

HOLLIS SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

**HOLLIS SCHOOL DISTRICT
FINANCIAL REPORT
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JUNE 30, 2016**

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Hollis School District
Hollis, New Hampshire

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District, as of June 30, 2016, and the respective changes in financial position thereof, and the budgetary comparisons for the General Fund and Grants Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and pension information on pages 3-9 and 35-38 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 and economic 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Hollis 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. They 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

April 17, 2017

Roberts & Heune, PLLC

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

This section of the Hollis School District annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended June 30, 2016. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material performance as a whole. With this in mind, please also refer to the district's financial statements, which immediately follow this section. The MDA is an element of required supplementary information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

1. The first two basic financial statements provide both short-term and long-term information about the district's overall financial status.
2. The remaining basic financial statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the district as a whole. The statement of net position includes all of the district's assets and liabilities, except for capital assets. All of the current year's revenues and expense are accounted for in the statement of activities regardless of when cash is received or paid. Net position – the difference between the district's assets and liabilities – is one way to measure the district's financial health or position. The district-wide statements present and aggregate view of the finances of the school district by answering the question, "How did the school

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

district do financially during the 2015-16 school year?" These statements report all assets and liabilities using the accrual basis of accounting used by most private-sector enterprises. The accrual basis takes into account all of the district's current-year revenues and expenses regardless of when they were paid or received.

In the district-wide financial statements the district's activities are listed as governmental activities, which includes most of the district's basic service, such as regular and special education, transportation, and administration. Property taxes and state revenue finance most of the activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the district's most significant funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The district establishes other funds to control and manage money for particular purposes (like repaying long-term debts) or to show that it is properly using certain revenues (like federal grants).

The district has two types of funds:

- Governmental funds – Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash (and other financial assets that can be readily converted to cash) flows in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. This information does not encompass the additional long-term focus of the district-wide statements. We provide additional information with the governmental funds statements that explain the relationship (or differences) between them. An annual appropriation budget is adopted for governmental funds. A budgetary comparison has been provided for the General and Grant funds to demonstrate compliance with this budget.
- Fiduciary Funds – The district is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the district's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in the fiduciary net position. These activities are not included in the district-wide financial statements because the district cannot use these assets to finance its operations.

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

Notes to the Basic Financial Statements

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

.Hollis School District

Statement of Net Position

Change in net position for fiscal year 2016 compared to fiscal year 2015:

	2015	2016	Increase (Decrease)	% Increase (Decrease)
Current and other assets	749,027	940,367	191,340	25.55%
Capital assets	1,254,691	1,174,488	(80,203)	-6.39%
Total Assets	2,003,718	2,114,855	111,137	5.55%
			-	
Deferred outflows of resources	892,354	944,625	52,271	5.86%
Long-term liabilities outstanding	6,849,867	7,207,828	357,961	5.23%
Other liability	130,457	160,108	29,651	22.73%
Total liabilities	6,980,324	7,367,936	387,612	5.55%
Deferred inflows of resources	822,971	371,500	(451,471)	-54.86%
Net Position:				
Net investment in capital assets	1,254,691	1,174,488	(80,203)	-6.39%
Restricted	8,237	8,721	484	5.88%
Unrestricted	(6,170,151)	(5,863,165)	306,986	-4.98%
Total Net Position	(4,907,223)	(4,679,956)	227,267	-4.63%

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

Statement of Activities

Change in fund revenue and expense for fiscal year 2016 compared to fiscal year 2015:

Revenues:	2015	2016	Change	%Change
Program Revenues				
Charges for Services	211,703	211,371	(332)	-0.2%
Operating Grants and Contributions	341,784	294,582	(47,202)	-13.8%
Capital Grants and Contributions	49,851	-	(49,851)	-100.0%
General Revenues:				
Assessment	7,991,854	7,756,060	(235,794)	-3.0%
Grants and Contributions	2,270,568	2,321,619	51,051	2.2%
Miscellaneous	77,356	92,369	15,013	19.4%
Total Revenues	10,943,116	10,676,001	(267,115)	-2.4%
Program Expenses:				
Instruction	4,872,993	4,897,463	24,470	0.5%
Student Support	807,823	695,011	(112,812)	-14.0%
Instructional Staff	298,549	329,333	30,784	10.3%
General Administration	282,061	42,104	(239,957)	-85.1%
Executive Administration	395,096	395,559	463	0.1%
School Administration	519,219	556,332	37,113	7.1%
Business	-	859	859	100.0%
Operation and Maintenance of Plant	874,082	909,330	35,248	4.0%
Student Transportation	388,739	336,935	(51,804)	-13.3%
Other	1,961,212	2,071,021	109,809	5.6%
Non-instructional Services	207,911	207,287	(624)	-0.3%
Facilities Acquisition and Construction	18,745	7,500	(11,245)	-60.0%
Interest on Long-Term Debt	25,941	-	(25,941)	-100.0%
Total Expenses	10,652,371	10,448,734	(203,637)	-1.9%
Change in Net Position	290,745	227,267	(63,478)	-21.8%
Net Position - Beginning	(5,197,968)	(4,907,223)	290,745	-5.6%
Net Position - Ending	(4,907,223)	(4,679,956)	227,267	-4.6%

School District Activities

Specific areas of variance are evidenced above in the change in net position. Some of the larger variances are due to the following:

Revenues: The most significant variance in revenues comes from the tax assessment. There was \$235,794 less received in FY16 as compared to FY15. However, the district received \$51,051 more in FY16 from the combination of state adequacy grant and education tax revenue than was received in

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

FY15. Another significant decrease in revenue is the absence of building aid in FY16. In FY15 the district received \$49,851.

