

HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Hollis-Brookline Cooperative 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-Brookline Cooperative School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis-Brookline Cooperative School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 30-32 be presented to

**Hollis-Brookline Cooperative School District
Independent Auditor's Report**

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 Hollis-Brookline Cooperative School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

May 9, 2015

Roberts & Greene, PLLC

**HOLLIS BROOKLINE COOPERATIVE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

This section of the Hollis Brookline School District annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended June 30, 2014. 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

**HOLLIS BROOKLINE COOPERATIVE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

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 district do financially during the 2013-14 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 BROOKLINE COOPERATIVE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

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-Brookline Cooperative School District
Statement of Net Position**

	2013	2014	Increase (Decrease)	% Increase (Decrease)
Current and other assets	1,450,590	1,395,068	(55,522)	-3.8%
Capital assets	21,431,146	20,796,943	(634,203)	-3.0%
Total Assets	22,881,736	22,192,011	(689,725)	-3.0%
Long-term liabilities outstanding	7,902,273	6,187,581	(1,714,692)	-21.7%
Other liabilities	978,546	1,850,993	872,447	89.2%
Total liabilities	8,880,819	8,038,574	(842,245)	-9.5%
Net Position:				
Restricted	13,732,837	13,753,748	20,911	0.2%
Unrestricted	268,080	384,243	116,163	43.3%
Total Net Position	14,000,917	14,137,991	137,074	1.0%

**HOLLIS BROOKLINE COOPERATIVE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

Government-Wide Financial Analysis

Statement of Activities

Change in net position for fiscal year 2014 compared to fiscal year 2013:

Revenues:	2014	2013	Change	% Change
Program Revenues:				
Charges for Services	136,994	514,653	(377,659)	-73%
Operating Grants and Contributions	1,241,091	583,086	658,005	113%
Capital Grants and Contributions	398,487	395,639	2,848	1%
General Revenues:				
Assessment	13,288,859	13,140,287	148,572	1%
Grants and Contributions	5,266,229	5,054,489	211,740	4%
Miscellaneous	329,087	46,174	282,913	613%
Total Revenues	20,660,747	19,734,328	926,419	5%
Program Expenses:				
Instruction	10,220,098	9,445,818	774,280	8%
Student Support	1,141,158	1,081,531	59,627	6%
Instructional Staff	437,251	463,827	(26,576)	-6%
General Administration	64,446	54,133	10,313	19%
Executive Administration	719,000	706,087	12,913	2%
School Administration	832,837	852,487	(19,650)	-2%
Operation and Maintenance of Plant	1,145,341	1,138,035	7,306	1%
Student Transportation	776,776	811,909	(35,133)	-4%
Other	3,785,008	3,241,143	543,865	17%
Non-instructional Services	514,483	521,174	(6,691)	-1%
Facilities Acquisition and Construction		7,800	(7,800)	-100%
Interest on Long-term Debt	887,275	901,081	(13,806)	-2%
Total Expenses	20,523,673	19,225,025	1,298,648	7%
Change in Net Position	137,074	509,303	(372,229)	-73%
Net Position - Beginning	14,000,917	13,491,614	509,303	4%
Net Position - Ending	14,137,991	14,000,917	137,074	1%

The district's expenses are predominately salaries and benefits which are illustrated below. Specific areas of variance are evidenced above in the change in net position. Some larger variances are due to the following:

Revenues – Operating grants, contributions, and charges for services were as increased funding was received from federal sources. Miscellaneous revenues were up significantly due to payments from the Local Government Center as are result of a mandated return of surplus funds to member districts.

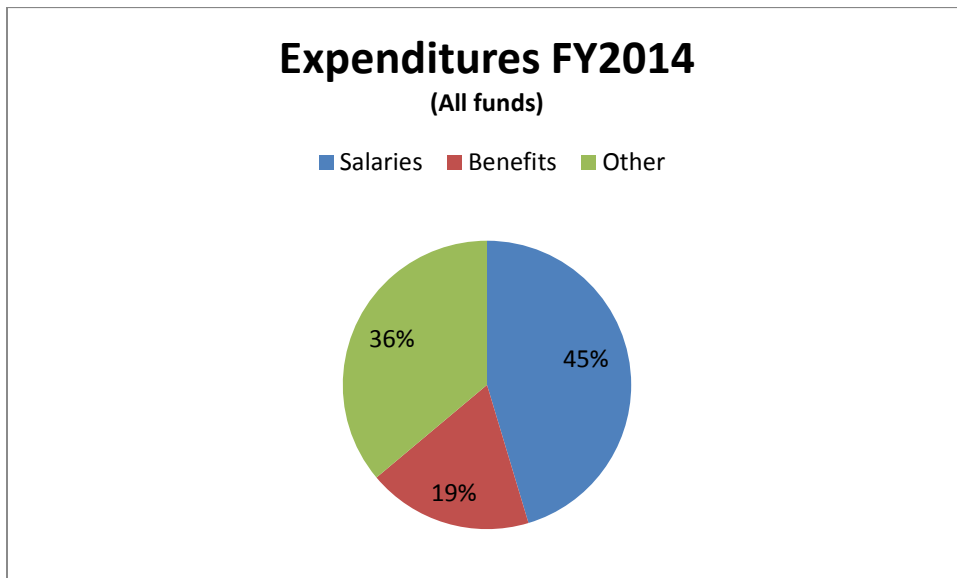
Program Expenses – “Other” represented the majority of increase in expenses. This was driven by new limits in the professional and support collective bargaining agreements for health/dental coverage as well as the inclusion of funding for merit increases. These increases were roughly half of the change

**HOLLIS BROOKLINE COOPERATIVE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

with the remaining coming from contribution changes to the New Hampshire Retirement System. For the area of "Instruction" the increase was primarily related to staff salary increases and additional services required for special education. Under "General Administration" the observed increase was caused generated as a result of additional school district meetings and associated legal costs. Increases in "Executive Administration" are the result of shifting costs tied to the SAU budget as students move from the lower districts into the cooperative district.

