Intergovernmental	2,494,199	12,399	321,354	-	2,827,952
Interfund receivable	524,753	-	-	-	524,753
Inventory	-	25,812	-	-	25,812
Prepaid items	42,112	-	-	-	42,112
Total assets	<u>\$ 5,458,599</u>	<u>\$ 333,572</u>	<u>\$ 321,354</u>	<u>\$ 10,134</u>	<u>\$ 6,123,659</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 211,293	\$ 132,080	\$ -	\$ -	\$ 343,373
Accrued salaries and benefits	2,479	-	-	-	2,479
Intergovernmental payable	32,040	-	-	-	32,040
Interfund payable	-	201,492	313,127	10,134	524,753
Unearned revenue	-	-	3,219	-	3,219
Total liabilities	<u>245,812</u>	<u>333,572</u>	<u>316,346</u>	<u>10,134</u>	<u>905,864</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - grants and donations	<u>-</u>	<u>-</u>	<u>5,008</u>	<u>-</u>	<u>5,008</u>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable	42,112	25,812	-	-	67,924
Restricted	30,618	-	-	-	30,618
Committed	1,116,615	-	-	-	1,116,615
Assigned	224,398	-	-	-	224,398
Unassigned (deficit)	3,799,044	(25,812)	-	-	3,773,232
Total fund balances	<u>5,212,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,212,787</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,458,599</u>	<u>\$ 333,572</u>	<u>\$ 321,354</u>	<u>\$ 10,134</u>	<u>\$ 6,123,659</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, 2016**

Total fund balances of governmental funds (Exhibit C-1)		\$ 5,212,787
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 66,010,273	
Less accumulated depreciation	<u>(42,756,142)</u>	
		23,254,131
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	\$ 4,678,556	
Deferred inflows of resources related to pensions	<u>(3,187,205)</u>	
		1,491,351
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (524,753)	
Payables	<u>524,753</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(125,538)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 6,400,000	
Compensated absences	897,370	
Other postemployment benefits	3,064,398	
Net pension liability	<u>43,214,222</u>	
		(53,575,990)
Net position of governmental activities (Exhibit A)		<u>\$ (23,743,259)</u>

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

**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, 2016**

	General	Food Service	Grants	Other Governmental Fund (Performing Arts Center)	Total Governmental Funds
<b>REVENUES</b>					
School district assessment	\$ 40,398,399	\$ -	\$ -	\$ -	\$ 40,398,399
Local	1,453,093	982,782	9,592	32,384	2,477,851
State	19,376,693	18,827	-	-	19,395,520
Federal	681,716	420,912	1,254,581	-	2,357,209
Total revenues	61,909,901	1,422,521	1,264,173	32,384	64,628,979
<b>EXPENDITURES</b>					
Current:					
Instruction	28,138,703	-	1,143,234	72,255	29,354,192
Support services:					
Student	3,283,421	-	1,000	-	3,284,421
Instructional staff	1,217,806	-	118,019	-	1,335,825
General administration	201,229	-	-	-	201,229
Executive administration	1,823,701	-	-	-	1,823,701
School administration	2,952,030	-	-	-	2,952,030
Business	61,332	-	-	-	61,332
Operation and maintenance of plant	3,595,609	-	-	-	3,595,609
Student transportation	2,746,183	-	1,920	-	2,748,103
Other	15,046,640	-	-	1,253	15,047,893
Noninstructional services	-	1,453,068	-	-	1,453,068
Debt service:					
Principal	1,600,000	-	-	-	1,600,000
Interest	378,000	-	-	-	378,000
Facilities acquisition and construction	733,358	-	-	-	733,358
Total expenditures	61,778,012	1,453,068	1,264,173	73,508	64,568,761
Excess (deficiency) of revenues over (under) expenditures	131,889	(30,547)	-	(41,124)	60,218
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	30,547	-	9,840	40,387
Transfers out	(40,387)	-	-	-	(40,387)
Total other financing sources (uses)	(40,387)	30,547	-	9,840	-
Net change in fund balances	91,502	-	-	(31,284)	60,218
Fund balances, beginning	5,121,285	-	-	31,284	5,152,569
Fund balances, ending	\$ 5,212,787	\$ -	\$ -	\$ -	\$ 5,212,787