Expenditures: Expenses for FY16 overall were lower than in FY15 especially in three notable areas. Under the heading of General Administration, legal fees were significantly lower in FY16, under the heading of Student Services, special education program costs were lower in FY16 and under the heading of Student Transportation, there is again savings in special education costs. The most notable increase in expense in FY16 as compared to FY15 was under the Other heading and specifically in health insurance costs.

General Fund Budgetary Highlights

Revenues

Revenue recognized by the Hollis School District's general fund amounted to \$17,702 more than budgeted, as detailed below.

**Hollis School District General Fund Revenues FY16 - Budget vs Actuals
(without transfers)**

<u>Revenue</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
School District Assessment	\$ 7,756,060	\$ 7,756,060	\$ -
Other Local	\$ 72,342	\$ 99,000	\$ 26,658
State	\$ 2,416,619	\$ 2,414,831	\$ (1,788)
Federal	\$ 22,000	\$ 14,832	\$ (7,168)
Total Revenues	\$10,267,021	\$10,284,723	\$ 17,702
Use of Fund Balance to Reduce School District Assessment & Other Funding	\$ 208,534		
Total Revenues and Use of Fund Balance	\$10,475,555		

Expenditures

The general fund surplus can be attributed to:

- Hiring savings and savings attributed to substitute availability
- Special education contracted services savings
- Savings in professional development cost and computer related savings
- Savings in snow plowing and heating oil
- Savings in transportation contract and fuel
- The contingency fund of \$95,000 was untouched

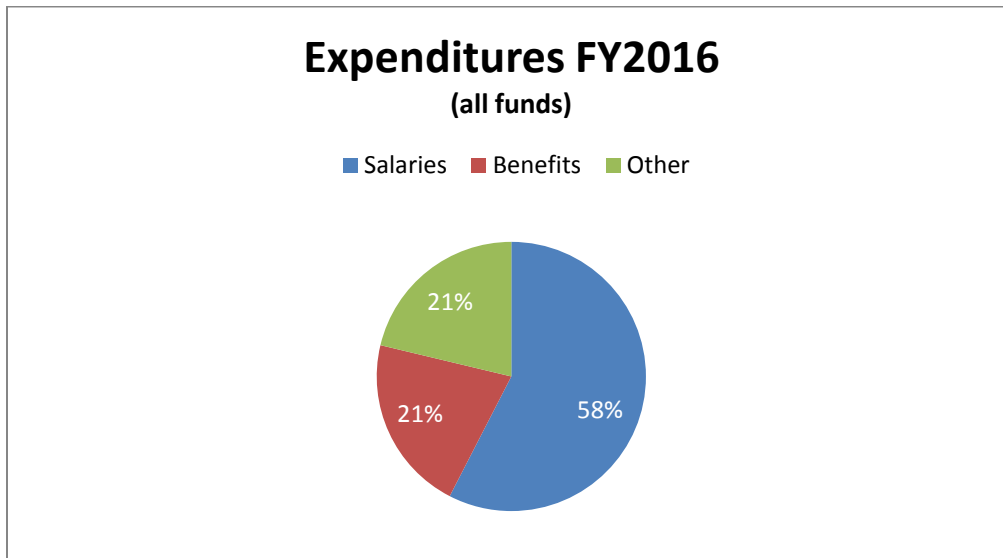
**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

**Hollis School District General Fund Expenditures FY16 - Budget vs Actuals
(without transfers)**

<u>Expenditures</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Instruction	\$ 4,873,020	\$ 4,630,984	\$ 242,036
Student & Instructional Support	\$ 1,180,073	\$ 1,009,356	\$ 170,717
General, Executive & School Administration	\$ 1,010,896	\$ 995,870	\$ 15,026
Operation & Maintenance of Plant	\$ 845,892	\$ 873,206	\$ (27,314)
Student Transportation	\$ 426,571	\$ 336,935	\$ 89,636
Other Support Services	\$ 2,139,103	\$ 2,225,766	\$ (86,663)
Debt Service	\$ -	\$ -	\$ -
Total Appropriations & Expenditures	\$10,475,555	\$10,072,117	\$ 403,438

Break-down of Costs

The district's expenses are predominately salaries and benefits which are illustrated below. "Other" expenses account for contracted services, transportation, operation & maintenance of plant, debt service, and general operational materials. The disbursement of cost has remained fairly consistent with prior fiscal year expenditures (56% salary, 25% other, 19% benefits).



Capital Assets

The Hollis School District's investment in capital assets for its governmental activities as of June 30, 2016, totals \$1,174,488, net of accumulated depreciation. These assets include land improvements, buildings, machinery, vehicles and equipment.

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

OTHER DISCUSSION

The district's financial status is sound. Being that the majority of cost is associated to salary and benefits the budget is rather predictable from year to year. The district adopted for the FY15 fiscal year the ability to retain fund balance for emergency expenditures and over-expenditures. This tool has greatly improved the financial position of the district to deal with unexpected costs that may arise during the course of operations. Were a situation to arise prior to the adoption of this mechanism, the district would have to rely on excess revenues or additional taxation.