Hollis Brookline School District Activities

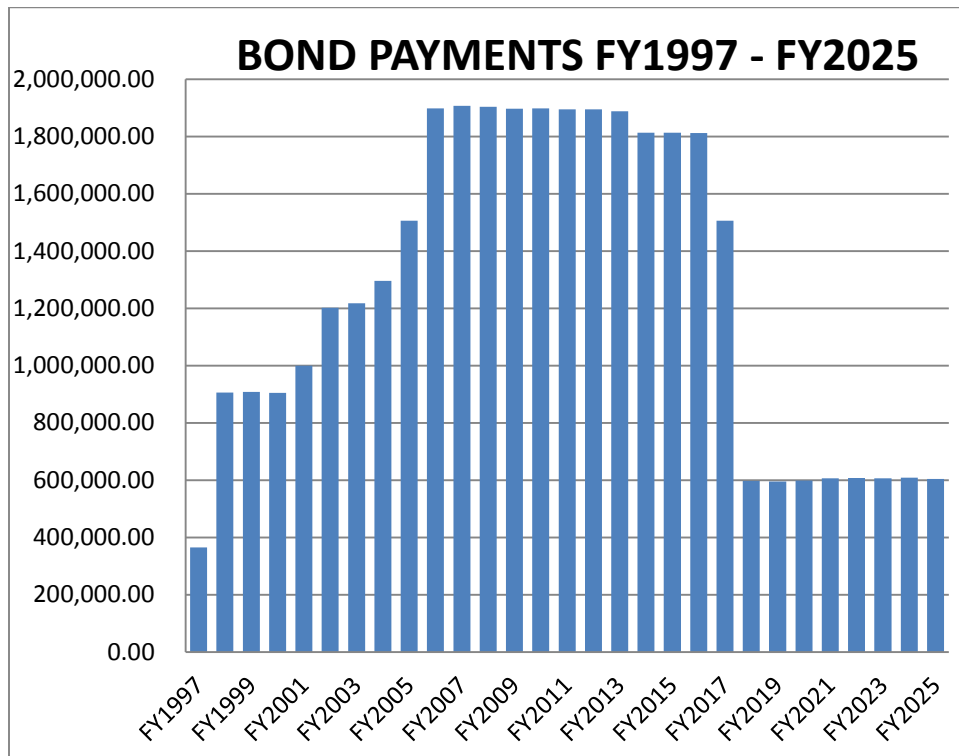
The district's expenses are predominately salaries and benefits which are illustrated below. "Other" expenses account for contracted services, transportation, operation & maintenance of plant, debt service, and general operational materials. The disbursement of cost has remained consistent with prior fiscal year expenditures (48% salary, 34% other, 18% benefits).



**HOLLIS BROOKLINE COOPERATIVE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014**

DEBT ADMINISTRATION

The School Administrative Unit carries debt on the renovation of the Hollis Brookline Middle School as well as the construction of the High School. A significant portion of debt is scheduled to retire in FY2017.



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 FY14 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, PO Box 1588, 4 Lund Lane, Hollis, NH 03049, by telephone at 603-324-5999, or via email at eric.horton@sau41.org.

BASIC FINANCIAL STATEMENT

EXHIBIT 1
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 612,496
Investments	7,811
Intergovernmental receivables	737,931
Other receivables	14,610
Inventory	9,650
Prepaid items	12,570
Capital assets, net of accumulated depreciation:	
Land improvements	259,784
Buildings and building improvements	20,406,419
Machinery, equipment and vehicles	130,740
Total assets	<u>22,192,011</u>
LIABILITIES	
Accounts payable	217,362
Accrued salaries and benefits	70,303
Intergovernmental payable	47,661
Accrued interest payable	531,713
Noncurrent obligations:	
Due within one year:	
Bonds	948,399
Compensated absences	18,753
Termination benefits	16,802
Due in more than one year:	
Bonds	5,806,767
Termination benefits	220,845
Other postemployment benefits payable	159,969
Total liabilities	<u>8,038,574</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	<u>15,446</u>
NET POSITION	
Restricted for special purposes	384,243
Unrestricted	13,753,748
Total net position	<u>\$ 14,137,991</u>