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, 2016**

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 60,218
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 77,691	
Depreciation expense	<u>(1,901,030)</u>	
		(1,823,339)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (40,387)	
Transfers out	<u>40,387</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.		
Change in contributions subsequent to the measurement date	\$ 294,671	
Change in proportion	(1,286,039)	
Change in differences between expected and actual experience	(948,292)	
Change in net difference between projected and actual investment earnings on pension plan investments	4,235,054	
Change in net pension liability	<u>(1,088,623)</u>	
		1,206,771
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.		
Increase in accrued interest expense	\$ (234)	
Increase in compensated absences payable	(177,661)	
Increase in other postemployment benefits	<u>(990,441)</u>	
		(1,168,336)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (124,686)</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, 2016**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
School district assessment	\$ 40,398,399	\$ 40,398,399	\$ 40,398,399	\$ -
Other local	1,521,527	1,521,527	1,432,214	(89,313)
State	19,347,117	19,347,117	19,376,693	29,576
Federal	500,000	500,000	681,716	181,716
Total revenues	61,767,043	61,767,043	61,889,022	121,979
<b>EXPENDITURES</b>				
Current:				
Instruction	29,907,844	29,912,024	28,122,535	1,789,489
Support services:				
Student	3,428,054	3,428,055	3,284,221	143,834
Instructional staff	1,339,511	1,342,210	1,208,183	134,027
General administration	167,940	167,940	211,564	(43,624)
Executive administration	1,827,015	1,827,015	1,823,701	3,314
School administration	2,864,501	2,865,539	2,947,804	(82,265)
Business	55,000	55,000	61,332	(6,332)
Operation and maintenance of plant	4,015,696	4,016,385	3,624,515	391,870
Student transportation	2,984,267	2,981,722	2,744,293	237,429
Other	15,586,472	15,580,410	15,043,140	537,270
Debt service:				
Principal	1,600,000	1,600,000	1,600,000	-
Interest	378,000	378,000	378,000	-
Facilities acquisition and construction	864,910	864,910	577,107	287,803
Total expenditures	65,019,210	65,019,210	61,626,395	3,392,815
Excess (deficiency) of revenues over (under) expenditures	(3,252,167)	(3,252,167)	262,627	3,514,794
<b>OTHER FINANCING USES</b>				
Transfers out	(250,000)	(250,000)	(290,387)	(40,387)
Net change in fund balance	\$ (3,502,167)	\$ (3,502,167)	(27,760)	\$ 3,474,407
Increase in nonspendable fund balance			(25,362)	
Unassigned fund balance, beginning			3,852,166	
Unassigned fund balance, ending			\$ 3,799,044	

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, 2016**

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
Local:				
Sales	\$ 1,257,000	\$ 1,257,000	\$ 982,782	\$ (274,218)
State:				
Lunch reimbursement	18,000	18,000	18,827	827
Federal:				
Lunch reimbursement	350,000	350,000	317,933	(32,067)
USDA commodities	-	102,979	102,979	-
Total revenues	1,625,000	1,727,979	1,422,521	(305,458)
<b>EXPENDITURES</b>				
Current:				
Noninstructional services	1,625,000	1,727,979	1,453,068	274,911
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	30,547	30,547
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ -</u>	

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, 2016**

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
Local	\$ -	\$ 9,592	\$ 9,592	\$ -
Federal	1,350,000	1,254,581	1,254,581	-
Total revenues	1,350,000	1,264,173	1,264,173	-
<b>EXPENDITURES</b>				
Current:				
Instruction	1,350,000	1,143,234	1,143,234	-
Support services:				
Student	-	1,000	1,000	-
Instructional staff	-	118,019	118,019	-
Student transportation	-	1,920	1,920	-
Total expenditures	1,350,000	1,264,173	1,264,173	-
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, 2016**

