

**HILLSBORO-DEERING COOPERATIVE  
SCHOOL DISTRICT**

**Financial Statements**

**With Schedule of Expenditures of Federal Awards**

**June 30, 2021**

**and**

**Independent Auditor's Report**

**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***

**Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

**Schedule of Findings and Questioned Costs**

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**June 30, 2021**

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**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the School Board  
Hillsboro-Deering Cooperative School District

### **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 Hillsboro-Deering Cooperative School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsboro-Deering Cooperative School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of changes in the District's proportionate share of the net OPEB liability, schedule of District OPEB contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of changes in the District's proportionate share of the net pension liability, and schedule of District pension contributions on pages 30-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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 this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hillsboro-Deering Cooperative School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the combining nonmajor governmental fund financial statements 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 and the combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 on our consideration of the Hillsboro-Deering Cooperative 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. The purpose of that report is solely 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 the effectiveness of the Hillsboro-Deering Cooperative School District's 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 Hillsboro-Deering Cooperative School District's internal control over financial reporting and compliance.

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
October 20, 2022

EXHIBIT A  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2021

|                                                      | Governmental<br><u>Activities</u> |
|------------------------------------------------------|-----------------------------------|
| <b>ASSETS</b>                                        |                                   |
| Current Assets:                                      |                                   |
| Cash and cash equivalents                            | \$ 930,771                        |
| Accounts receivable                                  | 16,330                            |
| Due from other governments                           | 3,831,874                         |
| Prepaid items                                        | 2,340                             |
| Restricted cash                                      | <u>2,772</u>                      |
| Total Current Assets                                 | <u>4,784,087</u>                  |
| Noncurrent Assets:                                   |                                   |
| Capital assets:                                      |                                   |
| Non-depreciable capital assets                       | 57,374                            |
| Depreciable capital assets, net                      | <u>14,517,663</u>                 |
| Total Noncurrent Assets                              | <u>14,575,037</u>                 |
| Total Assets                                         | <u>19,359,124</u>                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |                                   |
| Deferred outflows related to OPEB                    | 568,016                           |
| Deferred outflows related to pension                 | <u>6,766,373</u>                  |
| Total Deferred Outflows of Resources                 | <u>7,334,389</u>                  |
| <b>LIABILITIES</b>                                   |                                   |
| Current Liabilities:                                 |                                   |
| Accounts payable                                     | 213,595                           |
| Accrued liabilities                                  | 61,607                            |
| Current portion of bonds payable                     | 735,000                           |
| Current portion of capital leases payable            | <u>123,067</u>                    |
| Total Current Liabilities                            | <u>1,133,269</u>                  |
| Noncurrent Liabilities:                              |                                   |
| Bonds payable                                        | 735,000                           |
| Capital leases payable                               | 2,231,690                         |
| Compensated absences payable                         | 124,878                           |
| Early retirement benefits                            | 495,475                           |
| OPEB liability                                       | 3,678,213                         |
| Net pension liability                                | <u>22,374,649</u>                 |
| Total Noncurrent Liabilities                         | <u>29,639,905</u>                 |
| Total Liabilities                                    | <u>30,773,174</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |                                   |
| Deferred inflows related to OPEB                     | 618,930                           |
| Deferred inflows related to pension                  | <u>271,504</u>                    |
| Total Deferred Inflows of Resources                  | <u>890,434</u>                    |
| <b>NET POSITION</b>                                  |                                   |
| Net investment in capital assets                     | 10,753,052                        |
| Restricted for:                                      |                                   |
| Donations Fund - donations and after school programs | 418,827                           |
| Unrestricted (deficit)                               | <u>(16,141,974)</u>               |
| Total Net Position                                   | <u>\$ (4,970,095)</u>             |