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

EXHIBIT 2
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction	\$ 10,220,098	\$ 133,098	\$ 776,305	\$ -	\$ (9,310,695)
Support services:					
Student	1,141,158	-	-	-	(1,141,158)
Instructional staff	437,251	-	12,837	-	(424,414)
General administration	64,446	-	-	-	(64,446)
Executive administration	719,000	-	-	-	(719,000)
School administration	832,837	-	-	-	(832,837)
Operation and maintenance of plant	1,145,341	-	-	-	(1,145,341)
Student transportation	776,776	-	-	-	(776,776)
Other	3,785,008	-	11,285	-	(3,773,723)
Non-instructional services	514,483	389,078	55,482	-	(69,923)
Interest on long-term debt	887,275	-	-	398,487	(488,788)
Total governmental activities	\$ 20,523,673	\$ 522,176	\$ 855,909	\$ 398,487	(18,747,101)
General revenues:					
					13,288,859
					5,266,229
					329,087
					<u>18,884,175</u>
					137,074
					<u>14,000,917</u>
					<u>\$ 14,137,991</u>

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

EXHIBIT 3
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2014

	General	Grants	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 348,220	\$ -	\$ -	\$ 264,276	\$ 612,496
Investments	7,811	-	-	-	7,811
Receivables, net of allowance for uncollectibles:					
Accounts	11,140	-	-	3,470	14,610
Intergovernmental	95,405	255,764	384,243	2,519	737,931
Interfund receivable	243,724	-	-	-	243,724
Inventory	-	-	-	9,650	9,650
Prepaid items	12,570	-	-	-	12,570
Total assets	<u>\$ 718,870</u>	<u>\$ 255,764</u>	<u>\$ 384,243</u>	<u>\$ 279,915</u>	<u>\$ 1,638,792</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 194,837	\$ 12,040	\$ -	\$ 10,485	\$ 217,362
Accrued salaries and benefits	70,303	-	-	-	70,303
Intergovernmental payable	47,661	-	-	-	47,661
Interfund payable	-	243,724	-	-	243,724
Total liabilities	<u>312,801</u>	<u>255,764</u>	<u>-</u>	<u>10,485</u>	<u>579,050</u>
Deferred inflows of resources:					
Deferred revenue	200	-	-	15,246	15,446
Fund balances:					
Nonspendable	12,570	-	242,390	9,650	264,610
Restricted	-	-	141,853	-	141,853
Committed	95,019	-	-	244,534	339,553
Assigned	12,381	-	-	-	12,381
Unassigned	285,899	-	-	-	285,899
Total fund balances	<u>405,869</u>	<u>-</u>	<u>384,243</u>	<u>254,184</u>	<u>1,044,296</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 718,870</u>	<u>\$ 255,764</u>	<u>\$ 384,243</u>	<u>\$ 279,915</u>	<u>\$ 1,638,792</u>

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

EXHIBIT 4
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position
June 30, 2014

Total fund balances of governmental funds (Exhibit 3)		\$ 1,044,296
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	\$ 33,884,515	
Less accumulated depreciation	<u>(13,087,572)</u>	20,796,943
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (243,724)	
Payables	<u>243,724</u>	-
Interest on long-term debt is not accrued in governmental funds.		
		(531,713)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable	\$ 6,755,166	
Compensated absences payable	18,753	
Termination benefits payable	237,647	
Other postemployment benefits payable	<u>159,969</u>	
		<u>(7,171,535)</u>
Net position of governmental activities (Exhibit 1)		<u><u>\$ 14,137,991</u></u>

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

EXHIBIT 5
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Grants	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$ 13,288,859	\$ -	\$ -	\$ -	\$ 13,288,859
Other local	335,369	-	50,579	465,315	851,263
State	6,012,777	-	-	3,896	6,016,673
Federal	118,716	333,650	-	51,586	503,952
Total revenues	<u>19,755,721</u>	<u>333,650</u>	<u>50,579</u>	<u>520,797</u>	<u>20,660,747</u>
EXPENDITURES					
Current:					
Instruction	8,976,839	309,528	-	72,712	9,359,079
Support services:					
Student	1,141,158	-	-	-	1,141,158
Instructional staff	425,450	12,837	-	-	438,287
General administration	64,446	-	-	-	64,446
Executive administration	719,000	-	-	-	719,000
School administration	834,093	-	-	-	834,093
Operation and maintenance of plant	1,160,432	-	-	-	1,160,432
Student transportation	776,776	-	-	-	776,776
Other	3,773,393	11,285	-	330	3,785,008
Non-instructional services	-	-	-	511,511	511,511
Debt service:					
Principal	943,143	-	-	-	943,143
Interest	870,909	-	-	-	870,909
Total expenditures	<u>19,685,639</u>	<u>333,650</u>	<u>-</u>	<u>584,553</u>	<u>20,603,842</u>
Excess (deficiency) of revenues over (under) expenditures	<u>70,082</u>	<u>-</u>	<u>50,579</u>	<u>(63,756)</u>	<u>56,905</u>
Other financing sources (uses):					
Transfers in	5,623	-	-	974	6,597
Transfers out	-	-	(6,597)	-	(6,597)
Total other financing sources and uses	<u>5,623</u>	<u>-</u>	<u>(6,597)</u>	<u>974</u>	<u>-</u>
Net change in fund balances	75,705	-	43,982	(62,782)	56,905
Fund balances, beginning	330,164	-	340,261	316,966	987,391
Fund balances, ending	<u>\$ 405,869</u>	<u>\$ -</u>	<u>\$ 384,243</u>	<u>\$ 254,184</u>	<u>\$ 1,044,296</u>

