

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2013**

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
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**JUNE 30, 2013**

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# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S REPORT***

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Timberlane Regional School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Basis for Adverse Opinion on Governmental Activities***

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

As discussed in Note 14 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

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

***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Timberlane Regional School District, as of June 30, 2013, or the changes in financial position thereof for the year then ended.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Timberlane Regional School District, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter – Management's Discussion and Analysis***

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

***Emphasis of Matter – Supplementary Information***

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

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

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 on our consideration for the Timberlane Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Timberlane Regional School District's internal control over financial reporting and compliance.

June 26, 2014



PLODZIK & SANDERSON  
Professional Association

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
*Statement of Net Position*  
*For the Fiscal Year Ended June 30, 2013*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,956,884
Intergovernmental receivable	1,455,443
Other receivables	52,967
Inventory	14,773
Prepaid items	10,750
Total assets	3,490,817
<b>LIABILITIES</b>	
Accounts payable	180,929
Intergovernmental payable	100,913
Accrued interest payable	218,867
Accrued salaries and benefits	178,197
Noncurrent obligations:	
Due within one year:	
Bond	1,600,000
Due in more than one year:	
Bond	9,600,000
Compensated absences	616,491
Total liabilities	12,495,397
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - grants	19,980
<b>NET POSITION</b>	
Net investment in capital assets	(11,200,000)
Restricted for Performing Arts Center	43,417
Unrestricted	2,132,023
Total net position	\$ (9,024,560)

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

**EXHIBIT B**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 28,908,826	\$ 254,883	\$ 1,264,999	\$ -	\$ (27,388,944)
Support services:					
Student	3,147,974	-	36,516	-	(3,111,458)
Instructional staff	1,036,386	-	47,474	-	(988,912)
General administration	127,423	-	-	-	(127,423)
Executive administration	1,553,478	-	-	-	(1,553,478)
School administration	2,517,263	-	-	-	(2,517,263)
Business	52,121	-	-	-	(52,121)
Operation and maintenance of plant	3,317,398	-	5,633	-	(3,311,765)
Student transportation	2,581,727	-	-	-	(2,581,727)
Other	13,260,624	-	429	-	(13,260,195)
Noninstructional services	1,601,005	972,176	447,341	-	(181,488)
Interest on long-term debt	598,734	-	-	1,083,468	484,734
Facilities acquisition and construction	590,465	-	-	-	(590,465)
Total governmental activities	<u>\$ 59,293,424</u>	<u>\$ 1,227,059</u>	<u>\$ 1,802,392</u>	<u>\$ 1,083,468</u>	<u>(55,180,505)</u>
General revenues:					
School district assessment					37,234,816
Grants and contributions not restricted to specific programs					19,002,863
Miscellaneous					477,790
Total general revenues					<u>56,715,469</u>
Change in net position					1,534,964
Net position, beginning					<u>(10,559,524)</u>
Net position, ending					<u>\$ (9,024,560)</u>

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

**EXHIBIT C-1**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2013**

	General	Food Service	Grants	Other Governmental Fund (PAC)	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,601,212	\$ 282,860	\$ -	\$ 72,812	\$ 1,956,884
Receivables:					
Accounts	52,967	-	-	-	52,967
Intergovernmental	140,852	77,379	532,407	-	750,638
Interfund	799,947	-	-	-	799,947
Inventory	-	14,773	-	-	14,773
Prepaid items	10,750	-	-	-	10,750
Restricted - intergovernmental receivable	704,805	-	-	-	704,805
Total assets	<u>\$ 3,310,533</u>	<u>\$ 375,012</u>	<u>\$ 532,407</u>	<u>\$ 72,812</u>	<u>\$ 4,290,764</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 78,815	\$ 102,114	\$ -	\$ -	\$ 180,929
Accrued salaries and benefits	178,197	-	-	-	178,197
Intergovernmental payable	100,913	-	-	-	100,913
Interfund payable	-	258,125	512,427	29,395	799,947
Total liabilities	<u>357,925</u>	<u>360,239</u>	<u>512,427</u>	<u>29,395</u>	<u>1,259,986</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - grants	-	-	19,980	-	19,980
<b>FUND BALANCES</b>					
Nonspendable:					
Inventory	-	14,773	-	-	14,773
Prepaid items	10,750	-	-	-	10,750
Restricted:					
Performing Arts Center (PAC)	-	-	-	43,417	43,417
Committed:					
Expendable trust fund	412,781	-	-	-	412,781
March 2013 Warrant Article No. 3	200,000	-	-	-	200,000
Assigned:					
Gate receipts	58,250	-	-	-	58,250
Encumbrances	138,362	-	-	-	138,362
Unassigned	2,132,465	-	-	-	2,132,465
Total fund balances	<u>2,952,608</u>	<u>14,773</u>	<u>-</u>	<u>43,417</u>	<u>3,010,798</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,310,533</u>	<u>\$ 375,012</u>	<u>\$ 532,407</u>	<u>\$ 72,812</u>	<u>\$ 4,290,764</u>

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

**EXHIBIT C-2**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
*Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position*  
**June 30, 2013**

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,010,798
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (799,947)	
Payables	<u>799,947</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(218,867)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ (11,200,000)	
Compensated absences	<u>(616,491)</u>	<u>(11,816,491)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (9,024,560)</u></u>