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Statement of Activities**  
For the Year Ended June 30, 2021

| Functions/Programs                 | <u>Expenses</u>      | <u>Program Revenues</u>         |                                                   |                                                 | <u>Net (Expense) Revenue<br/>and Changes<br/>in Net Position</u> |
|------------------------------------|----------------------|---------------------------------|---------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------|
|                                    |                      | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> |                                                                  |
| Governmental Activities:           |                      |                                 |                                                   |                                                 |                                                                  |
| Instruction                        | \$ 16,677,175        | \$ 1,878,122                    | \$ 1,840,063                                      |                                                 | \$ (12,958,990)                                                  |
| Supporting services                | 2,413,616            |                                 |                                                   |                                                 | (2,413,616)                                                      |
| Instructional staff services       | 1,262,317            |                                 |                                                   |                                                 | (1,262,317)                                                      |
| General administration             | 2,502,551            |                                 |                                                   |                                                 | (2,502,551)                                                      |
| Operation and maintenance of plant | 2,674,819            |                                 |                                                   | \$ 342,731                                      | (2,332,088)                                                      |
| Pupil transportation               | 841,591              | 22,946                          |                                                   |                                                 | (818,645)                                                        |
| Food service                       | 576,260              | 30,842                          | 378,547                                           |                                                 | (166,871)                                                        |
| Other student                      | 84,816               |                                 |                                                   |                                                 | (84,816)                                                         |
| Interest and fiscal charges        | 73,039               |                                 |                                                   |                                                 | (73,039)                                                         |
| Total governmental activities      | <u>\$ 27,106,184</u> | <u>\$ 1,931,910</u>             | <u>\$ 2,218,610</u>                               | <u>\$ 342,731</u>                               | <u>(22,612,933)</u>                                              |
| General revenues:                  |                      |                                 |                                                   |                                                 |                                                                  |
|                                    |                      |                                 |                                                   |                                                 | 14,112,230                                                       |
|                                    |                      |                                 |                                                   |                                                 | 7,155,940                                                        |
|                                    |                      |                                 |                                                   |                                                 | 6,285                                                            |
|                                    |                      |                                 |                                                   |                                                 | 366,462                                                          |
|                                    |                      |                                 |                                                   |                                                 | <u>21,640,917</u>                                                |
|                                    |                      |                                 |                                                   |                                                 | (972,016)                                                        |
|                                    |                      |                                 |                                                   |                                                 | <u>(3,998,079)</u>                                               |
|                                    |                      |                                 |                                                   |                                                 | <u>\$ (4,970,095)</u>                                            |

*See accompanying notes to the basic financial statements*



EXHIBIT C  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2021

|                                                                        | General<br><u>Fund</u> | Grants<br><u>Fund</u> | Nonmajor<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|------------------------------------------------------------------------|------------------------|-----------------------|------------------------------------------|---------------------------------------|
| <b>ASSETS</b>                                                          |                        |                       |                                          |                                       |
| Cash and cash equivalents                                              | \$ 798,305             |                       | \$ 132,466                               | \$ 930,771                            |
| Accounts receivable                                                    | 16,330                 |                       |                                          | 16,330                                |
| Due from other governments                                             | 2,847,726              | \$ 875,492            | 108,656                                  | 3,831,874                             |
| Due from other funds                                                   | 993,319                |                       | 418,827                                  | 1,412,146                             |
| Prepaid items                                                          | 2,340                  |                       |                                          | 2,340                                 |
| Restricted cash                                                        | 2,772                  |                       |                                          | 2,772                                 |
| Total Assets                                                           | <u>4,660,792</u>       | <u>875,492</u>        | <u>659,949</u>                           | <u>6,196,233</u>                      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                  |                        |                       |                                          |                                       |
| Total Deferred Outflows of Resources                                   | <u>-</u>               | <u>-</u>              | <u>-</u>                                 | <u>-</u>                              |
| Total Assets and Deferred Outflows of Resources                        | <u>\$ 4,660,792</u>    | <u>\$ 875,492</u>     | <u>\$ 659,949</u>                        | <u>\$ 6,196,233</u>                   |
| <b>LIABILITIES</b>                                                     |                        |                       |                                          |                                       |
| Accounts payable                                                       | \$ 213,022             | \$ 75                 | \$ 498                                   | \$ 213,595                            |
| Due to other funds                                                     | 418,827                | 875,417               | 117,902                                  | 1,412,146                             |
| Total Liabilities                                                      | <u>631,849</u>         | <u>875,492</u>        | <u>118,400</u>                           | <u>1,625,741</u>                      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                        |                       |                                          |                                       |
| Total Deferred Inflows of Resources                                    | <u>-</u>               | <u>-</u>              | <u>-</u>                                 | <u>-</u>                              |
| <b>FUND BALANCES</b>                                                   |                        |                       |                                          |                                       |
| Nonspendable                                                           | 2,340                  |                       |                                          | 2,340                                 |
| Restricted                                                             | 2,772                  |                       | 418,827                                  | 421,599                               |
| Committed                                                              | 1,317,638              |                       |                                          | 1,317,638                             |
| Assigned                                                               | 322,100                |                       | 132,466                                  | 454,566                               |
| Unassigned (deficit)                                                   | 2,384,093              |                       | (9,744)                                  | 2,374,349                             |
| Total Fund Balances                                                    | <u>4,028,943</u>       | <u>-</u>              | <u>541,549</u>                           | <u>4,570,492</u>                      |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances | <u>\$ 4,660,792</u>    | <u>\$ 875,492</u>     | <u>\$ 659,949</u>                        | <u>\$ 6,196,233</u>                   |