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

EXHIBIT 6
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Net change in fund balances of total governmental funds (Exhibit 5)		\$	56,905
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		\$	31,000
Depreciation expense			<u>(665,203)</u>
			(634,203)
Transfers in and out between governmental funds are eliminated on the operating statement.			
Transfers in		\$	(6,597)
Transfers out			<u>6,597</u>
			-
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 bonds			943,143
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 accrued interest expense		\$	(16,366)
Decrease in compensated absences payable			3,906
Increase in termination benefits payable			(56,342)
Increase in other postemployment benefits payable			<u>(159,969)</u>
			(228,771)
Change in net position of governmental activities (Exhibit 2)		<u>\$</u>	<u>137,074</u>

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

EXHIBIT 7
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 125,077
Accounts receivable	19,615
Total assets	<u>144,692</u>
LIABILITIES	
Due to student groups	<u>144,692</u>
NET POSITION	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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-Brookline Cooperative 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, 2014.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The Hollis-Brookline Cooperative School District is a municipal corporation governed by a school board consisting of seven 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; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. The school district assessment from the towns, unrestricted state aid, and revenue from other sources not properly included with program revenues are reported as general revenues.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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 bond principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are the school district assessment from the towns, 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-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

Permanent Fund – Used to account for endowments from which only the income can be used for school purposes.

The school district also reports two nonmajor funds: food service and other special revenue.

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-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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:

	Years
Land improvements	20
Buildings and building improvements	50-115
Machinery, equipment and vehicles	15-20

I.C.4. 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.

I.C.5. 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.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

I.C.6. Termination Benefits

Teachers are entitled to a retirement incentive after meeting certain employment requirements. 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.7. 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.
- 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 athletic expendable trust fund; an amount voted at the 2014 School District Meeting to be transferred to the Expendable Trust Fund; balances of revenues from grants to be used for instruction; and balances of revenues from charges for services to be used for non-instructional services (food service).
- 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.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

I.C.8 *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

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major 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 2014, \$74,608 of the fund balance from the fiscal year 2013 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 legally exceed the total appropriations unless permission is received from the Commissioner of Education.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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 reasonable, systematic method of determining their existence, completeness, valuation and collectability.

III.A.2. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
At cost:			
Being depreciated:			
Land improvements	\$ 820,880	\$ -	\$ 820,880
Buildings and building improvements	32,796,932	-	32,796,932
Machinery, equipment and vehicles	235,703	31,000	266,703
Total capital assets being depreciated	<u>33,853,515</u>	<u>31,000</u>	<u>33,884,515</u>
Total all capital assets	<u>33,853,515</u>	<u>31,000</u>	<u>33,884,515</u>
Less accumulated depreciation:			
Land improvements	(525,568)	(35,528)	(561,096)
Buildings and building improvements	(11,778,328)	(612,185)	(12,390,513)
Machinery, equipment and vehicles	(118,473)	(17,490)	(135,963)
Total accumulated depreciation	<u>(12,422,369)</u>	<u>(665,203)</u>	<u>(13,087,572)</u>
Net book value, capital assets being depreciated	<u>21,431,146</u>	<u>(634,203)</u>	<u>20,796,943</u>
Net book value, all capital assets	<u>\$ 21,431,146</u>	<u>\$ (634,203)</u>	<u>\$ 20,796,943</u>

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

Depreciation Expense

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

Governmental activities:	
Instruction	\$ 644,017
Support services:	
Operation and maintenance of plant	16,967
Non-instructional services	4,219
Total depreciation expense	<u>\$ 665,203</u>

III.B. Long-Term Debt

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds are backed by the full faith and credit of the School District. Long-term debt currently outstanding is as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2014	Current Portion
General obligation bonds payable:						
High school addition	\$ 8,100,000	1997	2017	6.0	\$ 688,862	\$ 242,829
High school addition	\$ 2,700,000	1997	2017	6.0	625,000	195,000
High school classroom addition	\$ 3,200,000	2001	2016	5.2	291,304	150,570
Middle school renovations	\$ 7,703,400	2005	2025	3.0-5.0	5,150,000	360,000
					<u>6,755,166</u>	<u>948,399</u>
Compensated absences payable:						
Vested sick leave					15,063	15,063
Accrued vacation leave					3,690	3,690
					<u>18,753</u>	<u>18,753</u>
Termination benefits payable					<u>237,647</u>	<u>16,802</u>
Other postemployment benefits payable					159,969	-
					<u>\$ 7,171,535</u>	<u>\$ 983,954</u>

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2014:

	General Obligation Bonds Payable	Compensated Absences Payable	Termination Benefits Payable	Other Postemployment Benefits Payable	Total
Balance, beginning	\$ 7,698,309	\$ 22,659	\$ 181,305	\$ -	\$ 7,902,273
Additions	-	-	56,342	159,969	216,311
Reductions	(943,143)	(3,906)	-	-	(947,049)
Balance, ending	<u>\$ 6,755,166</u>	<u>\$ 18,753</u>	<u>\$ 237,647</u>	<u>\$ 159,969</u>	<u>\$ 7,171,535</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt as of year-end are as follow:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 948,399	\$ 872,024	\$ 1,820,423
2016	960,323	859,725	1,820,048
2017	836,444	676,980	1,513,424
2018	420,000	187,625	607,625
2019	440,000	166,125	606,125
2020-2024	2,560,000	477,600	3,037,600
2025	590,000	14,750	604,750
Totals	<u>\$ 6,755,166</u>	<u>\$ 3,254,829</u>	<u>\$ 10,009,995</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 \$243,724 due to the General Fund from the Grants Fund represents an overdraft of pooled cash.