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

**EXHIBIT C-3**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2013**

	General	Food Service	Grants	Other Governmental Fund (PAC)	Total Governmental Funds
<b>REVENUES</b>					
School district assessment	\$ 37,234,816	\$ -	\$ -	\$ -	\$ 37,234,816
Other local	662,349	972,542	17,352	69,960	1,722,203
State	19,515,795	18,304	-	-	19,534,099
Federal	570,534	429,037	1,337,699	-	2,337,270
Total revenues	<u>57,983,494</u>	<u>1,419,883</u>	<u>1,355,051</u>	<u>69,960</u>	<u>60,828,388</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	27,570,131	-	1,264,999	61,607	28,896,737
Support services:					
Student	3,103,214	-	36,516	-	3,139,730
Instructional staff	988,912	-	47,474	-	1,036,386
General administration	127,423	-	-	-	127,423
Executive administration	1,553,478	-	-	-	1,553,478
School administration	2,487,933	-	-	-	2,487,933
Business	52,121	-	-	-	52,121
Operation and maintenance of plant	3,309,166	-	5,633	-	3,314,799
Student transportation	2,581,727	-	-	-	2,581,727
Other	13,259,424	-	429	-	13,259,853
Noninstructional services	-	1,601,005	-	-	1,601,005
Debt service:					
Principal	1,600,000	-	-	-	1,600,000
Interest	630,000	-	-	-	630,000
Facilities acquisition and construction	590,465	-	-	-	590,465
Total expenditures	<u>57,853,994</u>	<u>1,601,005</u>	<u>1,355,051</u>	<u>61,607</u>	<u>60,871,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,500</u>	<u>(181,122)</u>	<u>-</u>	<u>8,353</u>	<u>(43,269)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	155,111	-	-	155,111
Transfers out	(155,111)	-	-	-	(155,111)
Total other financing sources (uses)	<u>(155,111)</u>	<u>155,111</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(25,611)	(26,011)	-	8,353	(43,269)
Fund balances, beginning	2,978,219	40,784	-	35,064	3,054,067
Fund balances, ending	<u>\$ 2,952,608</u>	<u>\$ 14,773</u>	<u>\$ -</u>	<u>\$ 43,417</u>	<u>\$ 3,010,798</u>

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

*EXHIBIT C-4*  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2013*

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Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (43,269)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (155,111)	
Transfers out	<u>155,111</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.		
Principal repayment of bond		1,600,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 31,266	
Increase in compensated absences payable	<u>(53,033)</u>	
		<u>(21,767)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 1,534,964</u></u>

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

**EXHIBIT D-1**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School district assessment	\$ 37,234,816	\$ 37,234,816	\$ -
Other local	641,889	661,862	19,973
State	19,454,153	19,515,795	61,642
Federal	450,000	570,534	120,534
Total revenues	<u>57,780,858</u>	<u>57,983,007</u>	<u>202,149</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	28,523,106	27,540,925	982,181
Support services:			
Student	3,320,101	3,100,919	219,182
Instructional staff	966,697	987,520	(20,823)
General administration	169,510	117,616	51,894
Executive administration	1,561,380	1,553,431	7,949
School administration	2,450,090	2,487,848	(37,758)
Business	52,000	52,121	(121)
Operation and maintenance of plant	3,681,050	3,363,394	317,656
Student transportation	2,639,653	2,580,195	59,458
Other	13,559,830	13,253,714	306,116
Debt service:			
Principal	1,600,000	1,600,000	-
Interest	630,000	630,000	-
Facilities acquisition and construction	615,900	498,090	117,810
Total expenditures	<u>59,769,317</u>	<u>57,765,773</u>	<u>2,003,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,988,459)</u>	<u>217,234</u>	<u>2,205,693</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	292,024	292,024
Transfers out	(200,000)	(355,111)	(155,111)
Total other financing sources (uses)	<u>(200,000)</u>	<u>(63,087)</u>	<u>136,913</u>
Net change in fund balance	<u>\$ (2,188,459)</u>	154,147	<u>\$ 2,342,606</u>
Increase in nonspendable fund balance		(5,850)	
Increase in assigned fund balance		(4,092)	
Unassigned fund balance, beginning		1,988,260	
Unassigned fund balance, ending		<u>\$ 2,132,465</u>	

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

**EXHIBIT D-2**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**Food Service Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local:				
Sales	\$ 1,176,000	\$ 1,176,000	\$ 972,176	\$ (203,824)
Miscellaneous	-	-	366	366
State:				
Child nutrition	19,000	19,000	18,304	(696)
Federal:				
Child nutrition	430,000	430,000	349,190	(80,810)
USDA commodities	-	79,847	79,847	-
Total revenues	<u>1,625,000</u>	<u>1,704,847</u>	<u>1,419,883</u>	<u>(284,964)</u>
<b>EXPENDITURES</b>				
Current:				
Noninstructional services	<u>1,625,000</u>	<u>1,704,847</u>	<u>1,601,005</u>	<u>103,842</u>
Deficiency of revenues under expenditures	-	-	(181,122)	(181,122)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	<u>155,111</u>	<u>(155,111)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(26,011)	<u>\$ (26,011)</u>
Fund balance, beginning			<u>40,784</u>	
Fund balance, ending			<u>\$ 14,773</u>	