*See accompanying notes to the basic financial statements*

EXHIBIT C-1  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2021

|                                                                                                                                                                           |                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Total Fund Balances - Governmental Funds (Exhibit C)                                                                                                                      | \$ 4,570,492          |
| 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.                                                 | 14,575,037            |
| Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds. |                       |
| Deferred outflows of resources related to OPEB liability                                                                                                                  | 568,016               |
| Deferred outflows of resources related to net pension liability                                                                                                           | 6,766,373             |
| Deferred inflows of resources related to OPEB liability                                                                                                                   | (618,930)             |
| Deferred inflows of resources related to net pension liability                                                                                                            | (271,504)             |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.                                                        |                       |
| Long-term liabilities at year end consist of:                                                                                                                             |                       |
| Accrued interest on long-term obligations                                                                                                                                 | (61,607)              |
| Bonds payable                                                                                                                                                             | (1,470,000)           |
| Capital leases payable                                                                                                                                                    | (2,354,757)           |
| Compensated absences payable                                                                                                                                              | (124,878)             |
| Early retirement benefits                                                                                                                                                 | (495,475)             |
| OPEB liability                                                                                                                                                            | (3,678,213)           |
| Net pension liability                                                                                                                                                     | <u>(22,374,649)</u>   |
| Net Position of Governmental Activities (Exhibit A)                                                                                                                       | <u>\$ (4,970,095)</u> |

*See accompanying notes to the basic financial statements*

## EXHIBIT D

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT****Statement of Revenues, Expenditures and Changes in Fund Balances****Governmental Funds**

For the Year Ended June 30, 2021

|                                                 | General<br><u>Fund</u> | Grants<br><u>Fund</u> | Nonmajor<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|-------------------------------------------------|------------------------|-----------------------|------------------------------------------|---------------------------------------|
| Revenues:                                       |                        |                       |                                          |                                       |
| Taxes                                           | \$ 14,112,230          |                       |                                          | \$ 14,112,230                         |
| Intergovernmental                               | 7,724,236              | \$ 1,614,498          | \$ 378,547                               | 9,717,281                             |
| Charges for services                            | 1,830,829              |                       | 101,081                                  | 1,931,910                             |
| Interest income                                 | 6,285                  |                       |                                          | 6,285                                 |
| Miscellaneous                                   | 246,693                |                       | 119,769                                  | 366,462                               |
| Total Revenues                                  | <u>23,920,273</u>      | <u>1,614,498</u>      | <u>599,397</u>                           | <u>26,134,168</u>                     |
| Expenditures:                                   |                        |                       |                                          |                                       |
| Current operations:                             |                        |                       |                                          |                                       |
| Instruction                                     | 13,152,040             | 1,614,498             | 139,366                                  | 14,905,904                            |
| Supporting services                             | 2,139,127              |                       |                                          | 2,139,127                             |
| Instructional staff services                    | 1,182,193              |                       |                                          | 1,182,193                             |
| General administration                          | 2,359,723              |                       |                                          | 2,359,723                             |
| Operation and maintenance of plant              | 2,093,521              |                       |                                          | 2,093,521                             |
| Pupil transportation                            | 841,591                |                       |                                          | 841,591                               |
| Food service                                    |                        |                       | 566,225                                  | 566,225                               |
| Other student                                   |                        |                       | 84,816                                   | 84,816                                |
| Debt service:                                   |                        |                       |                                          |                                       |
| Principal retirement                            | 735,000                |                       |                                          | 735,000                               |
| Interest and fiscal charges                     | 91,875                 |                       |                                          | 91,875                                |
| Total Expenditures                              | <u>22,595,070</u>      | <u>1,614,498</u>      | <u>790,407</u>                           | <u>24,999,975</u>                     |
| Excess of revenues over (under) expenditures    | <u>1,325,203</u>       | <u>-</u>              | <u>(191,010)</u>                         | <u>1,134,193</u>                      |
| Other financing sources (uses):                 |                        |                       |                                          |                                       |
| Transfers in                                    |                        |                       | 70,000                                   | 70,000                                |
| Transfers out                                   | (70,000)               |                       |                                          | (70,000)                              |
| Total Other financing sources (uses)            | <u>(70,000)</u>        | <u>-</u>              | <u>70,000</u>                            | <u>-</u>                              |
| Net change in fund balances                     | 1,255,203              | -                     | (121,010)                                | 1,134,193                             |
| Fund Balances at beginning of year, as restated | <u>2,773,740</u>       | <u>-</u>              | <u>662,559</u>                           | <u>3,436,299</u>                      |
| Fund Balances at end of year                    | <u>\$ 4,028,943</u>    | <u>\$ -</u>           | <u>\$ 541,549</u>                        | <u>\$ 4,570,492</u>                   |

