

HOLLIS SCHOOL DISTRICT

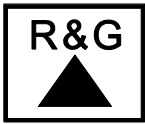
FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

**HOLLIS SCHOOL DISTRICT
FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

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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 year ended June 30, 2018, 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, 2018, and the respective changes in financial position thereof, and the budgetary comparisons for the General Fund, Food Service Fund, and Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note I.B.5. to the financial statements, in fiscal year 2018, the School District adopted new accounting guidance regarding the accounting and reporting for other postemployment benefits. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and other postemployment benefits and pension information, on pages 3-9 and 38-41, respectively, 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 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 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 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 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.

Roberts & Greene, PLLC

Concord, New Hampshire
May 10, 2019

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2018**

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, 2018. 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, 2018**

district do financially during the 2017-18 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, 2018**

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.

Government-Wide Financial Analysis

Hollis School District

Statement of Net Position

Change in net position for fiscal year 2018 compared to fiscal year 2017:

	2017	2018	Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	925,268	1,063,995	138,727	14.99%
Capital Assets	1,341,770	2,341,217	999,447	74.49%
Total Assets	2,267,038	3,405,212	1,138,174	89.48%
Deferred Outflow of Resources	2,974,554	2,289,460	(685,094)	-23.03%
Long-term Liabilities Outstanding	9,992,206	10,913,467	921,261	9.22%
Other Liabilities	101,740	125,861	24,121	23.71%
	10,093,946	11,039,328	945,382	32.93%
Deferred Inflows of Resources	161,451	272,158	110,707	68.57%
Net Position:				
Net Investment in Capital Assets	965,104	1,149,076	183,972	19.06%
Restricted	9,166	9,346	180	1.96%
Unrestricted	(6,320,145)	(6,775,236)	(455,091)	7.20%
Total Net Position	(5,345,875)	(5,616,814)	(270,939)	28.23%

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2018**

Statement of Activities

Change in fund revenue and expense for fiscal year 2018 compared to fiscal year 2017:

Revenues:	2017	2018	Change	% Change
Program Revenues				
Charges for Services	207,676	215,274	7,598	3.66%
Operating Grants and Contributions	286,943	325,048	38,105	13.28%
Capital Grants and Contributions	-	-	-	0.00%
General Revenues:				
Assessment	8,242,479	8,399,724	157,245	1.91%
Grants and Contributions	2,293,433	2,625,206	331,773	14.47%
Miscellaneous	19,477	19,095	(382)	-1.96%
Total Revenues	11,050,008	11,584,347	534,339	31.35%
Program Expenses:				
Instruction	4,991,468	5,089,655	98,187	1.97%
Student Support	724,414	737,484	13,070	1.80%
Instructional Staff	314,153	322,171	8,018	2.55%
General Administration	53,586	31,489	(22,097)	-41.24%
Executive Administration	428,886	442,824	13,938	3.25%
School Administration	562,985	571,731	8,746	1.55%
Business	-	1,050	1,050	100.00%
Operation and Maintenance of Plant	938,873	954,952	16,079	1.71%
Student Transportation	402,587	384,939	(17,648)	-4.38%
Central	-	-	-	0.00%
Other	3,077,896	2,886,046	(191,850)	-6.23%
Non-instructional Services	220,143	214,311	(5,832)	-2.65%
Facilities Acquisition & Contruction	-	140,521	140,521	#DIV/0!
Interest on Long-Term Debt	936	78,113	77,177	0.00%
Total Expenses	11,715,927	11,855,286	139,359	#DIV/0!
Change in Net Position	(665,919)	(270,939)	394,980	#DIV/0!
Net Position - Beginning	(4,679,956)	(5,345,875)	(665,919)	14.23%
Net Position - Ending	(5,345,875)	(5,616,814)	(270,939)	5.07%

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 Adequacy Aid and SPED Aid, formerly Catastrophic Aid, there was an increase of \$331K.

Expenditures: Expenses for FY18 overall were slightly higher than in FY17 mostly due to adding multiple positions, under the heading of Instruction and Instructional Staff. Under the heading of General Admin, Legal costs were lower than expected. Under the heading of Other, health insurance costs were lower than expected due to lower premium costs in FY18 versus FY17 and because more employees took the lower cost plan option.

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2018**

General Fund Budgetary Highlights

Revenues

Revenue recognized by the Hollis School District's general fund amounted to \$23,783 more than budgeted, as detailed below. IDEA grants were more than expected.