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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JUNE 30, 2014**

III.C.2. Transfers

Transfers within the reporting entity are for the purpose of distribution of income earned on Permanent Funds in the amounts of \$5,623 to the General Fund and \$974 to the Other Special Revenue Fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

III.D. Fund Equity

Components of Fund Equity

The components of fund balance, as described in Note I.C.7, are classified for the following purposes:

	General Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Endowment	\$ -	\$ 242,390	\$ -	\$ 242,390
Inventory	-	-	9,650	9,650
Prepaid items	12,570	-	-	12,570
Total nonspendable	<u>12,570</u>	<u>242,390</u>	<u>9,650</u>	<u>264,610</u>
Restricted for instruction	-	141,853	-	141,853
Committed for instruction	<u>95,019</u>	<u>-</u>	<u>244,534</u>	<u>339,553</u>
Assigned to:				
Instruction	11,402	-	-	11,402
Support services	979	-	-	979
Total assigned	<u>12,381</u>	<u>-</u>	<u>-</u>	<u>12,381</u>
Unassigned	<u>285,899</u>	<u>-</u>	<u>-</u>	<u>285,899</u>
Total fund balances	<u>\$ 405,869</u>	<u>\$ 384,243</u>	<u>\$ 254,184</u>	<u>\$ 1,044,296</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 Local Government Center 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.

Local Government Center 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 Hampshire. As a member of the Trust, the School District shares in contributing to

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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JUNE 30, 2014**

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 2014 to be recorded as an insurance expenditure/expense totaled \$53,082. There were no unpaid contributions for the year ended June 30, 2014. The School District also paid \$41,666 for workers' compensation and \$22,422 for unemployment compensation for the fiscal year. 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

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 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 14.16% for teachers and 10.77% for other employees. Employer contributions from the School District during the fiscal years 2012, 2013 and 2014 were \$861,123, \$849,136 and \$1,106,093, respectively. The amounts are paid on a monthly basis as due.

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 Post-employment 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 retirement to continue to participate in the same medical insurance or health care group or plan as its

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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, GASB 45 requires the School District to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

The Hollis-Brookline Cooperative 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 246 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, 2014, 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, 2013, which indicated that the total liability for other post-employment benefits is \$1,608,283 (\$57,071 related to retirees and \$1,551,212 related to employees).

The School District’s annual other post-employment 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-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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>
BC3T5RDR(07) –R\$2/15M\$1	928.01	1,856.02
BC3T10(07)-RX10/20/30	892.63	1,785.26
BC3T15IPDED(07)-RX10/20/45	834.44	1,668.88
MTB05(07)-R\$3/5M\$1	865.31	1,730.62
MTB05(07)-RX10/20/30	828.80	1,657.60
MTB10IPDED(07)-RX10/20/45	789.23	1,578.46
MTBSOS20/40/1KDED(07)- RX10/20/45	608.22	1,216.44
LUMENOS25000(07)	621.11	1,242.22
 <u>Medicare Plans</u>		
MC3(07)-R\$100M\$1	565.35	
MC3(07)-RX10/20/30	552.29	
MC3(07)-RX10/20/45	537.06	
MCNRX(07)	214.78	

The following methods and assumptions were used:

- Valuation Date: July 1, 2013
- 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-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Health 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>7/1/2013- 6/30/2014</u>
1. Annual Required Contribution (ARC)	\$217,533
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (Expense)	<u>\$217,533</u>
5. Contribution made	<u>(57,564)</u>
6. Increase in net OPEB Obligation	159,969
7. Net OPEB Obligation – beginning of year	-
8. Net OPEB Obligation – end of year	<u><u>\$159,969</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 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	\$217,533	26.5%	\$159,969	\$7,994,706	2.72%

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 8
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
School district assessment	\$ 13,288,859	\$ 13,288,859	\$ 13,288,859	\$ -
Other local	208,000	208,000	335,352	127,352
State	5,977,562	5,977,562	6,012,777	35,215
Federal	75,000	75,000	118,716	43,716
Total revenues	<u>19,549,421</u>	<u>19,549,421</u>	<u>19,755,704</u>	<u>206,283</u>
EXPENDITURES				
Current:				
Instruction	8,925,149	8,961,108	8,905,760	55,348
Support services:				
Student	1,082,194	1,085,580	1,140,708	(55,128)
Instructional staff	387,228	390,598	420,252	(29,654)
General administration	39,716	39,716	64,446	(24,730)
Executive administration	719,504	719,504	719,000	504
School administration	861,692	858,038	834,054	23,984
Operation and maintenance of plant	1,103,597	1,108,978	1,126,556	(17,578)
Student transportation	824,310	774,310	776,776	(2,466)
Other	3,811,588	3,817,146	3,773,393	43,753
Debt service:				
Principal	943,143	943,143	943,143	-
Interest	870,908	870,908	870,909	(1)
Total expenditures	<u>19,569,029</u>	<u>19,569,029</u>	<u>19,574,997</u>	<u>(5,968)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,608)</u>	<u>(19,608)</u>	<u>180,707</u>	<u>200,315</u>
Other financing sources (uses):				
Transfers in	-	-	5,623	5,623
Transfers out	(55,000)	(55,000)	(55,000)	-
Total other financing sources and uses	<u>(55,000)</u>	<u>(55,000)</u>	<u>(49,377)</u>	<u>5,623</u>
Net change in unassigned fund balance	<u>\$ (74,608)</u>	<u>\$ (74,608)</u>	131,330	<u>\$ 205,938</u>
Decrease in nonspendable fund balance			17,199	
Increase in committed fund balance			(35,000)	
Unassigned fund balance, beginning			<u>172,370</u>	
Unassigned fund balance, ending			<u>\$ 285,899</u>	