*See accompanying notes to the basic financial statements*

EXHIBIT D-1  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
For the Year Ended June 30, 2021

|                                                              |              |
|--------------------------------------------------------------|--------------|
| Net Change in Fund Balances - Governmental Funds (Exhibit D) | \$ 1,134,193 |
|--------------------------------------------------------------|--------------|

Amounts reported for governmental activities in the statement of activities are different because:

|                                                                                                                                                                                                                                                                                                       |           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. | (684,666) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                     |         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Repayment of bond principal is an expenditure in the governmental funds when due, but the repayment reduces long-term liabilities in the statement of net position. | 735,000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                                                                                                                                  |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Repayment of principal on capital leases is an expenditure in the governmental funds when due, but the repayment reduces long-term liabilities in the statement of net position. | 117,441 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                                                                                                                                                 |       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Governmental funds report the effect of debt issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt. | 2,928 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|

|                                                                                                                                                                           |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due. | 15,908 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                                                                                                                                                                                                                      |          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Some expenses reported in the statement of activities, such as compensated absences and early retirement benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | (53,633) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

|                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period. |                    |
| Net changes in OPEB                                                                                                                                                                                                                                                                                                                                                                                                                                           | (77,081)           |
| Net changes in pension                                                                                                                                                                                                                                                                                                                                                                                                                                        | <u>(2,162,106)</u> |

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Change in Net Position of Governmental Activities (Exhibit B) | <u><u>\$ (972,016)</u></u> |
|---------------------------------------------------------------|----------------------------|

# **HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021

### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Hillsboro-Deering Cooperative School District conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The following is a summary of significant accounting policies.

#### ***Financial Reporting Entity***

The Hillsboro-Deering Cooperative School District (the District) is an independent governmental entity organized under the laws of the State of New Hampshire to provide public education within the borders of the Towns of Hillsboro and Deering, New Hampshire. The District's legislative body is the annual deliberative session followed by balloting of registered voters within the District and is governed by an elected School Board. Administrative services are provided to the District by School Administrative Unit #34. The District has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

#### ***Basis of Presentation***

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

#### **1. Government-Wide Financial Statements:**

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

#### **2. Fund Financial Statements:**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

***Fund Accounting***

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District solely employs the use of governmental funds.

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the District's major governmental funds:

The *General Fund* is the main operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

The *Grants Fund* is used to account for the financial resources related to various state and federal education grants and the related expenditures.

***Measurement Focus***

**1. Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

**1. Revenues – Exchange and Non-Exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest, tuition, grants, and student fees.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

**2. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

***Budgetary Data***

The District's budget represents functional appropriations as authorized by annual District meetings. The school board may transfer funds between operating categories as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but requires the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2021, the District applied \$740,452 of its fund balance to reduce taxes.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

***Capital Assets***

General capital assets result from expenditures in the governmental funds. These assets are reported in governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District does not possess any infrastructure or intangible assets. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Years</u> |
|----------------------------|--------------|
| Land improvements          | 20           |
| Buildings and improvements | 5-50         |
| Furniture and equipment    | 2-20         |

***Compensated Absences***

Pursuant to the collective bargaining agreement, District teachers may earn and accumulate (subject to certain limitations) unused sick leave. District teachers with at least 10 years of service may accumulate up to a maximum of 100 unused sick days and teachers with 20 years or more of service may accumulate up to a maximum of 118 unused sick days. Upon termination of employment, District teachers with 10 years of continuous service shall receive a separation payment in the amount of 50% of their unused sick leave at the rate of \$50 per day. These provisions do not apply to District teachers opting for the early retirement benefits incentive (see 'Early Retirement Benefits' below).