Revenue	Original Budget	Actual	Variance
School District Assessment	8,399,725	8,399,724	(1)
Other Local	35,600	38,399	2,799
State	2,511,954	2,527,186	15,232
Federal	41,000	46,753	5,753
Total Revenues	10,988,279	11,012,062	23,783
Use of Fund Balance to Reduce School District Assessment & Other Funding	354,639		
Total Revenues and Use of Fund Balance	11,342,918		

Expenditures

Expenditures	Original Budget	Actual	Variance
Instruction	4,892,548	4,771,653	120,895
Student & Instructional Support	1,137,574	1,048,202	89,372
General, Executive & School Admin	1,176,399	1,045,097	131,302
Operation & Maintenance of Plant	913,769	867,875	45,894
Student Transportation	396,956	379,084	17,872
Other Support Services	2,499,657	2,521,973	(22,316)
Debt Service	326,015	394,896	(68,881)
Total Appropriation & Expenditures	11,342,918	11,028,780	314,138

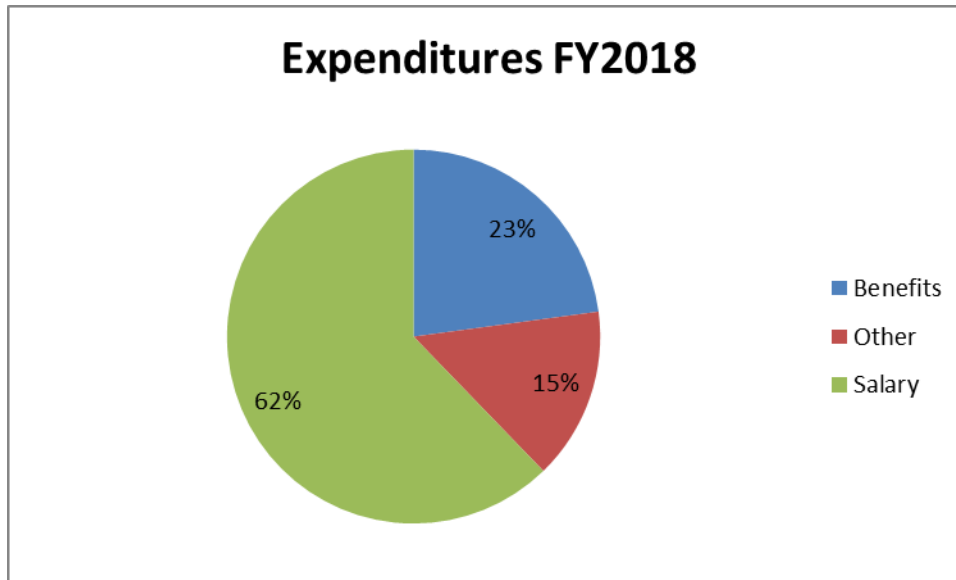
The general fund surplus can be attributed to:

- Hiring savings for SPED Aides, ESL and ESY Salaries and not all Paraprofessional positions were filled
- Occupational Therapy salary, lower due to unexpected opening
- Savings in Maintenance salaries and overall General maintenance
- Savings in In-District transportation and gasoline
- The contingency fund of \$95,000 was untouched
- There were additional expenses for site improvements, our portion of the Cabling project at HPS.

**HOLLIS SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2018**

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.



Capital Assets

The Hollis School District's investment in capital assets for its governmental activities as of June 30, 2018, totals \$2,341,217, 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, 2018**

DEBT ADMINISTRATION

The Hollis School District has started paying the debt for the HSTEP Program voted on by the voters to make both HPS and HUES more energy efficient. The debt expenditures for the lease are as follows:

REMAINING DEBT PAYMENTS On HSTEP Project		
	FY18	324,387
	FY19	324,387
	FY20	324,387
	FY21	324,387
	FY22	324,387
	FY23	324,387
	FY24	324,387
	FY25	324,387
	FY26	324,387
	FY27	324,387
		3,243,875

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 in FY15 fiscal year the ability to retain fund balance for emergency expenditures and over-expenditures of \$95,000.. 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, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 626,598
Investments	480
Intergovernmental receivables	360,958
Other receivables	60,046
Inventory	8,818
Prepaid items	7,095
Capital assets, not being depreciated:	
Construction in progress	1,438,996
Capital assets, net of accumulated depreciation:	
Land improvements	178,644
Buildings and building improvements	664,390
Machinery, equipment and vehicles	59,187
Total assets	<u>3,405,212</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>2,289,460</u>
LIABILITIES	
Accounts payable	48,040
Accrued salaries and benefits	74,544
Intergovernmental payable	2,696
Accrued interest payable	581
Noncurrent obligations:	
Due within one year:	
Capital lease payable	253,691
Compensated absences payable	24
Due in more than one year:	
Capital lease payable	938,450
Compensated absences payable	13,857
Termination benefits payable	317,132
Other postemployment benefits liability	506,526
Net pension liability	8,883,787
Total liabilities	<u>11,039,328</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	19,175
Deferred amounts related to other postemployment benefits	7,626
Deferred amounts related to pensions	<u>245,357</u>
	<u>272,158</u>
NET POSITION	
Net investment in capital assets	1,149,076
Restricted for endowments:	
Nonexpendable	6,474
Expendable	2,872
Unrestricted	<u>(6,775,236)</u>
Total net position	<u>\$ (5,616,814)</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, 2018