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 317,617
Intergovernmental receivable	302,388	-
Total assets	302,388	317,617
<b>LIABILITIES</b>		
Due to student groups	-	317,617
<b>NET POSITION</b>		
Held in trust for specific purposes	\$ 302,388	\$ -

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, 2016**

	Private Purpose Trust
Additions:	
New funds	\$ 2,900
Interest	936
Total revenue	<u>3,836</u>
Deductions:	
Scholarships	<u>(21,541)</u>
Change in net position	(17,705)
Net position, beginning	320,093
Net position, ending	<u><u>\$ 302,388</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, 2016**

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**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***1-A Reporting Entity***

The 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 capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in 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 the nonmajor fund. 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, 2016**

**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.

**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.

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

**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 practice 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, 2016**

***1-E Interfund Activities***

Interfund activities are reported as follows:

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

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

***1-F 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 Capital Assets***

General capital assets are those assets of a capital nature which the School District owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$10,000 for all asset classes except infrastructure, which are capitalized over \$100,000 per item, and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset’s life are expensed.

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

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

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

***1-I Deferred Outflows/Inflows of Resources***

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

In addition to liabilities, the Statement of Net Position and Balance Sheet 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

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***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 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-L 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.

***1-M Defined Benefit Pension Plan***

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

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

***1-N 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 that are attributable to the acquisition, construction, or improvement of those assets.

**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.

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**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.

In accordance with RSA 198:4-bII, the School District voted to retain general fund unassigned fund balance of \$200,000 to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

**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 major general, food service, and grants funds, as well as the nonmajor Performance Arts Center fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2016, \$3,502,167 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.

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

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 61,889,022
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the expendable trust funds	3,522
Miscellaneous revenue of blended funds	17,357
Per Exhibit C-3 (GAAP basis)	<u>\$ 61,909,901</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 61,916,782
Adjustments:	
Basis difference:	
Encumbrances, beginning	294,979
Encumbrances, ending	(224,398)
GASB Statement No. 54:	
Expenditures of blending funds	81,036
Net effect of transfers between blended funds	(250,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 61,818,399</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the School District's deposits was \$2,929,792 and the bank balances totaled \$5,006,755. Petty cash totaled \$1,931.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 2,614,106
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	317,617
Total cash and cash equivalents	<u>\$ 2,931,723</u>

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**NOTE 4 – RECEIVABLES**

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. Receivables at June 30, 2016, consisted of the following:

Accounts:			
General:			
Lunch meal receivables	\$	56,359	
Insurance reimbursement		32,234	
Other miscellaneous		331	
			\$ 88,924
Intergovernmental:			
General:			
Town of Plaistow	\$	1,188,231	
School Administrative Unit No. 55		141,377	
State of New Hampshire		5,953	
Expendable trust		1,158,638	
Total general fund intergovernmental			2,494,199
Food service:			
State of New Hampshire			12,399
Grants:			
State of New Hampshire	\$	318,179	
Other miscellaneous		3,175	
			321,354
Fiduciary:			
Private purpose trust			302,388
Total receivables			<u>\$ 3,219,264</u>

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

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

Receivable Fund	Payable Fund	Amount
General	Food service	\$ 201,492
General	Grants	313,127
General	Nonmajor	10,134
		<u>\$ 524,753</u>

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

	Transfers In:		
	Other Governmental Fund		
	Food Service	(Performing Arts Center)	Total
Transfers out:			
General fund	<u>\$ 30,547</u>	<u>\$ 9,840</u>	<u>\$ 40,387</u>