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator at SAU #41, 4 Lund Lane, Hollis, NH 03049, by telephone at 603-324-5999, or via email at kelly.seeley@sau41.org.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
HOLLIS SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 592,861
Investments	470
Intergovernmental receivables	326,783
Other receivables	7,008
Inventory	6,236
Prepaid items	7,009
Capital assets, net of accumulated depreciation:	
Land improvements	206,934
Buildings and building improvements	893,206
Machinery, equipment and vehicles	74,348
Total assets	<u>2,114,855</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	<u>944,625</u>
LIABILITIES	
Accounts payable	57,839
Accrued salaries and benefits	94,099
Intergovernmental payable	8,170
Noncurrent obligations:	
Due within one year:	
Compensated absences	926
Termination benefits	68,287
Due in more than one year:	
Compensated absences	12,798
Termination benefits	239,387
Other postemployment benefits payable	267,404
Net pension liability	6,619,026
Total liabilities	<u>7,367,936</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	14,199
Amounts related to pensions	<u>357,301</u>
	<u>371,500</u>
NET POSITION	
Net investment in capital assets	1,174,488
Restricted for endowments:	
Nonexpendable	5,642
Expendable	3,079
Unrestricted	(5,863,165)
Total net position	<u>\$ (4,679,956)</u>

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

EXHIBIT 2
HOLLIS SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants and	Changes In
			Contributions	Net Position
Governmental activities:				
Instruction	\$ 4,897,463	\$ 40,937	\$ 258,284	\$ (4,598,242)
Support services:				
Student	695,011	-	-	(695,011)
Instructional staff	329,333	-	-	(329,333)
General administration	42,963	-	-	(42,963)
Executive administration	395,559	-	-	(395,559)
School administration	556,332	-	-	(556,332)
Operation and maintenance of plant	916,830	-	-	(916,830)
Student transportation	336,935	-	-	(336,935)
Other	2,071,021	-	-	(2,071,021)
Non-instructional services	207,287	170,434	36,298	(555)
Total governmental activities	<u>\$ 10,448,734</u>	<u>\$ 211,371</u>	<u>\$ 294,582</u>	<u>(9,942,781)</u>
General revenues:				
School district assessment				7,756,060
Grants and contributions not restricted to specific programs				2,321,619
Miscellaneous				92,369
Total general revenues				<u>10,170,048</u>
Change in net position				227,267
Net position, beginning				<u>(4,907,223)</u>
Net position, ending				<u>\$ (4,679,956)</u>

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

EXHIBIT 3
HOLLIS SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 543,424	\$ -	\$ 49,437	\$ 592,861
Investments	470	-	-	470
Receivables, net of allowance for uncollectibles:				
Accounts	7,008	-	-	7,008
Intergovernmental	159,626	156,991	10,166	326,783
Interfund receivable	155,288	-	-	155,288
Inventory	-	-	6,236	6,236
Prepaid items	7,009	-	-	7,009
Total assets	<u>\$ 872,825</u>	<u>\$ 156,991</u>	<u>\$ 65,839</u>	<u>\$ 1,095,655</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 57,469	\$ -	\$ 370	\$ 57,839
Accrued salaries and benefits	94,099	-	-	94,099
Intergovernmental payable	5,227	1,703	1,240	8,170
Interfund payable	-	155,288	-	155,288
Total liabilities	<u>156,795</u>	<u>156,991</u>	<u>1,610</u>	<u>315,396</u>
Deferred inflows of resources:				
Deferred revenue	<u>720</u>	<u>-</u>	<u>13,479</u>	<u>14,199</u>
Fund balances:				
Nonspendable	7,009	-	11,878	18,887
Restricted	-	-	3,079	3,079
Committed	212,439	-	35,793	248,232
Assigned	85,009	-	-	85,009
Unassigned	410,853	-	-	410,853
Total fund balances	<u>715,310</u>	<u>-</u>	<u>50,750</u>	<u>766,060</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 872,825</u>	<u>\$ 156,991</u>	<u>\$ 65,839</u>	<u>\$ 1,095,655</u>

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

EXHIBIT 4
HOLLIS SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position
June 30, 2016

Total fund balances of governmental funds (Exhibit 3)		\$ 766,060
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 6,418,282	
Less accumulated depreciation	<u>(5,243,794)</u>	
		1,174,488
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (155,288)	
Payables	<u>155,288</u>	
		-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable	\$ 13,724	
Termination benefits payable	307,674	
Other postemployment benefits payable	267,404	
Net pension liability	<u>6,619,026</u>	
		(7,207,828)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 944,625	
Deferred inflows of resources related to pensions	<u>(357,301)</u>	
		587,324
Net position of governmental activities (Exhibit 1)		<u><u>\$ (4,679,956)</u></u>

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

EXHIBIT 5
HOLLIS SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 7,756,060	\$ -	\$ -	\$ 7,756,060
Other local	99,687	-	189,222	288,909
State	2,414,831	-	2,647	2,417,478
Federal	14,832	165,072	33,650	213,554
Total revenues	<u>10,285,410</u>	<u>165,072</u>	<u>225,519</u>	<u>10,676,001</u>
EXPENDITURES				
Current:				
Instruction	4,620,954	148,708	19,677	4,789,339
Support services:				
Student	695,011	-	-	695,011
Instructional staff	313,812	14,661	-	328,473
General administration	41,966	-	-	41,966
Executive administration	395,559	-	-	395,559
School administration	556,278	-	-	556,278
Operation and maintenance of plant	949,370	-	-	949,370
Student transportation	336,935	-	-	336,935
Other	2,212,038	1,703	-	2,213,741
Non-instructional services	-	-	206,218	206,218
Total expenditures	<u>10,121,923</u>	<u>165,072</u>	<u>225,895</u>	<u>10,512,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>163,487</u>	<u>-</u>	<u>(376)</u>	<u>163,111</u>
Other financing sources (uses):				
Transfers in	168	-	-	168
Transfers out	-	-	(168)	(168)
Total other financing sources and uses	<u>168</u>	<u>-</u>	<u>(168)</u>	<u>-</u>
Net change in fund balances	163,655	-	(544)	163,111
Fund balances, beginning	551,655	-	51,294	602,949
Fund balances, ending	<u>\$ 715,310</u>	<u>\$ -</u>	<u>\$ 50,750</u>	<u>\$ 766,060</u>