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes In Net Position
Governmental activities:				
Instruction	\$ 5,089,655	\$ 21,840	\$ 282,101	\$ (4,785,714)
Support services:				
Student	737,484	-	-	(737,484)
Instructional staff	322,171	-	-	(322,171)
General administration	31,489	-	-	(31,489)
Executive administration	442,824	-	-	(442,824)
School administration	571,731	-	-	(571,731)
Business	1,050	-	-	(1,050)
Operation and maintenance of plant	954,952	-	-	(954,952)
Student transportation	384,939	-	-	(384,939)
Other	2,886,046	-	-	(2,886,046)
Non-instructional services	214,311	193,434	42,947	22,070
Facilities acquisition and construction	140,521	-	-	(140,521)
Interest on long-term debt	78,113	-	-	(78,113)
Total primary government	<u>\$ 11,855,286</u>	<u>\$ 215,274</u>	<u>\$ 325,048</u>	<u>(11,314,964)</u>
General revenues:				
School district assessment				8,399,724
Grants and contributions not restricted to specific programs				2,625,206
Miscellaneous				19,095
Total general revenues				<u>11,044,025</u>
Change in net position				<u>(270,939)</u>
Net position, beginning, as restated (See Note III.D.)				<u>(5,345,875)</u>
Net position, ending				<u>\$ (5,616,814)</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, 2018

	General	Food Service	Grants	Miscellaneous	Other Governmental Fund (Permanent)	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 428,615	\$ 61,257	\$ -	\$ 136,726	\$ -	\$ 626,598
Investments	480	-	-	-	-	480
Receivables, net of allowance for uncollectibles:						
Accounts	60,046	-	-	-	-	60,046
Intergovernmental	236,308	5,936	108,118	1,250	9,346	360,958
Interfund receivable	108,118	-	-	-	-	108,118
Inventory	-	8,818	-	-	-	8,818
Prepaid items	7,095	-	-	-	-	7,095
Total assets	<u>\$ 840,662</u>	<u>\$ 76,011</u>	<u>\$ 108,118</u>	<u>\$ 137,976</u>	<u>\$ 9,346</u>	<u>\$ 1,172,113</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 46,266	\$ 1,774	-	-	\$ -	\$ 48,040
Accrued salaries and benefits	74,544	-	-	-	-	74,544
Intergovernmental payable	2,068	628	-	-	-	2,696
Interfund payable	-	-	108,118	-	-	108,118
Total liabilities	<u>122,878</u>	<u>2,402</u>	<u>108,118</u>	<u>-</u>	<u>-</u>	<u>233,398</u>
Deferred inflows of resources:						
Deferred revenue	<u>720</u>	<u>18,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,175</u>
Fund balances:						
Nonspendable	7,095	8,818	-	-	6,474	22,387
Restricted	-	-	-	-	2,872	2,872
Committed	320,223	46,336	-	137,976	-	504,535
Assigned	61,901	-	-	-	-	61,901
Unassigned	327,845	-	-	-	-	327,845
Total fund balances	<u>717,064</u>	<u>55,154</u>	<u>-</u>	<u>137,976</u>	<u>9,346</u>	<u>919,540</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 840,662</u>	<u>\$ 76,011</u>	<u>\$ 108,118</u>	<u>\$ 137,976</u>	<u>\$ 9,346</u>	<u>\$ 1,172,113</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, 2018

Total fund balances of governmental funds (Exhibit 3)		\$	919,540
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	\$	7,857,278	
Less accumulated depreciation		<u>(5,516,061)</u>	
			2,341,217
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.			
Receivables	\$	(108,118)	
Payables		<u>108,118</u>	
			-
Interest on long-term debt is not accrued in governmental funds.			(581)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Capital lease outstanding	\$	1,192,141	
Compensated absences payable		13,881	
Termination benefits payable		317,132	
Other postemployment benefits liability		506,526	
Net pension liability		<u>8,883,787</u>	
			(10,913,467)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows of resources related to pensions	\$	2,289,460	
Deferred inflows of resources related to pensions		(245,357)	
Deferred inflows of resources related to OPEB		<u>(7,626)</u>	
			2,036,477
Net position of governmental activities (Exhibit 1)		\$	<u><u>(5,616,814)</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, 2018