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

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**NOTE 6 – CAPITAL ASSETS**

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

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 515,901	\$ -	\$ 515,901
Being depreciated:			
Land improvements	2,601,355	-	2,601,355
Buildings and building improvements	59,394,448	-	59,394,448
Machinery, equipment, and vehicles	3,420,878	77,691	3,498,569
Total capital assets being depreciated	65,416,681	77,691	65,494,372
Total capital assets	65,932,582	77,691	66,010,273
Less accumulated depreciation:			
Land improvements	(1,937,322)	(86,712)	(2,024,034)
Buildings and building improvements	(35,617,302)	(1,745,381)	(37,362,683)
Machinery, equipment, and vehicles	(3,300,488)	(68,937)	(3,369,425)
Total accumulated depreciation	(40,855,112)	(1,901,030)	(42,756,142)
Net book value, capital assets being depreciated	24,561,569	(1,823,339)	22,738,230
Net book value, all capital assets	\$ 25,077,470	\$ (1,823,339)	\$ 23,254,131

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

Instruction	\$ 8,202
Support services:	
School administration	18,107
Operation and maintenance of plant	1,874,721
Total depreciation expense	\$ 1,901,030

**NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$4,678,556, and deferred inflows of resources \$3,187,205 in the governmental activities, both related to pension, are discussed in Note 10. In addition, grant and donation deferred inflows of resources reported in the governmental funds for unavailable revenues consist of \$5,008, which represents revenues collected in advance of eligible expenditures.

**NOTE 8 – 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, 2016, 10 months remained on this lease obligation. The remaining operating lease commitments total \$21,280.

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**NOTE 9 – LONG-TERM LIABILITIES**

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
General obligation bond payable	\$ 8,000,000	\$ -	\$ (1,600,000)	\$ 6,400,000	\$ 1,600,000
Compensated absences	719,709	289,456	(111,795)	897,370	-
Net pension liability	42,125,600	1,088,622	-	43,214,222	-
Net other postemployment benefits	2,073,957	990,441	-	3,064,398	-
Total long-term liabilities	<u>\$ 52,919,266</u>	<u>\$ 2,368,519</u>	<u>\$ (1,711,795)</u>	<u>\$ 53,575,990</u>	<u>\$ 1,600,000</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2016
General obligation bond payable: School renovations	\$ 32,000,000	2000	2020	4.50 - 5.25%	<u>\$ 6,400,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 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>\$ 6,400,000</u>	<u>\$ 672,000</u>	<u>\$ 7,072,000</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 10 – 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

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by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by  $\frac{1}{4}$  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 2016, the School District contributed 15.67% for teachers and 11.17% for other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$4,212,274, \$4,234,503, and \$4,679,306, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2016 the School District reported a liability of \$43,214,222 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the School District's proportion was 1.09084759% which was a decrease of 0.03142865% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$2,792,170. At June 30, 2016 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 729,018	\$ 1,083,960
Differences between expected and actual experience	-	948,293
Net difference between projected and actual investment earnings on pension plan investments	-	1,154,952
Contributions subsequent to the measurement date	3,949,538	-
Total	<u>\$ 4,678,556</u>	<u>\$ 3,187,205</u>

The \$3,949,538 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Fiscal Year Ending June 30,	
2016	\$ (876,596)
2017	(876,596)
2018	(876,596)
2019	353,872
2020	(182,271)
Totals	<u>\$ (2,458,187)</u>

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

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% net of pension plan investment expense, including inflation

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

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

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

Following is a table presenting target allocations and long-term rates of return for 2015:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2015
Large Cap Equities	22.50%	3.00%
Small/Mid Cap Equities	7.50%	3.00%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.00%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	(0.70%)
Short Duration	2.50%	(1.00%)
Global Multi-Sector Fixed Income	11.00%	0.28%
Unconstrained Fixed Income	7.00%	16.00%
Total fixed income	25.00%	
Private equity	5.00%	5.50%
Private debt	5.00%	4.50%
Real estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
Total alternative investments	25.00%	
Total	100.00%	

**Discount Rate:** The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based

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on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

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

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2015	\$ 56,885,908	\$ 43,214,222	\$ 31,559,032
June 30, 2014	\$ 55,486,269	\$ 42,125,600	\$ 30,853,877
June 30, 2013	\$ 60,469,307	\$ 47,167,174	\$ 35,985,479

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

**NOTE 11 – 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.

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.

**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 School District arises from an implied subsidy based on the fact that the benefits provided to the active and retires 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.