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

EXHIBIT 6
HOLLIS 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 5)		\$ 163,111
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 capital outlay in the current period.		
Capital outlay	\$ 59,490	
Depreciation expense	<u>(139,693)</u>	
		(80,203)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (168)	
Transfers out	<u>168</u>	
		-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in compensated absences payable	\$ (1,654)	
Decrease in termination benefits payable	3,087	
Increase in other postemployment benefits payable	<u>(50,215)</u>	
		(48,782)
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 expense.		
School District pension contributions	\$ 763,928	
Cost of benefits, net of employee contributions	<u>(570,787)</u>	
		193,141
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 227,267</u></u>

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

EXHIBIT 7
HOLLIS SCHOOL DISTRICT
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 7,756,060	\$ 7,756,060	\$ -
Other local	72,342	99,000	26,658
State	2,416,619	2,414,831	(1,788)
Federal	22,000	14,832	(7,168)
Total revenues	<u>10,267,021</u>	<u>10,284,723</u>	<u>17,702</u>
EXPENDITURES			
Current:			
Instruction	4,762,496	4,630,984	131,512
Support services:			
Student	724,839	695,011	29,828
Instructional staff	396,023	314,345	81,678
General administration	142,857	43,766	99,091
Executive administration	395,559	395,559	-
School administration	574,587	556,545	18,042
Operation and maintenance of plant	902,047	873,206	28,841
Student transportation	394,105	336,935	57,170
Other	2,183,042	2,225,766	(42,724)
Total expenditures	<u>10,475,555</u>	<u>10,072,117</u>	<u>403,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(208,534)</u>	<u>212,606</u>	<u>421,140</u>
Other financing sources (uses):			
Transfers in	-	168	168
Transfers out	(29,000)	(20,000)	9,000
Total other financing sources and uses	<u>(29,000)</u>	<u>(19,832)</u>	<u>9,168</u>
Net change in fund balance	<u>\$ (237,534)</u>	192,774	<u>\$ 430,308</u>
Decrease in nonspendable fund balance		6,280	
Increase in committed fund balance		(138,000)	
Unassigned fund balance, beginning		369,333	
Unassigned fund balance, ending		<u>\$ 430,387</u>	

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

EXHIBIT 8
HOLLIS SCHOOL DISTRICT
Grants Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 230,000	\$ 165,072	\$ (64,928)
EXPENDITURES			
Current:			
Instruction	230,000	148,708	81,292
Support services:			
Instructional staff	-	14,661	(14,661)
Other	-	1,703	(1,703)
Total expenditures	230,000	165,072	64,928
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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

EXHIBIT 9
HOLLIS SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 5,430
LIABILITIES	
Due to student groups	<u>5,430</u>
NET POSITION	<u><u>\$ -</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Hollis School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2016.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Hollis School District is a municipal corporation governed by a school board consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the School District's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the School District as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report tuition, fees, and other charges for the School District's services; and (2) operating grants and contributions, which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. The school district assessment from the town, unrestricted state aid, and revenue from other sources not properly included with program revenues are reported as general revenues.

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

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental funds are reported in separate columns with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants are recognized when grantor eligibility requirements are met. Fiduciary fund financial statements also report using this same basis of accounting. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are the school district assessment from the town, tuition, investment income and federal and state grants. In general, other revenues are recognized when cash is received.

I.B.4. *Fund Types and Major Funds*

Governmental Funds

The School District reports the following major governmental funds:

General Fund – Reports as the primary fund of the School District. This fund is used to account for all financial resources not reported in other funds.

Grants Fund – Reports as a special revenue fund and accounts for federal grant programs.

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

The school district also reports three nonmajor funds: food service, miscellaneous special revenue and permanent.

Fiduciary Funds

The School District reports the following type of fiduciary fund:

Agency Funds – Account for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency funds are used to account for student activities in the schools.

I.C. Assets, Liabilities, and Net Position or Fund Equity

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the School District's treasurer have custody of all monies belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or 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.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the School District to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the School District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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JUNE 30, 2016**

I.C.2. *Inventory and Prepaid Items*

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid items are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Such items are similarly reported in government-wide and fund financial statements.

I.C.3. *Capital Assets and Depreciation*

The School District's capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The School District capitalizes assets with cost of \$10,000 or more and an estimated useful life of one year or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	50-115
Machinery, equipment and vehicles	15-20

I.C.4. *Deferred Outflows/Inflows of Resources*

Although certain revenues and expenses are measurable, they are not available or recognized, because the activity represents a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow or inflow of resources until then.

Deferred inflows of resources in the governmental fund financial statements represent donated commodities that are held in inventory to be used in the subsequent year. Deferred outflows and inflows of resources in the Statement of Net Position consist of resources related to pensions that will be recognized in a subsequent period.