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

**EXHIBIT D-3**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**Grants Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Local	\$ -	\$ 17,352	\$ 17,352
Federal	1,350,000	1,337,699	(12,301)
Total revenues	<u>1,350,000</u>	<u>1,355,051</u>	<u>5,051</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	1,350,000	1,264,999	85,001
Support services:			
Student	-	36,516	(36,516)
Instructional staff	-	47,474	(47,474)
Operation and maintenance of plant	-	5,633	(5,633)
Other	-	429	(429)
Total expenditures	<u>1,350,000</u>	<u>1,355,051</u>	<u>(5,051)</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ -</u>	

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

*EXHIBIT E-1*  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
*Fiduciary Funds*  
*Statement of Fiduciary Net Position*  
*For the Fiscal Year Ended June 30, 2013*

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	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 293,363
Intergovernmental receivable	335,615	-
Total assets	335,615	293,363
<b>LIABILITIES</b>		
Due to student groups	-	293,363
<b>NET POSITION</b>		
Held in trust for specific purposes	\$ 335,615	\$ -

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

*EXHIBIT E-2*  
*TIMBERANE REGIONAL SCHOOL DISTRICT*  
*Fiduciary Funds*  
*Statement of Changes in Fiduciary Net Position*  
*For the Fiscal Year Ended June 30, 2013*

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	Private Purpose Trust
Additions:	
New funds	\$ 11,744
Interest	247
Total revenue	11,991
Deductions:	
Scholarships	10,125
Change in net position	1,866
Net position, beginning	333,749
Net position, ending	\$ 335,615

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

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***1-A Reporting Entity***

The Timberlane School District, in Plaistow, New Hampshire (the School District) is a municipal corporation governed by an elected nine-member School Board. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals in the United States.

The following is a summary of the more significant accounting policies:

***1-B Basis of Accounting, Measurement Focus, and Financial Statement Presentation***

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements*** – The School District’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the School District, accompanied by a total column. Fiduciary activities of the School District are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the School District’s assets, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

***Governmental Fund Financial Statements*** – Governmental fund financial statements include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds, and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The School District’s deferred inflows of resources are noncurrent. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measureable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the School District, are district assessments, intergovernmental revenues, and other local sources. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Major Funds** – The School District reports the following major governmental funds:

**General Fund** – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

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

**Grants Fund** – accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

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

The School District recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Various intergovernmental revenues, the district assessment, and most donations are examples of nonexchange transactions.

Under the terms of grant agreements, the School District funds certain programs by specific grants, resources, and/or general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School District’s policy to first apply grant resources to such programs and then general revenues.

**Prioritization and Use of Available Resources** – When both restricted and unrestricted resources are available for use, it is the School District’s practice to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the general fund, it is the School District’s policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the School District’s policy to use committed resources first, then assigned, and then unassigned as needed.

***1-C Cash and Cash Equivalents***

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***1-D Restricted Assets***

Intergovernmental receivables representing expendable trust funds due from the Town of Danville Trustees of Trust Funds are classified as restricted assets on the governmental funds Balance Sheet because the funds are all legally established by School District Meeting to fund future costs.

***1-E Receivables***

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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***1-F Interfund Balances***

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

***1-G Inventory***

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

***1-H Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements and expensed as the items are used.

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

The School District has no deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***1-J Compensated Absences***

The School District’s policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee’s length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

An expense and a liability for vacation, sick pay, and salary-related payments are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

***1-K Long-Term Obligations***

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

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. The face amount of the debt issued and any related premiums are reported as other financing sources. Issuance costs are reported as a reduction of proceeds.

***1-L Claims and Judgments***

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

***1-M Net Position/Fund Balances***

Net position in government-wide financial statements is classified as follows:

**Net Investment in Capital Assets** – This classification includes the School District’s capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Because the School District has not reported its capital assets, this amount represents the long-term debt outstanding.

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
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**Restricted Net Position** – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitation on their use. The School District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

**Unrestricted Net Position** – This classification typically includes unrestricted liquid assets.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

**Unassigned** – This classification is the portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

### ***1-N Interfund Activities***

Interfund activities are reported as follows:

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

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

### ***1-O Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates and the differences could be material.

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general, food service, and grants funds. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2013, \$2,188,459 of the beginning general fund unassigned fund balance was applied for this purpose.

**2-B Budgetary Reconciliation to GAAP Basis**

The School District employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues and Expenditures – Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 58,275,031
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the expendable trust funds	487
To remove transfer from the expendable trust fund to the general fund	<u>(292,024)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 57,983,494</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 58,120,884
Adjustments:	
Basis difference:	
Encumbrances, beginning	226,583
Encumbrances, ending	(138,362)
GASB Statement No. 54:	
To remove transfer from the general fund to the expendable trust fund	<u>(200,000)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 58,009,105</u>

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**2-C Excess of Expenditures over Appropriations**

The grants fund had an excess of expenditures over appropriations for the year ended June 30, 2013 in the amount of \$5,051. Overexpenditures were due to the receipt and expenditure of unanticipated funds.