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As of July 1, 2014, the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$9,947,881 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$9,947,881. The covered payroll (annual payroll of active employees covered by the plan) was \$32,489,398, and the ratio of the UAL to the covered payroll was 30.62%. 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.

The following table presents the OPEB cost for the year, the amount contributed, and changes in the OPEB plan for fiscal year 2016:

Annual required contribution/OPEB cost	\$ 1,065,877
Interest on net OPEB obligation	72,588
Adjustment to annual required contribution	<u>(110,841)</u>
Annual OPEB cost (expense)	1,027,624
Contributions made	<u>(37,183)</u>
Increase in net OPEB obligation	990,441
Net OPEB obligation - beginning of year	2,073,957
Net OPEB obligation - end of year	<u><u>\$ 3,064,398</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 two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2016	\$ 1,027,624	\$ 34,183	3.33%	\$ 3,064,398
June 30, 2015	\$ 1,037,342	\$ 45,529	4.39%	\$ 2,073,957
June 30, 2014	\$ 1,136,776	\$ 54,632	4.81%	\$ 1,082,144

**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 9.00% 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	Medical
June 30, 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 12 – ENCUMBRANCES**

Encumbrances outstanding at June 30, 2016 are as follows:

Current:	
Instruction:	
Regular programs	\$ 45,583
Special programs	2,995
Other	10,468
Total instruction	<u>59,046</u>
Support services:	
Student	1,245
Instructional staff	14,118
General administration	11,947
School administration	1,046
Operation and maintenance of plant	58,301
Student transportation	11,000
Other	500
Total support services	<u>98,157</u>
Facilities acquisition and construction	<u>67,195</u>
Total encumbrances	<u><u>\$ 224,398</u></u>

**NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION**

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

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 23,254,131
Less:	
General obligation bond payable	<u>(6,400,000)</u>
Total net investment in capital assets	16,854,131
Unrestricted	<u>(40,597,390)</u>
Total net position	<u><u>\$ (23,743,259)</u></u>

None of the net position is restricted by enabling legislation.

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**NOTE 14 – GOVERNMENTAL FUND BALANCES**

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

<b>Nonspendable:</b>		
Major funds:		
General:		
Prepaid items	\$ 42,112	
Food service:		
Inventory	<u>25,812</u>	
Total nonspendable fund balance		\$ 67,924
<b>Restricted:</b>		
Major fund:		
General:		
Gate receipts		30,618
<b>Committed:</b>		
Major fund:		
General:		
Expendable trust	\$ 866,615	
Voted appropriation - March 2016	<u>250,000</u>	
Total committed fund balance		1,116,615
<b>Assigned:</b>		
Major fund:		
General:		
Encumbrances		224,398
<b>Unassigned:</b>		
Major fund:		
General		
	\$ 3,599,044	
Fund balance retention (RSA 198:4-bII)	200,000	
Food service (deficit)	<u>(25,812)</u>	
Total unassigned fund balance		<u>3,773,232</u>
Total governmental fund balances		<u><u>\$ 5,212,787</u></u>

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

Net position at July 1, 2015 was restated to give retroactive effect for the following adjustment:

	Government-wide Statements
To record the balance of capital assets and related accumulated depreciation not previously measured	\$ 25,077,470
Net position, as previously reported	<u>(48,696,043)</u>
Net position, as restated	<u><u>\$ (23,618,573)</u></u>

**NOTE 16 – 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 2016, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2015 to June 30, 2016 by Primex<sup>3</sup>, 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, 2016 was \$174,124 for workers' compensation and \$190,714 for property/liability. The School District received a premium holiday of \$80,539 for workers' compensation. The workers' compensation section of the self-insurance membership agreement permits

***TIMBERLANE REGIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016***

Primex<sup>3</sup> 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, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

***NOTE 17 – 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 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 March 2, 2017, the date the June 30, 2016 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT F**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
*Schedule of Funding Progress for Other Postemployment Benefit Plan*  
*For the Fiscal Year Ended June 30, 2016*