I.C.5. *Long-Term Debt*

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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I.C.6. *Compensated Absences*

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums. Sick leave accrues to full-time, permanent employees to specified maximums. Support staff employees are entitled to a portion of their sick and vacation leave upon termination.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.7. *Termination Benefits*

Teachers who are over the age of 55 but not yet at retirement age, and who have taught in the School District for a minimum of fifteen years are eligible for early retirement, which is considered voluntary termination. Teachers who elect to retire early receive an early retirement benefit, consisting of a payment of 25% of the teacher's last annual salary. Termination benefits are reported as accrued in the government-wide financial statements. Governmental funds report only matured termination benefits payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.8. *Equity*

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for special purposes, which consists of the expendable and nonexpendable portions of endowments held by the Town of Hollis Trustees of Trust Funds for school district purposes.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of the prepaid items; the balance of the School District's inventory, which can not be spent because of its form; and the principal amount of endowment held by the Town of Hollis Trustees of Trust Funds, which is not spendable in accordance with legal requirements.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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- Restricted, which represents the expendable portion of the endowment for school purposes held by the Town of Hollis Trustees of Trust Funds. This amount can only be spent for instruction in accordance with the legal restrictions established by the donors.
- Committed, which represents the balance of the Expendable Trust Funds established by the School District Meeting to be used for building maintenance; amounts voted at the 2016 School District Meeting to be transferred to the Expendable Trust Fund or held as contingency; and balances of Special Revenue Funds.
- Assigned, which represents encumbrances for instruction and support services assigned by a vote of the school board or by management through the use of approved purchase orders.
- Unassigned, which represents the remaining General Fund balance not reported as nonspendable, restricted, committed or assigned.

I.C.9. *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Permanent Fund. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unassigned fund balance to balance the budget. In the fiscal year 2016, \$237,534 of the fund balance from fiscal year 2015 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the amounts will be added to the appropriations voted for the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: instruction, student support, instructional staff, general administration, executive administration, school administration, operation and maintenance of plant, student transportation, other support services, non-instructional services, debt service and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot

**HOLLIS SCHOOL DISTRICT
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legally exceed the total appropriations unless permission is received from the Commissioner of Education.

II.B. Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 10,284,891
Perspective difference:	
Expendable trust fund activity	687
Per Exhibit 5 (GAAP basis)	<u>\$ 10,285,578</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 10,092,117
Adjustments:	
Basis difference:	
Encumbrances, beginning	23,033
Encumbrances, ending	(85,009)
Perspective difference:	
Accounts payable	19,534
Expendable trust fund activity	72,248
Per Exhibit 5 (GAAP basis)	<u>\$ 10,121,923</u>
Unassigned Fund balances:	
Per Exhibit 7 (budgetary basis)	\$ 430,387
Basis difference:	
Accounts payable	(19,534)
Per Exhibit 5 (GAAP basis)	<u>\$ 410,853</u>

For the Grants Fund, there is no difference between the budgetary basis and GAAP. The accounts payable represents expenditures incurred in June for a fiscal year 2017 budget item.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Receivables

Significant receivables consist of reimbursements and intergovernmental amounts arising from medicaid, grants, refunds, and reimbursements from other school districts for shared services.

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

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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reasonable, systematic method of determining their existence, completeness, valuation and collectability.

III.A.2. Capital Assets

Changes in Capital Assets

The following provides a summary of changes in capital assets:

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
Being depreciated:			
Land improvements	\$ 282,905	\$ -	\$ 282,905
Buildings and building improvements	5,891,604	59,490	5,951,094
Machinery, equipment and vehicles	184,283	-	184,283
Total all capital assets	<u>6,358,792</u>	<u>59,490</u>	<u>6,418,282</u>
Less accumulated depreciation:			
Land improvements	(61,826)	(14,145)	(75,971)
Buildings and building improvements	(4,943,480)	(114,408)	(5,057,888)
Machinery, equipment and vehicles	(98,795)	(11,140)	(109,935)
Total accumulated depreciation	<u>(5,104,101)</u>	<u>(139,693)</u>	<u>(5,243,794)</u>
Net book value, all capital assets	<u><u>\$ 1,254,691</u></u>	<u><u>\$ (80,203)</u></u>	<u><u>\$ 1,174,488</u></u>

Depreciation Expense

Depreciation expense was charged to functions of the School District as follows:

Governmental activities:	
Instruction	\$ 111,495
Support services:	
Executive administration	997
Operation and maintenance of plant	26,034
Non-instructional services	<u>1,167</u>
Total depreciation expense	<u><u>\$ 139,693</u></u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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JUNE 30, 2016**

III.B. Long-Term Liabilities

Long-term liabilities currently outstanding are as follow:

	Outstanding at June 30, 2016	Current Portion
Compensated absences payable:		
Vested sick leave	\$ 8,515	\$ -
Accrued vacation leave	5,209	926
	13,724	926
Termination benefits payable	307,674	68,287
Other postemployment benefits payable	267,404	-
Net pension liability	6,619,026	-
	<u>\$ 7,207,828</u>	<u>\$ 69,213</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2016:

	Compensated Absences Payable	Termination Benefits Payable	Other Postemployment Benefits Payable	Net Pension Liability	Total
Balance, beginning	\$ 12,070	\$ 310,761	\$ 217,189	\$ 6,309,847	\$ 6,849,867
Additions	1,654	-	50,215	309,179	361,048
Reductions	-	(3,087)	-	-	(3,087)
Balance, ending	<u>\$ 13,724</u>	<u>\$ 307,674</u>	<u>\$ 267,404</u>	<u>\$ 6,619,026</u>	<u>\$ 7,207,828</u>

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. Receivables and Payables

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The \$155,288 due to the General Fund represents an overdraft of pooled cash from the Grants Fund.