Pursuant to the collective bargaining agreement, District support staff may earn and accumulate (subject to certain limitations) unused sick leave. Upon termination for cause, all unused sick leave balances for District support staff shall lapse. Upon resignation, District support staff with at least 10 years of service shall receive \$20 per day for any unused sick leave up to 90 days and District support staff with at least 20 years of service shall receive \$30 per day for any unused sick leave up to 90 days.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

***Early Retirement Benefits***

Upon voluntary separation from the District, teachers with 20 years or more of District service (including any and all time served in any schools that are in the District) are eligible to receive a one-time separation payment. The amount of the separation payment is calculated at 1% of employee salary multiplied by the number of years in the District, plus 50% of their per diem rate multiplied by their number of unused sick days up to a maximum of 118 days.



**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

For governmental fund financial statements, early retirement benefits are reported as liabilities and expenditures as payments come due each period based upon voluntary separation of qualified teachers. The entire early retirement benefits liability is reported on the government-wide financial statements.

***Lease Premium***

Lease premiums are amortized as a component of interest expense over the life of the related lease using the effective interest rate method. Leases payable are reported in the accompanying financial statements gross of any applicable unamortized lease premium.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences and early retirement benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds, capital leases, and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

***Postemployment Benefits Other Than Pensions (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Fund Balance Policy***

The District has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance:* Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance:* Amounts that can only be spent for specific purposes stipulated by applicable state and local laws and regulations, external resource providers or through enabling legislation.
- *Committed Fund Balance:* Amounts constrained to specific purposes pursuant to a formal action by the District itself using its highest level of decision-making authority (the School Board). To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same formal action to remove or change the constraint.
- *Assigned Fund Balance:* Amounts the District intends to use for specific purposes, but do not meet the criteria to be classified as restricted or committed. For governmental funds other than the General Fund, assigned fund balance represents the remaining balance that is not restricted or committed.
- *Unassigned Fund Balance:* Includes the residual classification for the District's General Fund and includes all spendable amounts not constrained in other classifications. In other governmental funds, the unassigned classification should only be used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District's policy is to return to the Towns, any unassigned fund balance at fiscal year-end, to be used to offset the subsequent fiscal year's tax rate.

*Authority to Assign*

The School Board delegates to the Superintendent of Schools, the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available fund balance in any particular fund.

*Spending Prioritizations*

The District's policy is to first apply restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

*Deficit Fund Balance*

Pursuant to the District's policy, at year end if any of the special revenue funds has a deficit unassigned fund balance, a transfer from the General Fund will be recorded at year end to cover the deficit, providing the General Fund has the resources to do so.

***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Deficit Fund Balance – Nonmajor Government Fund*

As of June 30, 2021, the District reported a deficit fund balance of (\$9,744) in the Food Service Fund.

**NOTE 3—DEPOSITS**

Deposits as of June 30, 2021 are classified in the accompanying financial statements as follows:

|                            |                          |
|----------------------------|--------------------------|
| Statement of Net Position: |                          |
| Cash and cash equivalents  | \$ 930,771               |
| Restricted cash            | <u>2,772</u>             |
|                            | <u><u>\$ 933,543</u></u> |

Deposits at June 30, 2021 consist of the following:

|                                      |                          |
|--------------------------------------|--------------------------|
| Cash on hand                         | \$ 294                   |
| Deposits with financial institutions | <u>933,249</u>           |
|                                      | <u><u>\$ 933,543</u></u> |

The District's investment policy for governmental funds require that deposits and investments be made in accordance with RSA 197:23a. The District Treasurer shall deposit monies in participating units in the public deposit investment pool established pursuant to RSA 383:22, or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the regional federal reserve bank collateral security for such deposits of United

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

States government obligations, United States 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.