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, 2016	July 1, 2015	\$ -	\$ 9,947,881	\$ 9,947,881	0.00%	\$ 32,489,398	30.62%
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 Proportionate Share of Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2016*

<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>District's Proportion of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2016	July 1, 2015	1.09084759%	\$ 43,214,222	\$ 31,982,983	135.12%	65.47%
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 Contributions of Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2016*

<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, 2016	July 1, 2015	\$ 3,659,664	\$ 3,659,664	\$ -	\$ 31,982,983	11.44%
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, 2016**

***Schedule of Funding Progress for Other Postemployment Benefits (OPEB)***

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

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

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 years beginning July 1, 2015 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	3.80% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

**Other Information:**

Notes	Contribution rates for Fiscal Year 2015 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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***COMBINING AND INDIVIDUAL FUND SCHEDULES***

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

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 40,398,399	\$ 40,398,399	\$ -
Other local sources:			
Tuition	540,000	480,887	(59,113)
Impact fees	-	127,577	127,577
Miscellaneous	981,527	823,750	(157,777)
Total from other local sources	1,521,527	1,432,214	(89,313)
State sources:			
Adequacy aid (grant)	11,327,598	11,325,098	(2,500)
Adequacy aid (tax)	6,275,708	6,275,708	-
School building aid	1,103,811	1,103,811	-
Catastrophic aid	610,000	629,178	19,178
Vocational aid	30,000	37,741	7,741
Other state aid	-	5,157	5,157
Total from state sources	19,347,117	19,376,693	29,576
Federal sources:			
Medicaid	500,000	678,044	178,044
Other	-	3,672	3,672
Total from federal sources	500,000	681,716	181,716
Total revenues	61,767,043	\$ 61,889,022	\$ 121,979
Fund balance used to reduce school district assessment	3,502,167		
Total revenues and use of fund balance	\$ 65,269,210		

**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, 2016*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 9,657	\$ 19,837,763	\$ 18,948,916	\$ 45,583	\$ 852,921
Special programs	7,143	8,899,419	8,128,842	2,995	774,725
Vocational programs	34,745	72,000	100,459	-	6,286
Adult and community programs	-	230,489	150,529	-	79,960
Other	284	872,353	786,572	10,468	75,597
Total instruction	<u>51,829</u>	<u>29,912,024</u>	<u>28,115,318</u>	<u>59,046</u>	<u>1,789,489</u>
Support services:					
Student	445	3,428,055	3,283,421	1,245	143,834
Instructional staff	23,741	1,342,210	1,217,806	14,118	134,027
General administration	1,612	167,940	201,229	11,947	(43,624)
Executive administration	-	1,827,015	1,823,701	-	3,314
School administration	5,272	2,865,539	2,952,030	1,046	(82,265)
Business	-	55,000	61,332	-	(6,332)
Operation and maintenance of plant	29,395	4,016,385	3,595,609	58,301	391,870
Student transportation	12,890	2,981,722	2,746,183	11,000	237,429
Other	4,000	15,580,410	15,046,640	500	537,270
Total support services	<u>77,355</u>	<u>32,264,276</u>	<u>30,927,951</u>	<u>98,157</u>	<u>1,315,523</u>
Debt service:					
Principal of long-term debt	-	1,600,000	1,600,000	-	-
Interest on long-term debt	-	378,000	378,000	-	-
Total debt service	<u>-</u>	<u>1,978,000</u>	<u>1,978,000</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>165,795</u>	<u>864,910</u>	<u>675,707</u>	<u>67,195</u>	<u>287,803</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>250,000</u>	<u>290,387</u>	<u>-</u>	<u>(40,387)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 294,979</u>	<u>\$ 65,269,210</u>	<u>\$ 61,987,363</u>	<u>\$ 224,398</u>	<u>\$ 3,352,428</u>