**HOLLIS SCHOOL DISTRICT
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III.C.2. Transfers

Transfers within the reporting entity are for the purpose of distribution of income earned in the Permanent Fund in the amount of \$168 to the General Fund. There was also a transfer of \$20,000 to the Expendable Trust Fund from the General Fund that is netted out when the funds are combined. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

III.D. Components of Fund Equity

The components of fund balance, as described in Note I.C.8, are classified for the following purposes:

	General	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Endowment	\$ -	\$ 5,642	\$ 5,642
Inventory	-	6,236	6,236
Prepays	7,009	-	7,009
Total nonspendable	<u>7,009</u>	<u>11,878</u>	<u>18,887</u>
Restricted for:			
Instruction	-	3,079	3,079
Committed for:			
Instruction	-	14,438	14,438
Support services	212,439	-	212,439
Non-instructional services	-	21,355	21,355
Total committed	<u>212,439</u>	<u>35,793</u>	<u>248,232</u>
Assigned to support services	<u>85,009</u>	-	85,009
Unassigned	<u>410,853</u>	-	410,853
Total fund balances	<u><u>\$ 715,310</u></u>	<u><u>\$ 50,750</u></u>	<u><u>\$ 766,060</u></u>

IV. Other Information

IV.A. Risk Management

The School District's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School District was a member of the Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

Property-Liability Trust, Inc. (the Trust) – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New

**HOLLIS SCHOOL DISTRICT
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Hampshire. As a member of the Trust, the School District shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The Trust maintains a self-insured retention above which it purchases reinsurance and excess insurance.

Contributions paid for fiscal year 2016 to be recorded as an insurance expenditure/expense totaled \$30,756. There were no unpaid contributions for the year ended June 30, 2016. The School District also paid \$51,970 for workers' compensation. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

General Information about the Pension Plan

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at www.nhrs.org or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 7% of gross earnings for all employees. The rates of contribution from the School District were 15.67% for teachers and 11.17% for other employees, which are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the School District during the fiscal years 2014, 2015 and 2016 were \$638,417, \$656,122 and \$763,928, respectively. The amounts are paid on a monthly basis as due.

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

At June 30, 2016, the School District reported a liability of \$6,619,026 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 municipalities and school districts, actuarially determined. As of

**HOLLIS SCHOOL DISTRICT
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June 30, 2015, the School District's proportion was 0.1671%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$570,787. 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 and differences between employer contributions and proportionate share of contributions	\$ 180,697	\$ 35,151
Differences between expected and actual experience	-	145,248
Net differences between projected and actual earnings on pension plan investments	-	176,902
School District contributions subsequent to the measurement date	763,928	-
	<u>\$ 944,625</u>	<u>\$ 357,301</u>

The School District reported \$763,928 as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending 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 follow:

Year Ended June 30,	
2016	\$ (85,345)
2017	(85,345)
2018	(85,345)
2019	95,614
2020	(16,183)
	<u>\$ (176,604)</u>

**HOLLIS SCHOOL DISTRICT
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Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.75%
Salary increases	5.8% average, including inflation
Investment rate of return	7.75% per year

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.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following 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 one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of net pension liability	\$ 8,713,087	\$ 6,619,026	\$ 4,833,826

Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, is available in the separately issued NHRS report.

IV.C. Contingent Liabilities

The School District has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor or pass-through agencies. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The School District feels that the chance of disallowance is unlikely, and if it should occur, that the amount would not be material.

IV.D. Other Postemployment Benefits

Plan Description

Benefits provided to retirees follow New Hampshire Revised Statutes Annotated 100-A:50 (Medical Insurance Coverage). This statute states that the School District "shall permit its employees upon

**HOLLIS SCHOOL DISTRICT
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retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees . . .” In addition, the statute states “Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees, or may require each retiree to pay any part or all of the cost of the retiree’s participation.”

Since the same premiums are charged to active employees and retirees, and the School District is unable to obtain age-adjusted premium information for the retirees, the School District must calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

The Hollis School District offers postemployment medical benefits to District retirees and their covered dependents. The District offers coverage as follows:

- Employees hired before July 1, 2011: retire after (1) attaining age 60 or (2) attaining age 50 with 10 or more years of service or (3) age plus service is at least 70 with 20 or more years of service
- Employees hired on or after July 1, 2011: retire after (1) attaining age 65 or (2) attaining age 60 with 30 or more years of service

Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions.

Currently, there are 93 active and retired employees that receive health benefits from the School District. The School District recognizes the cost of providing health insurance annually as expenditures in the General Fund as payments are made. For the year ended June 30, 2016, the School District recognized nothing for its share of insurance premiums for currently enrolled retirees.

The School District has obtained a valuation report as of July 1, 2015, which indicated that the total liability for other postemployment benefits is \$711,872.