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

EXHIBIT 9
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 335,511	\$ 333,650	\$ (1,861)
EXPENDITURES			
Current:			
Instruction	335,511	309,528	25,983
Support services:			
Instructional staff	-	12,837	(12,837)
Other	-	11,285	(11,285)
Total expenditures	<u>335,511</u>	<u>333,650</u>	<u>1,861</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u><u>\$ -</u></u>	

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

EXHIBIT 10
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Other Postemployment Benefits
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

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)
7/1/2013	\$ -	\$ 1,608,283	\$ 1,608,283	0.0%	\$ 7,994,706	20.11%

**HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 8 (budgetary basis)	\$ 19,761,327
Adjustment:	
Perspective difference:	
Expendable trust fund activity	17
Per Exhibit 5 (GAAP basis)	<u>\$ 19,761,344</u>
Expenditures and other financing uses:	
Per Exhibit 8 (budgetary basis)	\$ 19,629,997
Adjustments:	
Basis difference:	
Encumbrances, beginning	42,025
Encumbrances, ending	(12,381)
Perspective difference:	
Transfer to expendable trust fund	(55,000)
Expendable trust fund expenditures	80,998
Per Exhibit 5 (GAAP basis)	<u>\$ 19,685,639</u>

For the Food Service Fund, there is no difference between the budgetary basis and GAAP. The Permanent Fund is not budgeted.

INDIVIDUAL AND COMBINING FUND SCHEDULES

EXHIBIT 11
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds		
	Food Service	Other	Total
ASSETS			
Cash and cash equivalents	\$ 111,808	\$ 152,468	\$ 264,276
Receivables:			
Accounts	-	3,470	3,470
Intergovernmental	2,519	-	2,519
Inventory	9,650	-	9,650
Total assets	<u>\$ 123,977</u>	<u>\$ 155,938</u>	<u>\$ 279,915</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ 195</u>	<u>\$ 10,290</u>	<u>\$ 10,485</u>
Deferred inflows of resources:			
Deferred revenue	<u>15,246</u>	<u>-</u>	<u>15,246</u>
Fund balances:			
Nonspendable	9,650	-	9,650
Committed	<u>98,886</u>	<u>145,648</u>	<u>244,534</u>
Total fund balances	<u>108,536</u>	<u>145,648</u>	<u>254,184</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 123,977</u>	<u>\$ 155,938</u>	<u>\$ 279,915</u>

EXHIBIT 12
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds		
	Food Service	Other	Total
REVENUES			
Local	\$ 389,078	\$ 76,237	\$ 465,315
State	3,896	-	3,896
Federal	51,586	-	51,586
Total revenues	<u>444,560</u>	<u>76,237</u>	<u>520,797</u>
EXPENDITURES			
Current:			
Instruction	-	72,712	72,712
Support services	-	330	330
Non-instructional services	508,557	2,954	511,511
Total expenditures	<u>508,557</u>	<u>75,996</u>	<u>584,553</u>
Excess (deficiency) of revenues over (under) expenditures	(63,997)	241	(63,756)
Other financing sources uses:			
Transfers in	<u>-</u>	<u>974</u>	<u>974</u>
Net change in fund balances	(63,997)	1,215	(62,782)
Fund balances, beginning	172,533	144,433	316,966
Fund balances, ending	<u>\$ 108,536</u>	<u>\$ 145,648</u>	<u>\$ 254,184</u>

EXHIBIT 13
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 13,288,859	\$ 13,288,859	\$ -
Other local sources:			
Investment earnings	4,000	5,198	1,198
Impact fees	-	31,341	31,341
Rentals	-	3,165	3,165
Athletics	-	56,861	56,861
Miscellaneous	204,000	238,787	34,787
Total other local sources	<u>208,000</u>	<u>335,352</u>	<u>127,352</u>
State sources:			
Adequacy aid (grant)	3,131,246	3,131,247	1
Adequacy aid (tax)	2,134,982	2,134,982	-
School building aid	398,487	398,487	-
Catastrophic aid	312,847	341,143	28,296
Vocational tuition aid	-	6,918	6,918
Total state sources	<u>5,977,562</u>	<u>6,012,777</u>	<u>35,215</u>
Federal sources:			
Medicaid	75,000	118,716	43,716
Other financing sources:			
Transfers in	-	5,623	5,623
Total revenues and other financing sources	19,549,421	<u>\$ 19,761,327</u>	<u>\$ 211,906</u>
Use of fund balance to reduce school district assessment	<u>74,608</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 19,624,029</u>		