Deposits for the Student Activity Funds are at the discretion of the School Principals and Superintendent of Schools.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. For assurance against custodial credit risk, the District's investment policy stipulates that all deposits and investments be covered by federal depository insurance, with all balances in excess of FDIC insurance limits to be collateralized.

Of the District's deposits with financial institutions at year end, \$1,397,529 was collateralized by securities held by the bank in the bank's name.

**NOTE 4—CAPITAL ASSETS**

The following is a summary of changes in capital assets of the governmental activities:

|                                               | Balance<br>July 1, 2020 | Additions           | Reductions  | Balance<br>June 30, 2021 |
|-----------------------------------------------|-------------------------|---------------------|-------------|--------------------------|
| Capital assets not being depreciated:         |                         |                     |             |                          |
| Land                                          | \$ 57,374               |                     |             | \$ 57,374                |
| Total capital assets not being depreciated    | <u>57,374</u>           | <u>\$ -</u>         | <u>\$ -</u> | <u>57,374</u>            |
| Other capital assets:                         |                         |                     |             |                          |
| Land improvements                             | 555,200                 |                     |             | 555,200                  |
| Buildings and improvements                    | 28,929,745              |                     |             | 28,929,745               |
| Furniture and equipment                       | 1,326,997               | 13,130              |             | 1,340,127                |
| Total other capital assets at historical cost | <u>30,811,942</u>       | <u>13,130</u>       | <u>-</u>    | <u>30,825,072</u>        |
| Less accumulated depreciation for:            |                         |                     |             |                          |
| Land improvements                             | (414,739)               | (15,220)            |             | (429,959)                |
| Buildings and improvements                    | (13,908,114)            | (650,782)           |             | (14,558,896)             |
| Furniture and equipment                       | (1,286,760)             | (31,794)            |             | (1,318,554)              |
| Total accumulated depreciation                | <u>(15,609,613)</u>     | <u>(697,796)</u>    | <u>-</u>    | <u>(16,307,409)</u>      |
| Total other capital assets, net               | <u>15,202,329</u>       | <u>(684,666)</u>    | <u>-</u>    | <u>14,517,663</u>        |
| Total capital assets, net                     | <u>\$ 15,259,703</u>    | <u>\$ (684,666)</u> | <u>\$ -</u> | <u>\$ 14,575,037</u>     |

Depreciation expense was charged to governmental functions as follows:

|                                    |                   |
|------------------------------------|-------------------|
| Instruction                        | \$ 19,297         |
| Instructional staff services       | 5,933             |
| Operation and maintenance of plant | 672,566           |
|                                    | <u>\$ 697,796</u> |

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

The balance of the assets acquired through capital leases as of June 30, 2021 is as follows:

|                                | <u>Buildings and<br/>improvements</u> | <u>Furniture and<br/>equipment</u> |
|--------------------------------|---------------------------------------|------------------------------------|
| Cost                           | \$ 2,560,370                          | \$ 86,018                          |
| Less: accumulated depreciation | (640,093)                             | (86,018)                           |
|                                | <u>\$ 1,920,277</u>                   | <u>\$ -</u>                        |

**NOTE 5—LONG-TERM OBLIGATIONS**

***Changes in Long-Term Obligations***

The changes in long-term obligations of the governmental activities are as follows:

| <u>Type</u>                  | <u>Balance<br/>July 1, 2020</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Balance<br/>June 30, 2021</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|------------------------------|---------------------------------|-------------------|---------------------|----------------------------------|--------------------------------------------|
| Bonds payable                | \$ 2,205,000                    |                   | \$ (735,000)        | \$ 1,470,000                     | \$ 735,000                                 |
| Capital leases payable       | 2,445,508                       |                   | (117,441)           | 2,328,067                        | 123,067                                    |
| Unamortized lease premium    | 29,618                          |                   | (2,928)             | 26,690                           |                                            |
| Total Capital leases payable | 2,475,126                       | \$ -              | (120,369)           | 2,354,757                        | 123,067                                    |
| Compensated absences payable | 123,985                         | 18,972            | (18,079)            | 124,878                          | -                                          |
| Early retirement benefits    | 442,735                         | 110,223           | (57,483)            | 495,475                          | -                                          |
| Totals                       | <u>\$ 5,246,846</u>             | <u>\$ 129,195</u> | <u>\$ (930,931)</u> | <u>\$ 4,445,110</u>              | <u>\$ 858,067</u>                          |

Payments on the general obligation bonds, capital leases, compensated absences and early retirement benefits are paid out of the General Fund.