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – RESTRICTED ASSETS**

The restricted intergovernmental receivable balance of \$704,805 is an expendable trust in the custody of the Town of Danville Trustees of Trust Funds authorized by the District Meeting of March 2, 1996, for the purpose of future school building construction, reconstruction, capital improvements, and purchase of land.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2013, consisted of accounts and intergovernmental amounts arising from grants and the school lunch program. 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.

**NOTE 5 – PREPAID ITEMS**

Prepaid items at June 30, 2013 consisted of the following:

Schoolnet for power school implementation	\$ 9,750
Prepaid postage	1,000
Total	<u>\$ 10,750</u>

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2013, are as follows:

	Payable Fund	Amount
General	Food service	\$ 258,125
General	Grants	512,427
General	Nonmajor	29,395
		<u>\$ 799,947</u>

The interfund transfer in the amount of \$115,111 during the year ended June 30, 2013 was made from the general fund to cover the deficit balance in the food service fund.

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

**NOTE 7 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$100,913 at June 30, 2013 consist of a reimbursement to School Administration Unit No. 55 for \$30,042; \$70,136 for police details to the Town of Plaistow police department; and \$735 due to the Merrimack Valley School District for services.

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 8 – DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources reported for unavailable revenues are as follows:

	Grants
	Fund
Federal grant revenue collected in advance of eligible expenditures being made	\$ 19,980

**NOTE 9 – LONG-TERM LIABILITIES**

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
General obligation bond payable	\$ 12,800,000	\$ -	\$ (1,600,000)	\$ 11,200,000	\$ 1,600,000
Compensated absences	563,458	53,033	-	616,491	-
Total long-term liabilities	\$ 13,363,458	\$ 53,033	\$ (1,600,000)	\$ 11,816,491	\$ 1,600,000

Long term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2013
General obligation bond payable	\$ 32,000,000	2000	2020	4.50-5.25%	\$ 11,200,000
Compensated absence payable:					
Vested sick leave					388,254
Accrued vacation leave					228,237
					616,491
Total					\$ 11,816,491

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,600,000	\$ 546,000	\$ 2,146,000
2015	1,600,000	462,000	2,062,000
2016	1,600,000	378,000	1,978,000
2017	1,600,000	294,000	1,894,000
2018	1,600,000	210,000	1,810,000
2019-2020	3,200,000	168,000	3,368,000
Totals	\$ 11,200,000	\$ 2,058,000	\$ 13,258,000

All debt is general obligation debt of the School District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 10 – ENCUMBRANCES**

Encumbrances outstanding at June 30, 2013 are as follows:

Current:	
Instruction:	
Regular programs	\$ 17,829
Special programs	24,475
Vocational programs	11,737
Other	1,190
Total instruction	<u>55,231</u>
Support services:	
Student	185
Instructional staff	8,878
General administration	3,135
School administration	1,752
Operation and maintenance of plant	63,755
Student transportation	5,426
Total support services	<u>83,131</u>
Total encumbrances	<u><u>\$ 138,362</u></u>

**NOTE 11 – GOVERNMENTAL ACTIVITIES NET POSITION**

The government-wide Statement of Net Position at June 30, 2013 consisted of the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ -
Less:	
General obligation bond payable	(11,200,000)
Total net investment in capital assets	<u>(11,200,000)</u>
Restricted for Performing Arts Center	43,417
Unrestricted	2,132,023
Total net position	<u><u>\$ (9,024,560)</u></u>

**NOTE 12 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2013 consist of the following:

<b>Nonspendable:</b>	
Major funds:	
General - prepaid items	\$ 10,750
Food service - inventory	14,773
Total nonspendable fund balance	<u>25,523</u>
<b>Restricted:</b>	
Nonmajor fund:	
Performing Arts Center	43,417
<b>Committed:</b>	
Major fund:	
General:	
Expendable trust	\$ 412,781
Voted appropriation - March 2013	200,000
Total committed fund balance	<u>612,781</u>

(Continued)

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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*Governmental fund balances continued:*

<b>Assigned:</b>		
Major fund:		
General:		
Gate receipts	\$ 58,250	
Encumbrances	<u>138,362</u>	
Total assigned fund balance		196,612
<b>Unassigned</b>		
Major fund:		
General		<u>2,132,465</u>
Total governmental fund balances		<u><u>\$ 3,010,798</u></u>

**NOTE 13 – EMPLOYEE RETIREMENT PLAN**

The School District participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2013, the School District contributed 11.09% for teachers and 13.95% for other employees in July and for August through June the School District contributed 8.80% for teachers and 11.30% for other employees. The contribution requirements for the fiscal years 2011, 2012, and 2013 were \$2,574,852, \$3,329,475, and \$3,313,327, respectively, which were paid in full in each year.

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to pension benefits described in the preceding note, the School District provides postemployment benefit options for health care, life insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the School District's agreements, or collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The School District funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the School District subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as amended by GASB No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employee Plans* in December 2009. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The School District has not implemented GASB Statement No. 45 at June 30, 2013, or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the School District. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation is unknown.

**NOTE 15 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2013, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance program for member School Districts and cities.