EXHIBIT 14
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 92	\$ 5,411,142	\$ 5,331,905	\$ 2,551	\$ 76,778
Special programs	241	2,935,157	2,882,041	4,595	48,762
Vocational programs	-	141,508	192,714	-	(51,206)
Other	1,150	473,301	489,181	4,256	(18,986)
Total instruction	<u>1,483</u>	<u>8,961,108</u>	<u>8,895,841</u>	<u>11,402</u>	<u>55,348</u>
Support services:					
Student	450	1,085,580	1,141,158	-	(55,128)
Instructional staff	5,198	390,598	425,450	-	(29,654)
General administration	-	39,716	64,446	-	(24,730)
Executive administration	-	719,504	719,000	-	504
School administration	739	858,038	834,093	700	23,984
Operation and maintenance of plant	34,155	1,108,978	1,160,432	279	(17,578)
Student transportation	-	774,310	776,776	-	(2,466)
Other	-	3,817,146	3,773,393	-	43,753
Total support services	<u>40,542</u>	<u>8,793,870</u>	<u>8,894,748</u>	<u>979</u>	<u>(61,315)</u>
Debt service:					
Principal	-	943,143	943,143	-	-
Interest	-	870,908	870,909	-	(1)
Total debt service	<u>-</u>	<u>1,814,051</u>	<u>1,814,052</u>	<u>-</u>	<u>(1)</u>
Other financing uses:					
Transfers out	-	55,000	55,000	-	-
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 42,025</u>	<u>\$ 19,624,029</u>	<u>\$ 19,659,641</u>	<u>\$ 12,381</u>	<u>\$ (5,968)</u>

EXHIBIT 15
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

Unassigned fund balance, beginning	\$	172,370
Changes:		
Fund balance used to reduce school district assessment		(74,608)
Budget summary:		
Revenue surplus (Exhibit 13)	\$	211,906
Overdraft of appropriations (Exhibit 14)		<u>(5,968)</u>
Budget surplus		205,938
Decrease in nonspendable fund balance		17,199
Increase in committed fund balance		<u>(35,000)</u>
Unassigned fund balance, ending	\$	<u><u>285,899</u></u>

EXHIBIT 16
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2014

	Balance, beginning	Additions	Deductions	Balance, ending
Assets:				
Cash and cash equivalents:				
High School	\$ 123,774	\$ 466,356	\$ 496,871	\$ 93,259
Middle School	35,472	191,545	195,199	31,818
Intergovernmental receivable	-	19,615	-	19,615
Total assets	<u>\$ 159,246</u>	<u>\$ 677,516</u>	<u>\$ 692,070</u>	<u>\$ 144,692</u>
Liabilities:				
Due to student groups	<u>\$ 159,246</u>	<u>\$ 677,516</u>	<u>\$ 692,070</u>	<u>\$ 144,692</u>

EXHIBIT 17
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Middle School
For the Fiscal Year Ended June 30, 2014

	Balance, beginning	Additions	Deductions	Balance, ending
Art Club	\$ -	\$ 6,619	\$ 4,605	\$ 2,014
Band/Music Club	1,307	1,023	2,109	221
Books/Equipment	100	189	141	148
Cheerleading Club	326	-	-	326
Climbing Wall Club	-	1,080	904	176
Cola	341	727	1,068	-
CPR First Aid	2,817	1,639	1,323	3,133
Culture Club	370	-	-	370
Drama Club	1,021	2,133	983	2,171
Field Trips	5,226	26,481	25,626	6,081
Generations Club	2,909	-	955	1,954
History Club	141	-	-	141
Library Club	156	378	144	390
Music Club	1,530	5,250	5,701	1,079
Officials	991	7,906	8,897	-
Rachel's Challenge Club	494	-	224	270
Ski Club	1,968	1,527	1,692	1,803
Student Athletics Fund	-	16,027	16,363	(336)
Student Council Club	508	7,713	5,396	2,825
Team Hypatia (3)	116	-	116	-
Team Prescott (4)	316	-	316	-
Washington, D.C.	8,724	108,269	112,948	4,045
Yearbook Club	6,111	4,584	5,688	5,007
Total	<u>\$ 35,472</u>	<u>\$ 191,545</u>	<u>\$ 195,199</u>	<u>\$ 31,818</u>

EXHIBIT 18
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - High School
For the Fiscal Year Ended June 30, 2014