	General	Food Service	Grants	Miscellaneous	Other Governmental Fund (Permanent)	Total Governmental Funds
REVENUES						
School district assessment	\$ 8,399,724	\$ -	\$ -	\$ -	\$ -	\$ 8,399,724
Other local	40,683	193,472	-	149,252	214	383,621
State	2,527,186	3,106	-	-	-	2,530,292
Federal	46,753	39,841	184,116	-	-	270,710
Total revenues	<u>11,014,346</u>	<u>236,419</u>	<u>184,116</u>	<u>149,252</u>	<u>214</u>	<u>11,584,347</u>
EXPENDITURES						
Current:						
Instruction	4,770,048	-	161,529	24,135	-	4,955,712
Support services:						
Student	734,704	-	2,780	-	-	737,484
Instructional staff	309,239	-	12,902	-	-	322,141
General administration	31,489	-	-	-	-	31,489
Executive administration	441,827	-	-	-	-	441,827
School administration	571,781	-	-	-	-	571,781
Business	-	-	1,050	-	-	1,050
Operation and maintenance of plant	932,149	-	-	-	-	932,149
Student transportation	379,084	-	5,855	-	-	384,939
Other	2,521,973	-	-	-	-	2,521,973
Non-instructional services	-	213,679	-	-	-	213,679
Debt service:						
Principal	246,855	-	-	-	-	246,855
Interest	77,532	-	-	-	-	77,532
Facilities acquisition and construction	33,263	-	-	-	-	33,263
Total expenditures	<u>11,049,944</u>	<u>213,679</u>	<u>184,116</u>	<u>24,135</u>	<u>-</u>	<u>11,471,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,598)</u>	<u>22,740</u>	<u>-</u>	<u>125,117</u>	<u>214</u>	<u>112,473</u>
Other financing sources (uses):						
Transfers in	34	-	-	-	-	34
Transfers out	-	-	-	-	(34)	(34)
Total other financing sources and uses	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34)</u>	<u>-</u>
Net change in fund balances	(35,564)	22,740	-	125,117	180	112,473
Fund balances, beginning	752,628	32,414	-	12,859	9,166	807,067
Fund balances, ending	<u>\$ 717,064</u>	<u>\$ 55,154</u>	<u>\$ -</u>	<u>\$ 137,976</u>	<u>\$ 9,346</u>	<u>\$ 919,540</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, 2018

Net change in fund balances of total governmental funds (Exhibit 5)		\$ 112,473
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 capital outlay exceeded depreciation in the current period.		
Capital outlay	\$ 1,287,142	
Depreciation expense	<u>(135,841)</u>	
		1,151,301
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (34)	
Transfers out	<u>34</u>	
		-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Drawdowns on capital lease financing	\$ (1,394,400)	
Principal repayment of capital lease	<u>246,855</u>	
		(1,147,545)
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	\$ (581)	
Increase in compensated absences payable	(1,916)	
Increase in termination benefits payable	(26,338)	
Increase in other postemployment benefits liability	<u>(20,948)</u>	
		(49,783)
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	\$ 904,724	
Cost of benefits, net of employee contributions	<u>(1,242,109)</u>	
		(337,385)
Change in net position of governmental activities (Exhibit 2)		<u>\$ (270,939)</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, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 8,399,725	\$ 8,399,724	\$ (1)
Other local	35,600	38,399	2,799
State	2,511,954	2,527,186	15,232
Federal	41,000	46,753	5,753
Total revenues	<u>10,988,279</u>	<u>11,012,062</u>	<u>23,783</u>
EXPENDITURES			
Current:			
Instruction	4,892,548	4,771,653	120,895
Support services:			
Student	762,075	734,704	27,371
Instructional staff	375,499	313,498	62,001
General administration	142,242	31,489	110,753
Executive administration	441,827	441,827	-
School administration	592,330	571,781	20,549
Operation and maintenance of plant	913,769	867,875	45,894
Student transportation	396,956	379,084	17,872
Other	2,499,657	2,521,973	(22,316)
Debt service:			
Principal	246,855	246,855	-
Interest	77,532	77,532	-
Facilities acquisition and construction	1,628	70,509	(68,881)
Total expenditures	<u>11,342,919</u>	<u>11,028,780</u>	<u>314,139</u>
Deficiency of revenues under expenditures	<u>(354,640)</u>	<u>(16,718)</u>	<u>337,922</u>
Other financing sources (uses):			
Transfers in	-	34	34
Transfers out	(79,000)	(79,000)	-
Total other financing sources and uses	<u>(79,000)</u>	<u>(78,966)</u>	<u>34</u>
Net change in fund balance	<u>\$ (433,640)</u>	(95,684)	<u>\$ 337,956</u>
Increase in nonspendable fund balance		(3,141)	
Increase in committed fund balance		(79,970)	
Unassigned fund balance, beginning		506,640	
Unassigned fund balance, ending		<u>\$ 327,845</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, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 170,000	\$ 184,116	\$ 14,116
EXPENDITURES			
Current:			
Instruction	154,000	161,529	(7,529)
Support services:			
Student	-	2,780	(2,780)
Instructional staff	10,000	12,902	(2,902)
Business	1,000	1,050	(50)
Student transportation	5,000	5,855	(855)
Total expenditures	170,000	184,116	(14,116)
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
Food Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local:			
Miscellaneous	\$ 174,000	\$ 193,472	\$ 19,472
State:			
Lunch reimbursement	3,000	3,106	106
Federal:			
Lunch reimbursement	34,000	28,143	(5,857)
USDA commodities	-	11,698	11,698
Total revenues	211,000	236,419	25,419
EXPENDITURES			
Current:			
Non-instructional services	211,000	213,679	(2,679)
Net change in fund balance	\$ -	22,740	\$ 22,740
Fund balance, beginning		32,414	
Fund balance, ending		\$ 55,154	

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

EXHIBIT 10
HOLLIS SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 3,791
LIABILITIES	
Due to student groups	<u>3,791</u>
NET POSITION	<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, 2018**

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, 2018.