***General Obligation Bonds***

General obligation bonds are direct obligations of the District, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within District boundaries.

Bonds payable at June 30, 2021 are comprised of the following individual issue:

|                                | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Balance at<br/>June 30, 2021</u> |
|--------------------------------|--------------------------|--------------------------|-------------------------------------|
| 2002 School Construction Bonds | 3.0-5.0%                 | August 2022              | <u>\$ 1,470,000</u>                 |

Debt service requirements to retire general obligation bonds outstanding at June 30, 2021 are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>  | <u>Totals</u>       |
|---------------------------------|---------------------|------------------|---------------------|
| 2022                            | \$ 735,000          | \$ 55,125        | \$ 790,125          |
| 2023                            | 735,000             | 18,375           | 753,375             |
|                                 | <u>\$ 1,470,000</u> | <u>\$ 73,500</u> | <u>\$ 1,543,500</u> |

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

***Capital Lease Obligations***

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions and energy efficient improvements to the buildings. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function.

The following are the individual capital lease obligations outstanding at June 30, 2021:

|                                        | Interest<br>Rate | Maturity<br>Date                      | Balance at<br>June 30, 2021 |
|----------------------------------------|------------------|---------------------------------------|-----------------------------|
| Office equipment                       | 3.59%            | August 2021                           | \$ 18,067                   |
| Energy efficient building improvements | 3.00%            | July 2036                             | 2,310,000                   |
|                                        |                  |                                       | <u>2,328,067</u>            |
|                                        |                  | Add: <i>Unamortized lease premium</i> | <u>26,690</u>               |
|                                        |                  | Total Capital leases payable          | <u>\$ 2,354,757</u>         |

Debt service requirements for the capital lease obligations outstanding at June 30, 2021 are as follows:

| Year Ending<br>June 30,               | Principal           | Interest          | Totals              |
|---------------------------------------|---------------------|-------------------|---------------------|
| 2022                                  | \$ 123,067          | \$ 73,617         | \$ 196,684          |
| 2023                                  | 110,000             | 70,066            | 180,066             |
| 2024                                  | 115,000             | 67,029            | 182,029             |
| 2025                                  | 125,000             | 63,789            | 188,789             |
| 2026                                  | 130,000             | 60,346            | 190,346             |
| 2027-2031                             | 705,000             | 245,474           | 950,474             |
| 2032-2036                             | 835,000             | 107,919           | 942,919             |
| 2037                                  | <u>185,000</u>      | <u>2,891</u>      | <u>187,891</u>      |
| Total                                 | 2,328,067           | 691,131           | 3,019,198           |
| Add: <i>Unamortized lease premium</i> | <u>26,690</u>       |                   | <u>26,690</u>       |
|                                       | <u>\$ 2,354,757</u> | <u>\$ 691,131</u> | <u>\$ 3,045,888</u> |

**NOTE 6—OTHER POSTEMPLOYMENT BENEFITS**

***Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense***

|                                     | Deferred<br>Outflows | OPEB<br>Liability   | Deferred<br>Inflows | OPEB<br>Expense   |
|-------------------------------------|----------------------|---------------------|---------------------|-------------------|
| Cost-Sharing Multiple Employer Plan | \$ 209,968           | \$ 1,588,908        | \$ 4,604            | \$ 301,275        |
| Single Employer Plan                | <u>358,048</u>       | <u>2,089,305</u>    | <u>614,326</u>      | <u>32,926</u>     |
| Total                               | <u>\$ 568,016</u>    | <u>\$ 3,678,213</u> | <u>\$ 618,930</u>   | <u>\$ 334,201</u> |

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as a decrease to unrestricted net position in the amount of \$50,914.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

**COST-SHARING MULTIPLE EMPLOYER PLAN**

***Plan Description***

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at [www.nhrs.org](http://www.nhrs.org).

The OPEB Plan is divided into four membership types. Political subdivision employees, teachers and State employees belong to Group I. Police officers and firefighters belong to Group II. The OPEB plan is closed to new entrants.