	Balance, beginning	Additions	Deductions	Balance, ending
10 Percent Fund	\$ 1,388	\$ 950	\$ 199	\$ 2,139
Amnesty International	214	-	-	214
AP Testing	-	33,629	33,629	-
Art Club	2	-	-	2
Athletic Donations	-	6,609	6,609	-
Athletic Dues	-	21,775	21,775	-
Athletic Officials	-	73,338	73,121	217
Athletics General	56	2,272	1,939	389
CavBlock Program	750	-	425	325
Chemistry Club	287	305	302	290
Chronicle	3	350	-	353
Class Gift Fund	6,296	-	1,473	4,823
Class of 2008	-	1,025	1,025	-
Class of 2009	371	-	-	371
Class of 2010	15	-	-	15
Class of 2011	12,579	-	9,350	3,229
Class of 2012	2,439	-	-	2,439
Class of 2013	10,962	-	-	10,962
Class of 2014	7,278	48,683	53,653	2,308
Class of 2015	4,241	2,548	2,333	4,456
Class of 2016	2,351	1,616	249	3,718
Class of 2017	-	264	96	168
Coke Sales	-	12,034	12,034	-
Culinary Club	44	240	255	29
Dance Team	742	272	253	761
Debate Team	-	1,068	891	177
DI Team	80	-	-	80
Emergency Fund	125	-	-	125
FACS	-	390	390	-
Field Trips	227	8,722	8,513	436
French Club	279	-	-	279
Gay Straight Alliance	127	-	-	127
Green Group	10	-	-	10
Guidance	-	904	904	-
Hall of Fame	62	-	-	62
Home Front Heroes	20	-	-	20
Interact	2,353	-	-	2,353
Jeans Scholarship	5	-	5	-
Latin Club	5	-	-	5
Library	-	28	28	-

(continued)

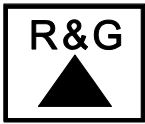
EXHIBIT 18 (continued)
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - High School
For the Fiscal Year Ended June 30, 2014

	Balance, beginning	Additions	Deductions	Balance, ending
Life of an Athlete	-	1,908	-	1,908
Math Hot Line	740	-	356	384
Math Team	54	-	-	54
Miscellaneous	-	5,368	5,368	-
Nathan's Walk	-	50	50	-
National Honor Society	1,149	2,054	1,214	1,989
Outing Club	101	-	-	101
Parking Permits	-	8,850	8,850	-
Peer Outreach	60	-	-	60
Petty Cash	500	2,854	3,330	24
PF - All State Comp.	-	4,980	4,980	-
PF - Building Use	-	3,543	3,543	-
PF - Concerts	282	6,363	5,903	742
PF - Improv	-	2,509	2,486	23
PF - Musical	3,905	12,999	13,843	3,061
PF - Pep Band	75	-	75	-
PF - Theatre	2,203	8,038	9,831	410
PF - Tri M	867	251	812	306
PF - Trips	293	24,500	20,319	4,474
Photo	106	2,758	2,864	-
Physics - Bridge Bldg.	507	-	-	507
Postage	-	250	1,063	(813)
Quiz Bowl	-	161	-	161
Red Cross Club	1,962	5,271	3,297	3,936
SADD	204	-	-	204
SALT	2,158	-	-	2,158
SAT 2 Prep	-	1,660	1,660	-
SAT Prep	-	23,272	23,272	-
Scholarships	-	1,970	1,800	170
School Store	212	-	-	212
Science Olympiad	3,769	-	2,625	1,144
Ski & Snowboard Club	756	1,500	1,500	756
SOPE	276	141	360	57
Spanish Club	639	1,983	658	1,964
Sports Bowling	-	4,562	4,426	136
Sports Boys' Basketball	350	-	-	350
Sports Boys' Soccer	1,000	-	-	1,000
Sports Cross Country	414	1,200	904	710
Sports Field Hockey	1,007	132	184	955
Sports Football	344	10,548	10,892	-
Sports Girls' Basketball	28	-	-	28

(continued)

EXHIBIT 18 (continued)
HOLLIS-BROOKLINE COOPERATIVE SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - High School
For the Fiscal Year Ended June 30, 2014

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Sports Girls' Soccer	170	-	-	170
Sports Girls' Tennis	451	267	610	108
Sports Gymnastics	90	76	-	166
Sports Ice Hockey	1,715	5,000	5,285	1,430
Sports Ski Team	1,800	1,794	-	3,594
Sports Softball	-	670	635	35
Sports Spirit Squad	-	4,532	2,544	1,988
Sports Swim Team	144	5,047	4,191	1,000
Sports Track	230	-	188	42
Sports Volleyball	1,185	3,000	3,000	1,185
Sports Winter Spirit	130	-	130	-
Sports Wrestling	1,684	16,254	14,905	3,033
Student Athletic Fund	-	48,815	48,815	-
Student Council	810	13,381	15,050	(859)
Uncleared Checks	8,576	4,903	3,541	9,938
US First	16,420	21,689	27,079	11,030
Video Club	200	-	-	200
Yearbook	12,897	3,846	4,982	11,761
Total	<u>\$ 123,774</u>	<u>\$ 485,971</u>	<u>\$ 496,871</u>	<u>\$ 112,874</u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

To the Members of the School Board
Hollis-Brookline Cooperative 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-Brookline Cooperative School District as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Hollis-Brookline Cooperative 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 Hollis-Brookline Cooperative 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.

Investment Policy

The minutes of the meetings of the school board did not indicate that the School District's investment policy was reviewed and adopted for the fiscal year ended June 30, 2014. RSA 197:23-a IV notes that the school board "shall review and adopt an investment policy for the investment of public funds" on an annual basis, at a minimum. We recommend that the school board designate a time during each year for reviewing and adopting the investment policy.

Middle School Student Activity Controls

We noted two instances of checks issued in June that did not have two signatures authorizing payment on them. This is required by the School District's student activities policy. We recommend that care be taken to ensure no payments are issued without the appropriate authorization.

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

May 9, 2015

Roberts & Greene, PLLC