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, 2018**

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, 2018**

Food Service Fund – Reports as a special revenue fund and accounts for the food service program.

Miscellaneous Fund – Reports as a special revenue fund and accounts for miscellaneous programs.

The school district also reports one nonmajor fund: the permanent fund.

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.B.5. *Change in Accounting Principle*

The School District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year ended June 30, 2018. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This results in a change in the measurement and presentation of the District's total OPEB liability reported in the Statement of Net Position. The prior year's net position was restated as shown in Note III.D. to account for this change.

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

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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JUNE 30, 2018**

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.

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 acquisition 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 equity that applies to a future period and so will not be recognized as an outflow or inflow of resources until then.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

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. In addition to this amount, deferred outflows and inflows of resources in the Statement of Net Position consist of resources related to pensions and other postemployment benefits 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.

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.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

- 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, which 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 School District Meeting to be used for building maintenance; amounts voted by the 2018 School District Meeting to be transferred to the Expendable Trust Fund or held as contingency; and the 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 2018, \$354,640 of the fund balance from fiscal year 2017 was so used, and \$79,000 was appropriated from surplus.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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JUNE 30, 2018**

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.

II.B. Reconciliation of Budgetary Basis to GAAP

General Fund

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 11,012,096
Adjustment:	
Perspective difference:	
Expendable trust fund activity	2,284
Per Exhibit 5 (GAAP basis)	<u>\$ 11,014,380</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 11,107,780
Adjustments:	
Basis difference:	
Encumbrances, beginning	3,221
Encumbrances, ending	(61,901)
Perspective difference:	
Expendable trust fund activity	844
Per Exhibit 5 (GAAP basis)	<u>\$ 11,049,944</u>

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

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Receivables

Significant receivables consist of reimbursements for lease proceeds and insurance, 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 provides a summary of changes in capital assets:

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
At cost:			
Not being depreciated:			
Construction in progress	\$ 151,854	\$ 1,287,142	\$ 1,438,996
Being depreciated:			
Land improvements	282,905	-	282,905
Buildings and building improvements	5,951,094	-	5,951,094
Machinery, equipment and vehicles	184,283	-	184,283
Total capital assets being depreciated	6,418,282	-	6,418,282
Total all capital assets	6,570,136	1,287,142	7,857,278
Less accumulated depreciation:			
Land improvements	(90,116)	(14,145)	(104,261)
Buildings and building improvements	(5,172,296)	(114,408)	(5,286,704)
Machinery, equipment and vehicles	(117,808)	(7,288)	(125,096)
Total accumulated depreciation	(5,380,220)	(135,841)	(5,516,061)
Net book value, capital assets being depreciated	1,038,062	(135,841)	902,221
Net book value, all capital assets	\$ 1,189,916	\$ 1,151,301	\$ 2,341,217

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

Depreciation Expense

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

Governmental activities:	
Instruction	\$ 111,496
Support services:	
Executive administration	997
Operation and maintenance of plant	22,766
Non-instructional services	582
Total depreciation expense	<u>\$ 135,841</u>

III.B. Long-Term Liabilities

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2018	Current Portion
Capital lease payable:						
Energy conservation equipment	\$ 2,800,000	2017	2027	2.769	\$ 1,192,141	\$ 253,691
Compensated absences payable:						
Vested sick leave					9,155	24
Accrued vacation leave					4,726	-
					<u>13,881</u>	<u>24</u>
Termination benefits payable					317,132	-
Other postemployment benefits liability					506,526	-
Net pension liability					8,883,787	-
					<u>\$ 10,913,467</u>	<u>\$ 253,715</u>

The School District had not drawn down the entirety of the energy conservation equipment lease as of June 30, 2018.

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2018:

	Capital Leases Payable	Compensated Absences Payable	Termination Benefits Payable	Other Postemployment Benefits Liability	Net Pension Liability	Total
Balance, beginning	\$ 44,596	\$ 11,965	\$ 290,794	\$ 485,578	\$ 9,331,863	\$ 10,164,796
Additions	1,394,400	1,916	26,338	20,948	-	1,443,602
Reductions	(246,855)	-	-	-	(448,076)	(694,931)
Balance, ending	<u>\$ 1,192,141</u>	<u>\$ 13,881</u>	<u>\$ 317,132</u>	<u>\$ 506,526</u>	<u>\$ 8,883,787</u>	<u>\$ 10,913,467</u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

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 interfund amount of \$108,118 due to the General Fund represents an overdraft of pooled cash from the Grants Fund.

III.C.2. *Transfers*

Transfers within the reporting entity were for the purpose of distributing income earned in the Permanent Fund in the amount of \$34 to the General Fund, and adding of \$79,000 to the Expendable Trust Fund from the General Fund. The latter transfer is not reported when the funds are combined. The government-wide statement of activities eliminates transfers reported within the governmental activities column.