The School District’s annual other postemployment benefit (OPEB) cost (expense) for its plan is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

**HOLLIS SCHOOL DISTRICT
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The following is a brief description of the retiree medical plan:

Participant Contributions:	Retired employees contribute 100% of the total premium cost.
Continuation of Coverage to Spouse After Death of Retiree:	Surviving spouse may continue coverage for lifetime by paying the required medical premium rates.
Life Insurance Benefit:	None
Medical Premiums Rates:	The total monthly costs by plan are shown below:

<u>Non-Medicare Plans</u>	<u>Single</u>	<u>2-Person</u>
BC3T15IPDED(07)-RX10/20/45	834.24	1,668.55
BC3T10(07)-RX10/20/30	892.45	1,784.90
BC3T10(07)-RX10/20/45	867.79	1,735.59
MTB05(07)-R\$3/5M\$1	865.13	1,730.27
MTB05(07)-RX10/20/30	828.63	1,657.27
MTB10IPDED(07)-RX10/20/45	789.07	1,578.14
MTBSOS20/40/1KDED(07)-RX10/20/45	608.10	1,216.20
BC3T5RDR-R3/15/1	927.82	1,855.64
<u>Medicare Plans</u>		
MC3(07)-R\$100M\$1	565.23	
MC3(07)-RX10/20/30	552.18	
MC3(07)-RX10/20/45	536.95	
MCNRX(07)	214.73	

The following methods and assumptions were used:

Valuation Date:	July 1, 2015
Discount Rate:	4.00% pay-as-you-go
Amortization Method:	Level dollar amount over thirty (30) years on an open amortization period for pay-as-you-go

**HOLLIS SCHOOL DISTRICT
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Heath Care Costs Trend Rates:	<u>Year</u>	<u>Trend</u>
	1	7.00%
	2	6.50%
	3	6.00%
	4	5.50%
	5	5.00%
	Ultimate	5.00%

Mortality Table: RP-2000 Combined Mortality Table, projected to 2021, using Scale AA

Actuarial Cost Method: Projected Unit Credit. The costs of each employee's postemployment benefits are allocated on a pro rata basis from the employee's date of hire to the date the employee is fully eligible for benefits.

Annual OPEB Cost and Net OPEB Obligation	<u>7/1/2015- 6/30/2016</u>
1. Annual Required Contribution (ARC)	\$ 70,235
2. Interest on Net OPEB Obligation	8,687
3. Adjustment to ARC	<u>(12,562)</u>
4. Annual OPEB Cost (Expense)	\$ 66,360
5. Contribution made	<u>(16,145)</u>
6. Increase in Net OPEB Obligation	50,215
7. Net OPEB Obligation - beginning of year	<u>217,189</u>
8. Net OPEB Obligation - end of year	<u><u>\$ 267,404</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2015 and 2016 are as follow:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2014	\$ 155,755	25.7%	\$ 115,797	\$ 5,860,326	2.66%
6/30/2015	\$ 162,152	37.5%	\$ 101,392	\$ 5,960,283	2.72%
6/30/2016	\$ 66,360	24.3%	\$ 267,404	\$ 5,860,009	1.13%

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 10
HOLLIS SCHOOL DISTRICT
Other Postemployment Benefits
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (AAL)
7/1/2013	\$ -	\$ 1,321,119	\$ 1,321,119	0.00%	\$ 5,273,550	25.05%
7/1/2014	\$ -	\$ 1,412,553	\$ 1,412,553	0.00%	\$ 5,960,283	23.70%
7/1/2015	\$ -	\$ 711,872	\$ 711,872	0.00%	\$ 6,159,953	11.56%

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

EXHIBIT 11
HOLLIS SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
School District's proportion of the net pension liability	0.1671%	0.1681%	0.1616%
School District's proportionate share of the net pension liability	\$ 6,619,026	\$ 6,309,847	\$ 6,953,868
School District's covered-employee payroll	\$ 5,007,750	\$ 4,746,986	\$ 4,617,915
School District's proportionate share of the net pension liability as a percentage of covered-employee payroll	132.18%	132.92%	150.58%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%	59.82%

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

EXHIBIT 12
HOLLIS SCHOOL DISTRICT
Schedule of the School District's Pension Contributions
New Hampshire Retirement System

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 763,928	\$ 661,569	\$ 638,417
Contributions in relation to the contractually required contribution	(763,928)	(661,569)	(638,417)
Contribution deficiency	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 5,007,750	\$ 4,746,986	\$ 4,617,915
Contributions as a percentage of covered-employee payroll	15.25%	13.94%	13.82%

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

**HOLLIS SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

The Schedule of Funding Progress, the Schedule of the School District's Proportionate Share of the Net Pension Liability and the Schedule of the School District's Pension Contributions are meant to present related information for ten years. Because this is the third year that the School District has presented its OPEB information and the second year that the School District has presented the pension schedules, only three years are reported. An additional year's information will be added each year until there are ten years presented.

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 13
HOLLIS SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds		Permanent	
	Food	Miscellaneous	Fund	Total
	Service			
ASSETS				
Cash and cash equivalents	\$ 34,267	\$ 15,170	\$ -	\$ 49,437
Intergovernmental receivable	1,445	-	8,721	10,166
Inventory	6,236	-	-	6,236
Total assets	<u>\$ 41,948</u>	<u>\$ 15,170</u>	<u>\$ 8,721</u>	<u>\$ 65,839</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 152	\$ 218	\$ -	\$ 370
Intergovernmental payable	726	514	-	1,240
Total liabilities	<u>878</u>	<u>732</u>	<u>-</u>	<u>1,610</u>
Deferred inflows of resources:				
Deferred revenue	<u>13,479</u>	<u>-</u>	<u>-</u>	<u>13,479</u>
Fund balances:				
Nonspendable	6,236	-	5,642	11,878
Restricted	-	-	3,079	3,079
Committed	21,355	14,438	-	35,793
Total fund balances	<u>27,591</u>	<u>14,438</u>	<u>8,721</u>	<u>50,750</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 41,948</u>	<u>\$ 15,170</u>	<u>\$ 8,721</u>	<u>\$ 65,839</u>