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2013 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the School District of \$309,120 billed and paid for the year ended June 30, 2013 was \$147,713 for workers' compensation and \$161,407 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

**NOTE 16 – CONTINGENT LIABILITIES**

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

**NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The following GASB pronouncements were implemented by the School District for the fiscal year ended June 30, 2013, which included the early implementation of GASB Statement No. 65. Only GASB Statement No. 63 and GASB Statement No. 65 impacted these financial statements:

**GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

**GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34***, issued November 2010. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

**GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011. This Statement is intended to enhance the usefulness of the Codification of the Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

**GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The School District has determined that they have no deferred outflows as defined by this standard.

**GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, issued March 2012, has an effective date of the School District beginning with its fiscal year ending June 30, 2014. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Because GASB Statement No. 65 is so closely related to GASB Statement No. 63, implementing both as of June 30, 2013 is recommended.

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2013**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

**GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62***, issued March 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2014. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

**GASB Statement No. 67, *Financial Reporting for Pension Plans***, issued in June 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2014. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2015. The guidance contained in these two Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

**GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2015. The guidance contained in this statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

**GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, issued in January 2013, will be effective for the School District beginning with its fiscal year ending June 30, 2015. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

**GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***, issued in April 2013, will be effective for the School District beginning with the fiscal year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

**NOTE 18 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 26, 2014, the date the June 30, 2013 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2013**

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 37,234,816	\$ 37,234,816	\$ -
Other local sources:			
Tuition	250,000	254,883	4,883
Investment earnings	4,500	5,762	1,262
Impact fees	148,389	148,389	-
Rentals	-	1,460	1,460
Miscellaneous	239,000	251,368	12,368
Total from other local sources	<u>641,889</u>	<u>661,862</u>	<u>19,973</u>
State sources:			
Adequacy aid (grant)	11,620,385	11,620,385	-
Adequacy aid (tax)	6,244,957	6,244,957	-
School building aid	1,103,811	1,083,468	(20,343)
Catastrophic aid	475,000	552,943	77,943
Vocational aid	10,000	14,042	4,042
Total from state sources	<u>19,454,153</u>	<u>19,515,795</u>	<u>61,642</u>
Federal sources:			
Medicaid	<u>450,000</u>	<u>570,534</u>	<u>120,534</u>
Other financing sources:			
Transfers in	<u>-</u>	<u>292,024</u>	<u>292,024</u>
Total revenues and other financing sources	57,780,858	<u>\$ 58,275,031</u>	<u>\$ 494,173</u>
Use of fund balance to reduce school district assessment	2,188,459		
Total revenues, other financing uses, and use of fund balance	<u>\$ 59,969,317</u>		

**SCHEDULE 2**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2013**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 25,516	\$ 19,028,191	\$ 18,361,722	\$ 17,829	\$ 674,156
Special programs	29,000	8,301,145	8,032,412	24,475	273,258
Vocational programs	23,725	52,000	76,039	11,737	(12,051)
Adult and community programs	-	175,718	153,955	-	21,763
Other	6,196	966,052	946,003	1,190	25,055
Total instruction	<u>84,437</u>	<u>28,523,106</u>	<u>27,570,131</u>	<u>55,231</u>	<u>982,181</u>
Support services:					
Student	2,480	3,320,101	3,103,214	185	219,182
Instructional staff	10,270	966,697	988,912	8,878	(20,823)
General administration	12,942	169,510	127,423	3,135	51,894
Executive administration	47	1,561,380	1,553,478	-	7,949
School administration	1,837	2,450,090	2,487,933	1,752	(37,758)
Business	-	52,000	52,121	-	(121)
Operation and maintenance of plant	9,527	3,681,050	3,309,166	63,755	317,656
Student transportation	6,958	2,639,653	2,581,727	5,426	59,458
Other	5,710	13,559,830	13,259,424	-	306,116
Total support services	<u>49,771</u>	<u>28,400,311</u>	<u>27,463,398</u>	<u>83,131</u>	<u>903,553</u>
Debt service:					
Principal of long-term debt	-	1,600,000	1,600,000	-	-
Interest on long-term debt	-	630,000	630,000	-	-
Total debt service	<u>-</u>	<u>2,230,000</u>	<u>2,230,000</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>92,375</u>	<u>615,900</u>	<u>590,465</u>	<u>-</u>	<u>117,810</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>200,000</u>	<u>355,111</u>	<u>-</u>	<u>(155,111)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 226,583</u>	<u>\$ 59,969,317</u>	<u>\$ 58,209,105</u>	<u>\$ 138,362</u>	<u>\$ 1,848,433</u>

*SCHEDULE 3*  
*TIMBERANE REGIONAL SCHOOL DISTRICT*  
*Major General Fund*  
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2013*

Unassigned fund balance, beginning		\$ 1,988,260
Changes:		
Unassigned fund balance used to reduce school district assessment		(2,188,459)
2012-2013 Budget summary:		
Revenue surplus (Schedule 1)	\$ 494,173	
Unexpended balance of appropriations (Schedule 2)	<u>1,848,433</u>	
2012-2013 Budget surplus		2,342,606
Increase in nonspendable fund balance		(5,850)
Increase in assigned fund balance		<u>(4,092)</u>
Unassigned fund balance, ending		<u><u>\$ 2,132,465</u></u>