III.D. Restatement of Beginning Equity

The net position of the Governmental Activities at July 1, 2017 was decreased by \$180,216 from a negative \$5,165,659 to a negative \$5,345,875, reflecting the change in accounting principle for reporting the other postemployment benefit liability.

(The notes continue on the next page.)

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

III.E. Components of Fund Equity

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

	General	Food Service	Miscellaneous	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Endowment	\$ -	\$ -	\$ -	\$ 6,474	\$ 6,474
Inventory	-	8,818	-	-	8,818
Prepaid items	7,095	-	-	-	7,095
Total nonspendable	7,095	8,818	-	6,474	22,387
Restricted for instruction	-	-	-	2,872	2,872
Committed for:					
Support services	-	-	137,976	-	137,976
Non-instructional services	-	46,336	-	-	46,336
Capital outlay	320,223	-	-	-	320,223
Total committed	320,223	46,336	137,976	-	504,535
Assigned to:					
Instruction	1,605	-	-	-	1,605
Support services	23,050	-	-	-	23,050
Capital outlay	37,246	-	-	-	37,246
Total assigned	61,901	-	-	-	61,901
Unassigned	327,845	-	-	-	327,845
Total fund balances	\$ 717,064	\$ 55,154	\$ 137,976	\$ 9,346	\$ 919,540

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 N.H. Public Risk Management Exchange (Primex), which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

The Primex programs are pooled risk management programs under N.H. RSA 5-B and RSA 281-A. The plan year runs from July 1 through June 30. Primex maintains statutory amounts for workers' compensation and unemployment compensation coverage, and property and liability coverages in various amounts.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

Workers' compensation contributions paid in fiscal year 2018 to be recorded as an insurance expenditure/expense totaled \$32,608, and property/liability contributions totaled \$70,459. There were no unpaid contributions for the year.

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 17.36% for teachers and 11.38% 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 2016, 2017 and 2018 were \$763,928, \$805,251 and \$904,724, 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, 2018, the School District reported a liability of \$8,883,787 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016 rolled forward to the measurement date of June 30, 2017. The School District's proportion of the net pension liability was based on a projection of the 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 June 30, 2017, the School District's proportion was 0.1806%, which was an increase of 0.0051% from its proportion measured as of June 30, 2016.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

For the year ended June 30, 2018, the School District recognized pension expense of \$1,242,109. At June 30, 2018, 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	\$ 472,544	\$ 19,153
Net differences between projected and actual earnings on pension plan investments	-	113,139
Changes in assumptions	892,049	-
Differences between expected and actual experience	20,143	113,065
School District contributions subsequent to the measurement date	904,724	-
	<u>\$ 2,289,460</u>	<u>\$ 245,357</u>

The School District reported \$904,724 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, 2019.

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 Ending June 30,	
2019	\$ 319,782
2020	517,017
2021	398,227
2022	(95,647)
	<u>\$ 1,139,379</u>

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25% per year

The actuarial assumptions used in the June 30, 2016 valuations were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015.

Mortality rates were based on the RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's proportionate share of net pension liability	\$ 11,703,943	\$ 8,883,787	\$ 6,572,780

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.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

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 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. Dental and life insurance benefits are not offered to retirees. The current medical premium rates are as follow:

<u>Non-Medicare Plans</u>	<u>Individual</u>	<u>Family</u>
AB5(07)-RX10/20/30	\$895	\$1,791
BC3T10(07)-RX10/20/45	\$962	\$1,924
ABS0S20/40/1KDED(07)-RX10/20/45	\$682	\$1,365

Currently, there are 136 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, 2018, the School District recognized nothing for its share of insurance premiums for currently enrolled retirees.

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

Total OPEB Liability

The School District's total OPEB liability of \$506,526 was determined by an actuarial valuation as of July 1, 2017 rolled forward to the measurement date using actuarial assumptions, applied to all periods included in the measurement.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions and inputs:

Valuation Date:	July 1, 2017	
Discount Rate:	3.87%, compounded annually, for the measurement as of June 30, 2018 and 3.58%, compounded annually, for the measurement as of June 30, 2017	
Actuarial Cost Method:	Entry Age Normal. The costs of each employee's postemployment benefits are allocated as a level basis over the earnings of the employee between date of hire and assumed exit age.	
Amortization Method:	Level dollar amount over thirty (30) years on an open amortization period for pay-as-you-go funding	
Heath Care Costs Trend Rates:	<u>Year</u>	<u>Trend</u>
	1	8.00%
	2	7.50%
	3	7.00%
	4	6.50%
	5	6.00%
	6	5.50%
	Ultimate	3.80%
Mortality Rates:	Pre-Retirement: RP-2014 Employees Mortality Tables for males and females projected with generational mortality improvement using scale MP-2015	
	Post-Retirement: RP-2014 Healthy Annuitant Mortality Tables for males and females, projected with a generational mortality improvement using scale MP-2015	
Inflation:	2.6 percent, based on the 2017 Social Security Trustees Report	

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

Discount Rate

The discount rate was based on the *Bond Buyer 20-Bond General Obligation Index* based on a tax-exempt, high quality municipal bond rate.