EXHIBIT 14
HOLLIS SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds		Permanent	
	Food	Miscellaneous	Fund	Total
	Service			
REVENUES				
Local	\$ 170,434	\$ 18,136	\$ 652	\$ 189,222
State	2,647	-	-	2,647
Federal	33,650	-	-	33,650
Total revenues	206,731	18,136	652	225,519
EXPENDITURES				
Current:				
Instruction	-	19,677	-	19,677
Non-instructional services	206,218	-	-	206,218
Total expenditures	206,218	19,677	-	225,895
Excess (deficiency) of revenues over (under) expenditures	513	(1,541)	652	(376)
Other financing uses:				
Transfers out	-	-	(168)	(168)
Net change in fund balances	513	(1,541)	484	(544)
Fund balances, beginning	27,078	15,979	8,237	51,294
Fund balances, ending	\$ 27,591	\$ 14,438	\$ 8,721	\$ 50,750

EXHIBIT 15
HOLLIS SCHOOL DISTRICT
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	\$ 7,756,060	\$ 7,756,060	\$ -
Other local sources:			
Tuition	19,000	22,800	3,800
Investment earnings	3,342	685	(2,657)
Rentals	8,000	8,000	-
Refund of prior year expenditures	42,000	65,596	23,596
Miscellaneous	-	1,919	1,919
Total from other local sources	72,342	99,000	26,658
State sources:			
Adequacy aid (grant)	932,187	932,187	-
Adequacy aid (tax)	1,389,432	1,389,432	-
Catastrophic aid	95,000	93,212	(1,788)
Total from state sources	2,416,619	2,414,831	(1,788)
Federal sources:			
Medicaid	22,000	14,832	(7,168)
Other financing sources:			
Transfers in	-	168	168
Total revenues and other financing sources	10,267,021	\$ 10,284,891	\$ 17,870
Use of fund balance to reduce school district assessment	237,534		
Total revenues, other financing sources and use of fund balance	\$ 10,504,555		

EXHIBIT 16
HOLLIS SCHOOL DISTRICT
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	\$ -	\$ 3,622,101	\$ 3,515,399	\$ 9,677	\$ 97,025
Special programs	-	1,140,395	1,105,555	353	34,487
Total instruction	-	4,762,496	4,620,954	10,030	131,512
Support services:					
Student	-	724,839	695,011	-	29,828
Instructional staff	1,543	396,023	313,812	2,076	81,678
General administration	-	142,857	41,966	1,800	99,091
Executive administration	-	395,559	395,559	-	-
School administration	-	574,587	556,278	267	18,042
Operation and maintenance of plant	21,490	902,047	837,588	57,108	28,841
Student transportation	-	394,105	336,935	-	57,170
Other	-	2,183,042	2,212,038	13,728	(42,724)
Total support services	23,033	5,713,059	5,389,187	74,979	271,926
Other financing uses:					
Transfers out	-	29,000	20,000	-	9,000
Total encumbrances, appropriations, expenditures and other financing uses	\$ 23,033	\$ 10,504,555	\$ 10,030,141	\$ 85,009	\$ 412,438

EXHIBIT 17
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

Unassigned fund balance, beginning		\$ 369,333
Changes:		
Fund balance used to reduce school district assessment		(237,534)
Budget summary:		
Revenue surplus (Exhibit 15)	\$ 17,870	
Unexpended balance of appropriations (Exhibit 16)	<u>412,438</u>	
Budget surplus		430,308
Decrease in nonspendable fund balance		6,280
Increase in committed fund balance		<u>(138,000)</u>
Unassigned fund balance, ending		<u><u>\$ 430,387</u></u>

EXHIBIT 18
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016

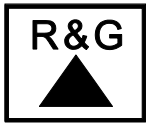
	Balance, beginning	Additions	Deductions	Balance, ending
Assets:				
Cash and cash equivalents:				
Hollis Upper Elementary	\$ 4,185	\$ 30,460	\$ (31,034)	\$ 3,611
Hollis Primary	2,176	15,728	(16,085)	1,819
Total assets	<u>\$ 6,361</u>	<u>\$ 46,188</u>	<u>\$ (47,119)</u>	<u>\$ 5,430</u>
Liabilities:				
Due to student groups	<u>\$ 6,361</u>	<u>\$ 46,188</u>	<u>\$ (47,119)</u>	<u>\$ 5,430</u>

EXHIBIT 19
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Hollis Upper Elementary School
For the Fiscal Year Ended June 30, 2016

	Balance, beginning	Additions	Deductions	Balance, ending
Vending	\$ 401	\$ 4,420	\$ 4,191	\$ 630
Cross Country	131	2,070	2,168	33
Field Trips	937	10,820	10,847	910
Petty Cash	39	2	-	41
Student Council	112	2,201	2,127	186
Yearbook	2,565	10,947	11,701	1,811
Total	<u>\$ 4,185</u>	<u>\$ 30,460</u>	<u>\$ 31,034</u>	<u>\$ 3,611</u>

EXHIBIT 20
HOLLIS SCHOOL DISTRICT
Student Activities Fund
Summary of Activity - Hollis Primary School
For the Fiscal Year Ended June 30, 2016

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Vending	\$ 438	\$ 3,262	\$ 2,222	\$ 1,478
Field Trips	1,664	6,625	8,053	236
3rd Grade Musical	74	5,841	5,810	105
Total	<u>\$ 2,176</u>	<u>\$ 15,728</u>	<u>\$ 16,085</u>	<u>\$ 1,819</u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

To the Members of the School Board
Hollis School District
Hollis, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District as of and for the fiscal year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, the school board, and others within the Hollis School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

April 17, 2017

Roberts & Greene, PLLC