**SCHEDULE 4**  
**TIMBERANE REGIONAL SCHOOL DISTRICT**  
**Student Activities Funds**  
**Combining Schedule of Changes in Student Activities Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Balance,</u> <u>beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance,</u> <u>ending</u>
Schools:				
Timberlane Regional High School	\$ 197,113	\$ 534,996	\$ 558,076	\$ 174,033
Timberlane Regional Middle School	33,743	169,074	173,874	28,943
Atkinson Academy	13,748	26,923	24,034	16,637
Danville Elementary School	29,409	19,749	21,677	27,481
Sandown Central School	5,780	8,142	8,787	5,135
Pollard School	29,527	44,455	40,964	33,018
Sandown North School	7,711	24,087	23,682	8,116
Totals	<u>\$ 317,031</u>	<u>\$ 827,426</u>	<u>\$ 851,094</u>	<u>\$ 293,363</u>

**SCHEDULE 5**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**High School Student Activities Fund**  
**Schedule of Changes in Student Activity Fund**  
**For the Fiscal Year Ended June 30, 2013**

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Advanced Placement Program	\$ 5,185	\$ 14,548	\$ 14,670	\$ 5,063
Adventure Club	59	-	-	59
Art Department/Misc Supplies	24	-	-	24
Art Honor Society	610	738	369	979
Athletic Department	960	41,675	41,249	1,386
Athletic Gate Receipts	-	76,532	76,532	-
Athletic Tournaments	271	2,435	2,678	28
Band & Chorus	3,683	25,771	28,651	803
Business Book Revenue	135	-	12	123
Business Honor Society	-	180	43	137
Class of 2012	7,492	1,385	8,877	-
Class of 2013	18,620	55,099	63,344	10,375
Class of 2014	3,564	17,897	4,682	16,779
Class of 2015	2,879	2,861	2,347	3,393
Class of 2016	500	5,484	3,615	2,369
Class of 2017	-	500	-	500
Comedy Club	1,122	897	700	1,320
Destination Imagination	2,342	1,313	-	3,655
Drama Club	10,975	9,742	10,913	9,804
Drug Prevention	71	-	-	71
Echos Club	642	230	263	609
Eng. Field Trips	-	3,383	3,104	278
English Department - Textbook	281	21	-	302
English Honor Society	655	93	210	538
French Honor Society	301	209	280	230
GAPP	248	137	82	303
Gay - Straight Alliance	22	87	58	51
General Account	3,129	3,525	4,482	2,173
Guidance Department	382	5,311	5,067	626
Guidance/Miscellaneous	3	188	167	24
Habitat For Humanity	121	-	-	121
Historical Honor Soceity	985	3,347	3,600	732
History Book Revenue	724	-	-	724
Home Economics	254	2,178	2,275	157
Home Economics Department	6	-	-	6
Kony 2012	407	-	407	-
Library Fund	363	485	408	440
Literary Magazine	80	-	-	80
Lost Books	-	80	80	-
Math Book Revenue	277	-	-	277
Math Field Trips	-	88	-	88
Math Honor Soceity	3,134	3,107	2,890	3,350
Mealey Meals	12,993	18,976	14,783	17,186
Model UN	1,667	2,215	799	3,083
Music Department - Lessons	592	-	-	592
Musical	4,812	23,459	9,200	19,070
National Honor Society	1,169	371	1,344	197
Newspaper - The Scribe	282	100	300	82
Parking Stickers	4,670	6,680	7,274	4,076
Peer Outreach	504	1,176	615	1,066
Players Scholarship	626	414	-	1,040
Poetry Slam	1,385	-	-	1,385

(Continued)

*SCHEDULE 5 (Continued)*  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
*High School Student Activities Fund*  
*Schedule of Changes in Student Activity Fund*  
*For the Fiscal Year Ended June 30, 2013*

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Postage/Miscellaneous	1,021	739	527	1,233
Principal's Account	1,747	3,079	1,466	3,361
SADD	308	-	-	308
Science Book Revenue	34	-	-	34
Science Field Trips	-	2,440	2,312	128
Snow Riders	1,684	11,987	12,164	1,507
Spanish Book Revenue	-	361	-	361
Spanish Honor Society	1,326	2,141	2,810	658
Special Education Department	2,870	2,145	1,854	3,162
SS. Field Trips	-	6,920	6,143	778
Staff Activity Fund	913	-	200	713
Student Council	2,173	20,849	19,524	3,499
Student of Service	549	408	743	213
Student Store	5,009	8,552	9,247	4,314
Temporary Projects	60,904	36,921	77,254	20,571
The Scholarship Program	10,627	45,534	46,575	9,586
The Yearbook	629	29,353	29,150	833
Therapeutic Riding	290	-	-	290
TRHS Dance Team	532	9,108	9,077	563
Tri-M Music Honor Society	962	1,270	604	1,627
Ultimate Frisbee	363	334	528	169
US First (Robotics)	546	100	468	178
Vending Machine - Students	1,278	6,225	6,200	1,303
Vending Machine - Athletics	122	1,076	1,130	69
Vending Machine - Faculty	1,311	6,602	7,231	683
Vending Machine - Gym Lobby	324	-	-	324
Vending Machine - Music	1,662	4,449	5,249	862
WKID	723	-	-	723
WL Field Trips	-	1,417	1,255	162
Woodshop Recycle	-	68	-	68
Totals	<u>\$ 197,113</u>	<u>\$ 534,996</u>	<u>\$ 558,076</u>	<u>\$ 174,033</u>