Healthcare Trend Rates

Healthcare trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. Trend rates after year 6 grade down to the ultimate rate utilizing the *Society of Actuaries Getzen Medical Trend Model*. The ultimate trend rate is reached in 2025. The principal components of health trends are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year.

Sensitivity of Total OPEB Liability

Assumptions and methods used to determine the total OPEB liability are sensitive to changes in the discount rate and healthcare trend rates. The following presents the total OPEB liability calculated using the current discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%):

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Decrease (4.87%)
School District's total OPEB liability	\$ 539,606	\$ 506,526	\$ 475,406

The following presents the total OPEB liability calculated using the current healthcare trend rate of 8.0%, as well as what the total OPEB liability would be if it were calculated using a healthcare trend rate 1-percentage point lower (7.0%) or 1-percentage point higher (9.0%):

	1% Decrease (7.00%)	Current Healthcare Cost Trend Rate (8.00%)	1% Decrease (9.00%)
School District's total OPEB liability	\$ 455,869	\$ 506,526	\$ 565,440

**HOLLIS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School District recognized OPEB expense of \$44,915; and reported deferred inflows of resources related to OPEB of \$7,626, due to changes in actuarial experience and actuarial assumptions. The amount recognized as deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,	
2019	\$ (1,680)
2020	(1,680)
2021	(1,680)
2022	(1,680)
2023	(906)
	<u>\$ (7,626)</u>

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 11
HOLLIS SCHOOL DISTRICT
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios

	Fiscal Year 2018	Fiscal Year 2017
Total OPEB liability:		
Service cost	\$ 29,803	\$ 73,913
Interest	16,792	10,696
Assumption changes and differences between expected and actual experience	(9,306)	(15,466)
Benefit payments	(16,341)	(23,559)
Net change in total OPEB liability	20,948	45,584
Total OPEB liability, beginning	485,578	439,994
Total OPEB liability, ending	<u>\$ 506,526</u>	<u>\$ 485,578</u>
Covered payroll	\$ 5,995,655	\$ 5,860,009
Total OPEB liability as a percentage of covered payroll	8.45%	8.29%

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

EXHIBIT 12
HOLLIS SCHOOL DISTRICT
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios

	Fiscal Year 2018	Fiscal Year 2017
Actuarially determined contribution	\$ 60,393	\$ 73,913
Contributions in relation to the actuarially determined contribution	<u>(25,110)</u>	<u>(23,559)</u>
Contribution deficiency	\$ 35,283	\$ 50,354
 Covered-employee payroll	 \$ 5,995,655	 \$ 5,860,009
Contributions as a percentage of covered-employee payroll	1.01%	1.26%

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

EXHIBIT 13
HOLLIS SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

For the Year Ended June 30,	School District's Proportion of Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered- Employee Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1616%	\$ 6,953,868	\$ 4,617,915	150.58%	59.82%
2015	0.1681%	\$ 6,309,847	\$ 4,746,986	132.92%	66.32%
2016	0.1671%	\$ 6,619,026	\$ 5,007,750	132.18%	65.47%
2017	0.1755%	\$ 9,331,863	\$ 5,264,473	177.26%	58.30%
2018	0.1806%	\$ 8,883,787	\$ 5,304,525	167.48%	62.66%

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

EXHIBIT 14
HOLLIS SCHOOL DISTRICT
Schedule of the School District's Pension Contributions
New Hampshire Retirement System

For the year ended June 30,	Contractually required contribution	Contribution in relation to the contractually required contribution	Contribution deficiency	School District's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2014	\$ 638,417	\$ (638,417)	\$ -	\$ 4,617,915	13.82%
2015	\$ 661,569	\$ (661,569)	\$ -	\$ 4,746,986	13.94%
2016	\$ 763,928	\$ (763,928)	\$ -	\$ 5,007,750	15.25%
2017	\$ 805,251	\$ (805,251)	\$ -	\$ 5,264,473	15.30%
2018	\$ 904,724	\$ (904,724)	\$ -	\$ 5,304,525	17.06%

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, 2018**

The Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, the Schedule of the School District's OPEB Contributions, 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 information for ten years. Because this is the fourth year that the School District has presented the pension information, and the first year for the OPEB information under the new measurement standard, only five years and two years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 14
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 8,399,725	\$ 8,399,724	\$ (1)
Other local sources:			
Tuition	22,000	21,840	(160)
Investment earnings	600	3,549	2,949
Rentals	13,000	13,000	-
Miscellaneous	-	10	10
Total from other local sources	35,600	38,399	2,799
State sources:			
Adequacy aid (grant)	1,023,495	1,023,495	-
Adequacy aid (tax)	1,452,459	1,452,459	-
Catastrophic aid	36,000	51,232	15,232
Total from state sources	2,511,954	2,527,186	15,232
Federal sources:			
Medicaid	41,000	46,753	5,753
Other financing sources:			
Transfers in	-	34	34
Total revenues and other financing sources	10,988,279	\$ 11,012,096	\$ 23,817
Use of fund balance	433,640		
Total revenues, other financing sources and use of fund balance	\$ 11,421,919		