**SCHEDULE 3**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**

Unassigned fund balance, beginning (Non-GAAP budgetary basis)		\$ 3,852,166
Changes:		
Fund balance used to reduce school district assessment		(3,502,167)
2015-2016 Budget summary:		
Revenue surplus (Schedule 1)	\$ 121,979	
Unexpended balance of appropriations (Schedule 2)	<u>3,352,428</u>	
2015-2016 Budget surplus		3,474,407
Increase in nonspendable fund balance		<u>(25,362)</u>
Total unassigned fund balance, ending (Non-GAAP budgetary basis) (Exhibit D-1)		3,799,044
<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-b11		<u>(200,000)</u>
Unassigned fund balance, ending		<u>\$ 3,599,044</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, 2016**

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Timberlane Regional High School	\$ 183,051	\$ 465,857	\$ 460,809	\$ 188,099
Timberlane Regional Middle School	24,001	169,652	169,078	24,575
Atkinson Academy	16,821	20,475	17,072	20,224
Danville Elementary School	34,782	17,672	14,940	37,514
Sandown Central School	4,028	2,390	4,788	1,630
Pollard School	33,418	35,915	36,771	32,562
Sandown North School	10,975	35,178	33,140	13,013
Totals	<u>\$ 307,076</u>	<u>\$ 747,139</u>	<u>\$ 736,598</u>	<u>\$ 317,617</u>

***SINGLE AUDIT ACT SCHEDULES  
AND INDEPENDENT AUDITOR'S REPORTS***



## 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 the aggregate remaining fund information of the Timberlane Regional School District, as of and for the year ended June 30, 2016, 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 March 2, 2017.

#### ***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.

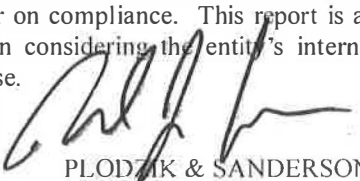
#### ***Compliance and Other Matters***

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.

March 2, 2017

  
PLODZIK & SANDERSON  
Professional Association



## **PLODZIK & SANDERSON**

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### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

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 the Timberlane Regional School District's major federal program for the year ended June 30, 2016. The Timberlane Regional School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Timberlane Regional School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the 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 its major federal program for the year ended June 30, 2016.

#### ***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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to

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

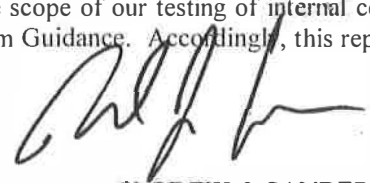
test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Timberlane Regional School District's 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

March 2, 2017



PLODZIK & SANDERSON  
Professional Association

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:  
Unmodified

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 2 CFR 200.516(a)?            yes   X   no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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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 II**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through the State of New Hampshire Department of Education				
<b>CHILD NUTRITION CLUSTER</b>				
School Breakfast Program	10.553	N/A	\$ -	\$ 44,085
National School Lunch Program <i>(note 4)</i>	10.555	N/A	-	376,827
<i>CLUSTER TOTAL</i>			-	420,912
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I - Part A	84.010	50142	-	76,714
Title I - Part A	84.010	60142	-	202,495
<i>PROGRAM TOTAL</i>			-	279,209
<b>SPECIAL EDUCATION CLUSTER</b>				
Special Education - Grants to States	84.027	62514	-	838,540
Special Education - Preschool Grants:				
Preschool	84.173	62514	-	23,962
SSIP Resource Grant	84.173	62640	-	2,909
<i>CLUSTER TOTAL</i>			-	865,411
Special Education - State Personnel Development	84.323	62628	-	266
English Language Acquisition State Grants	84.365	60814	-	720
Improving Teacher Quality State Grants:				
Title IIA	84.367	44945	-	29,774
Title IIA	84.367	54945	-	79,201
<i>PROGRAM TOTAL</i>			-	108,975
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Passed Through the State of New Hampshire Department of Safety				
Homeland Security Grant Program	97.067	N/A	-	1,040
<i>Total Expenditures of Federal Awards</i>			\$ -	\$ 1,676,533

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, 2016**

***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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, 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.

***Note 3. Indirect Cost Rate***

The Timberlane Regional School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

***Note 4. 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, 2016 the value of food donations received was \$102,979.