**SCHEDULE 6**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**Middle High School Student Activity Fund**  
**Schedule of Changes in Student Activity Fund**  
**For the Fiscal Year Ended June 30, 2013**

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
6 Avatars	\$ -	\$ 3,048	\$ 3,048	-
6 Bears	-	2,224	2,224	-
6 Champions	-	2,618	2,618	-
6 transformers	-	2,788	2,788	-
6a - Camp Lincoln	-	2,862	2,862	-
6b - Camp Lincoln	-	2,706	2,706	-
6c - Camp Lincoln	-	3,743	3,743	-
6d - Camp Lincoln	-	3,816	3,816	-
7A Bengals	-	3,725	3,725	-
7b - Explorers	-	3,589	3,589	-
7c - Ceekers	-	4,626	4,626	-
7d- Dragons	-	3,882	3,882	-
8a- Navigators	-	5,527	5,527	-
8b- Mosiacs	-	6,456	6,456	-
8c- Constituents	-	6,777	6,777	-
8d- Spirit	-	5,913	5,913	-
ART	208	-	-	208
Athletic	1,472	62	150	1,384
Athletic Officials	684	10,500	10,745	439
Basketball Fundrasier	2	-	-	2
Book Fund	963	58	286	735
Bridson's Kids	65	257	259	62
Camp Lincoln	1,532	14,530	14,949	1,113
Character Development	2,130	-	-	2,130
Checking Other	535	-	-	535
Coca-Cola	915	4,619	4,420	1,114
Destination Imagination	431	384	118	697
District Wellness	606	285	224	667
Ferry Beach 7th Grade	45	-	-	45
French Trip	2,306	15,255	15,555	2,005
General Account	1,414	4,825	5,355	884
Guidance	155	-	-	155
Images	1,217	500	495	1,222
Library	136	10,591	10,064	662
Magazine	3,617	15,029	16,350	2,296
Memory Book	1,522	5,849	5,781	1,590
Music	815	311	433	692
Newspaper	363	-	-	363
Principal's Account	4,818	2,423	2,194	5,047
Recycle	882	245	547	580
Sewing	387	70	97	360
Ski Club	1,930	9,180	10,483	627
Social Marketing	1	-	-	1
SOS	64	-	-	64
Special Education	1,770	700	312	2,158
Student Council	908	4,077	4,751	234
Student Fundraiser	1,680	1,816	2,857	639
Team Leadership	47	-	-	47
Wellness	112	21	30	103
X country/Wrestling	11	3,190	3,119	82
Total	<u>\$ 33,743</u>	<u>\$ 169,074</u>	<u>\$ 173,874</u>	<u>\$ 28,943</u>

**SCHEDULE 7**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
*Atkinson Academy Student Activity Fund*  
*Schedule of Changes in Student Activity Fund*  
*For the Fiscal Year Ended June 30, 2013*

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Drama	\$ 8	\$ -	\$ -	\$ 8
Field Trip Grade 1	76	-	-	76
Field Trip Grade 2	804	-	-	804
Field Trip Grade 3	1,309	331	658	983
Field Trip Grade 4	97	401	-	498
Field Trip Grade 5	71	2,863	2,477	457
Fifth Grade Celebration	488	2,135	499	2,125
General fund	5,876	7,387	9,033	4,230
Library	1,373	8,685	7,596	2,462
Music	54	-	-	54
Pepsi	128	821	810	138
SPED	1,993	1,251	-	3,244
Student Council	137	-	-	137
Sunshine	1,334	3,049	2,960	1,423
Total	<u>\$ 13,748</u>	<u>\$ 26,923</u>	<u>\$ 24,034</u>	<u>\$ 16,637</u>

**SCHEDULE 8**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**Danville Elementary School Student Activity Fund**  
**Schedule of Changes in Student Activity Fund**  
**For the Fiscal Year Ended June 30, 2013**

Name of Account	Beginning (Overdraft) Balance	Additions	Deductions	Ending Balance
Art Fundraising	\$ 214	\$ 4,568	\$ 4,055	\$ 726
ASD	2,656	1,000	96	3,560
Bank Fee	(21)	21	-	-
Box Tops	2,244	800	237	2,806
Coca Cola	314	593	512	395
Coffee	(45)	261	216	-
Coins for Kids	292	-	-	292
Destination Imagination	560	224	224	560
Enrichment	6,043	1,340	2,808	4,575
Field Trips	2,218	3,574	5,069	722
Field Trips Grade 5	676	-	676	-
General B2177	4,744	999	1,668	4,075
Interest	3	3	3	3
Lirbary	652	4,089	3,469	1,272
Picture Commission	761	599	761	599
Principal's Fund	5,140	311	899	4,552
Recycled Cartridges	97	85	97	85
Santa Fund	1,895	194	-	2,089
School Store	768	496	536	729
Student Activities	31	70	70	31
Student council	168	524	282	409
Total	<u>\$ 29,409</u>	<u>\$ 19,749</u>	<u>\$ 21,677</u>	<u>\$ 27,481</u>

**SCHEDULE 9**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**Sandown Central School Student Activity Fund**  
**Schedule of Changes in Student Activity Fund**  
**For the Fiscal Year Ended June 30, 2013**