EXHIBIT 15
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 3,757,723	\$ 3,748,533	\$ 1,305	\$ 7,885
Special programs	-	1,134,825	1,021,515	300	113,010
Total instruction	-	4,892,548	4,770,048	1,605	120,895
Support services:					
Student	-	762,075	734,704	-	27,371
Instructional staff	1,398	375,499	309,239	5,657	62,001
General administration	-	142,242	31,489	-	110,753
Executive administration	-	441,827	441,827	-	-
School administration	-	592,330	571,781	-	20,549
Operation and maintenance of plant	1,823	913,769	852,305	17,393	45,894
Student transportation	-	396,956	379,084	-	17,872
Other	-	2,499,657	2,521,973	-	(22,316)
Total support services	3,221	6,124,356	5,842,402	23,050	262,125
Debt service:					
Principal	-	246,855	246,855	-	-
Interest	-	77,532	77,532	-	-
Total debt service	-	324,387	324,387	-	-
Facilities acquisition and construction	-	1,628	33,263	37,246	(68,881)
Other financing uses:					
Transfers out	-	79,000	79,000	-	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 3,221	\$ 11,421,919	\$ 11,049,100	\$ 61,901	\$ 314,139

EXHIBIT 16
HOLLIS SCHOOL DISTRICT
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

Unassigned fund balance, beginning		\$	506,640
Changes:			
Fund balance used to reduce school district assessment			(354,640)
Fund balance appropriated			(79,000)
Budget summary:			
Revenue surplus (Exhibit 14)	\$	23,817	
Unexpended balance of appropriations (Exhibit 15)		<u>314,139</u>	
Budget surplus			337,956
Increase in nonspendable fund balance			(3,141)
Increase in committed fund balance			<u>(79,970)</u>
Unassigned fund balance, ending		\$	<u><u>327,845</u></u>

EXHIBIT 17
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2018

	Balance, beginning	Additions	Deductions	Balance, ending
Assets:				
Cash and cash equivalents:				
Hollis Upper Elementary	\$ 1,939	\$ 25,823	\$ 25,288	\$ 2,474
Hollis Primary	1,631	16,076	16,390	1,317
Total assets	<u>\$ 3,570</u>	<u>\$ 41,899</u>	<u>\$ 41,678</u>	<u>\$ 3,791</u>
Liabilities:				
Due to student groups	<u>\$ 3,570</u>	<u>\$ 41,899</u>	<u>\$ 41,678</u>	<u>\$ 3,791</u>

EXHIBIT 18
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Hollis Upper Elementary School
For the Fiscal Year Ended June 30, 2018

	Balance, beginning	Additions	Deductions	Balance, ending
Vending	\$ 475	\$ 1,807	\$ 2,273	\$ 9
Cross Country	1	1	-	2
Field Trips	-	16,426	15,110	1,316
Petty Cash	41	-	-	41
Student Council	504	190	382	312
Yearbook	918	7,399	7,523	794
Total	<u>\$ 1,939</u>	<u>\$ 25,823</u>	<u>\$ 25,288</u>	<u>\$ 2,474</u>

EXHIBIT 19
HOLLIS SCHOOL DISTRICT
Student Activities Funds
Summary of Activity - Hollis Primary School
For the Fiscal Year Ended June 30, 2018

	Balance, beginning	Additions	Deductions	Balance, ending
Vending	\$ 797	\$ 771	\$ 736	\$ 832
Field Trips	725	7,293	7,230	788
3rd Grade Musical	108	-	-	108
Book Fair	-	5,592	5,592	-
Recorders	-	498	498	-
Miscellaneous	1	1,922	2,334	(411)
Total	<u>\$ 1,631</u>	<u>\$ 16,076</u>	<u>\$ 16,390</u>	<u>\$ 1,317</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 year ended June 30, 2018, 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.

We did identify the following other matters that we wish to communicate:

Hollis Primary School Student Activities Fund

Because of the fiduciary nature of student activities funds, it is important that strong controls be in place to safeguard assets held on behalf of students, and that District activity not be included within student activities funds. The Hollis Primary School Activities Fund includes a "Miscellaneous" account that is used for staff purposes. Activity that does not have an agency nature should not be co-mingled with student funds. We recommend that the School District's activities funds' use be limited to student programs.

Interfund Balance

At June 30, 2018, the General Fund is reporting an interfund payable to the Expendable Trust Fund of \$8,000, representing a voted transfer from 2012. The School District historically makes its transfers in a timely manner, so we believe this occurrence is an isolated incident. We recommend that the School District settle this balance by disbursing funds as appropriate.

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.

Roberts & Greene, PLLC

Concord, New Hampshire
May 10, 2019

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