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Art Fundraiser	\$ 175	\$ -	\$ -	\$ 175
Authors books	-	97	97	-
Box Top	889	542	135	1,296
Enrichment	28	-	-	28
Fifth Grade Field Trips	15	1,713	1,728	-
Fourth Grade Field Trips	185	845	1,023	7
Fundraiser account	45	-	-	45
Garden Donations	-	200	111	89
Hannaford	238	131	205	164
Hoops for Heart	-	431	431	-
Jump Rope for Heart	-	124	124	-
Library	122	2,791	2,388	525
Pennies for Patients	50	-	-	50
Picture	1,489	614	1,728	375
Recycled Cartridges	3	64	20	47
Recycled Paper	218	73	-	290
School Council	8	492	500	-
School Store	1,898	-	297	1,601
Special Needs Donation	68	-	-	68
Student water Bubbler	348	-	-	348
Target	-	26	-	26
Total	<u>\$ 5,780</u>	<u>\$ 8,142</u>	<u>\$ 8,787</u>	<u>\$ 5,135</u>

**SCHEDULE 10**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**Pollard School Student Activity Fund**  
**Schedule of Changes in Student Activity Fund**  
**For the Fiscal Year Ended June 30, 2013**

Name of Account	Beginning Balance	Additions	Deductions	Ending Balance
Assemblies	\$ 3,724	\$ 6,547	\$ 530	\$ 9,741
Charity	-	1,395	1,395	-
Coffee	100	726	748	78
Every Day Math	175	-	-	175
General School	7,501	1,159	3,300	5,360
Grade 1	1,231	1,264	1,309	1,186
Grade 2	929	-	594	335
Grade 3	911	-	504	407
Grade 4	1,061	907	1,958	10
Grade 5	2,308	2,514	3,353	1,470
Grade 5 Parent Committee	-	1,828	971	857
Greenhouse Project	-	3,929	3,929	-
Homework Club	1,300	-	72	1,228
Kids Helping Kids	892	645	132	1,406
Kindergarten	820	-	-	820
Library	1,657	7,885	6,954	2,589
Literacy	136	-	-	136
Music	60	-	-	60
Outdoor Classroom	-	210	-	210
Pat Peters Scholarship Fund	1,190	-	-	1,190
Principal/Coca-Cola/Recycle	1,082	1,543	1,956	669
Run of Savages	432	10,317	10,749	-
Ski Club	199	-	-	199
Social Committee	37	-	-	37
SPED	2,750	1,000	731	3,019
Student Council	200	-	-	200
Student Incentives	228	-	-	228
Sunshine	98	632	634	96
Volunteer Luncheon	95	504	286	313
Weather Station	-	384	-	384
Welness/Climate	411	1,066	860	617
Totals	<u>\$ 29,527</u>	<u>\$ 44,455</u>	<u>\$ 40,964</u>	<u>\$ 33,018</u>

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



# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Timberlane Regional School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Timberlane Regional School District's basic financial statements, and have issued our report thereon dated June 26, 2014. Our report on the financial statements of the governmental activities was adverse as indicated therein.

### ***Internal Control over Financial Reporting***

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

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

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

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

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

### ***Purpose of this Report***

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

*Sheryl A. Pratt, CPA*

PLODZIK & SANDERSON  
Professional Association

June 26, 2014



## **PLODZIK & SANDERSON**

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### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

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

#### ***Report on Compliance for Each Major Federal Program***

We have audited the Timberlane Regional School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Timberlane Regional School District's major federal programs for the year ended June 30, 2013. The Timberlane Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the Timberlane Regional School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

#### ***Report on Internal Control over Compliance***

Management of the Timberlane Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Timberlane Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Timberlane Regional School District's internal control over compliance.

**Timberlane Regional School District  
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control  
over Compliance in Accordance with OMB Circular A-133**

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

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

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

*Sheryl A. Platt, CPA*

PLODZIK & SANDERSON  
Professional Association

June 26, 2014



**SCHEDULE II**  
**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2013*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through the State of New Hampshire Department of Education			
<b>CHILD NUTRITION CLUSTER</b>			
School Breakfast Program	10.553	N/A	\$ 41,320
National School Lunch Program <i>(note 3)</i>	10.555	N/A	387,716
<i>CLUSTER TOTAL</i>			<u>429,036</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through the State of New Hampshire Department of Education			
Title I Grants to Local Educational Agencies:			
Title I	84.010	20142	32,242
Title I	84.010	30142	210,676
<i>PROGRAM TOTAL</i>			<u>242,918</u>
<b>SPECIAL EDUCATION CLUSTER</b>			
Special Education - Grants to States	84.027	32508	949,145
Special Education - Preschool Grants	84.173	32508	25,723
<i>CLUSTER TOTAL</i>			<u>974,868</u>
Improving Teacher Quality State Grants:			
Title II-A	84.367	14945	5,142
Title II-A	84.367	24945	96,162
Title II-A	84.367	34945	18,610
<i>PROGRAM TOTAL</i>			<u>119,914</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,766,736</u></u>

The accompanying notes are an integral part of this schedule.

**TIMBERLANE REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

***Note 1. Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal grant activity of the Timberlane Regional School District under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Timberlane Regional School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Timberlane Regional School District.

***Note 2. Summary of Significant Accounting Policies***

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

***Note 3. Food Donation***

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities on the date received.