***Benefits Provided***

Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two-person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

***Funding Policy***

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contribution rates for the covered payroll of general employees and teachers were 0.29% and 1.81%, respectively, for the year ended June 30, 2021. Contributions to the OPEB plan for the District were \$172,156 for the year ended June 30, 2021. Employees are not required to contribute to the OPEB plan.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2021, the District reported a liability of \$1,588,908 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2019. The District's proportion of the net OPEB liability was based on actual contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2020, the District's proportion was approximately 0.3630 percent, which was an increase of 0.0397 percentage points from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$301,275. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                                                               | Deferred<br>Outflows of<br><u>Resources</u> | Deferred<br>Inflows of<br><u>Resources</u> |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------------------------|
| Differences between expected and actual experience                                                            |                                             | \$ 4,604                                   |
| Net difference between projected and actual earnings on OPEB plan investments                                 | \$ 5,945                                    |                                            |
| Changes of assumptions                                                                                        | 10,216                                      |                                            |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 21,651                                      |                                            |
| District contributions subsequent to the measurement date                                                     | <u>172,156</u>                              |                                            |
| Totals                                                                                                        | <u>\$ 209,968</u>                           | <u>\$ 4,604</u>                            |

The District reported \$172,156 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

| <u>June 30,</u> |                  |
|-----------------|------------------|
| 2021            | \$ 27,714        |
| 2022            | 1,760            |
| 2023            | 2,098            |
| 2024            | <u>1,636</u>     |
|                 | <u>\$ 33,208</u> |



**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

***Actuarial Assumptions***

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                           |                                                                                                                    |
|---------------------------|--------------------------------------------------------------------------------------------------------------------|
| Inflation                 | 2.00%                                                                                                              |
| Wage inflation            | 2.75% (2.25% for Teachers)                                                                                         |
| Salary increases          | 5.60%, average, including inflation                                                                                |
| Investment rate of return | 6.75% per year, net of OPEB plan investment expense,<br>including inflation for determining solvency contributions |

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)
- Increased the medical subsidy margin for teachers from 0.20% to 0.50%

The long-term expected rate of return on OPEB Plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

| <u>Asset Class</u>      | <u>Target Allocation</u> | <u>Weighted Average Long-Term<br/>Expected Real Rate of Return</u> |
|-------------------------|--------------------------|--------------------------------------------------------------------|
| Domestic equity         | 30%                      | 3.71-4.15%                                                         |
| International equity    | 20%                      | 3.96-6.20%                                                         |
| Fixed income            | 25%                      | 0.42-1.66%                                                         |
| Alternative investments | 15%                      | 4.81-7.71%                                                         |
| Real estate             | 10%                      | 2.95%                                                              |
| Total                   | <u>100%</u>              |                                                                    |

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

The discount rate used to measure the collective total OPEB liability as of June 30, 2020 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and RSA 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 6.75 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

|                    | 1% Decrease<br><u>(5.75%)</u> | Current<br>Discount Rate<br><u>(6.75%)</u> | 1% Increase<br><u>(7.75%)</u> |
|--------------------|-------------------------------|--------------------------------------------|-------------------------------|
| Net OPEB liability | \$ 1,725,388                  | \$ 1,588,908                               | \$ 1,470,416                  |

**SINGLE EMPLOYER PLAN**

***Plan Description***

The Hillsboro-Deering Cooperative School District administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

***Benefits Provided***

The District provides post-employment medical benefits to its eligible retirees and their spouses. The benefits are provided through fully insured plans that are sponsored by SchoolCare a non-profit, employee benefits pool devoted exclusively to serving New Hampshire municipal, school and county governments. Employees hired before July 1, 2011 must meet one of the following eligibility requirements: age 60 or older with no minimum service requirement, age 50 with 10 years of service, or age plus service equals 70 with a minimum of 20 years of service. Employees hired on or after July 1, 2011 must meet the following eligibility requirements: age 65 regardless of years of creditable service, or age 60 with at least 30 years of service. Retirees and their covered spouses pay the full cost of the medical premium. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

***Employees Covered By Benefit Terms***

At July 1, 2019, the following employees were covered by the benefit terms:

|                                                                          |            |
|--------------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 20         |
| Active employees                                                         | <u>145</u> |
|                                                                          | <u>165</u> |

***Total OPEB Liability***

The District's total OPEB liability of \$2,089,305 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2019.

***Actuarial Assumptions and Other Inputs for OPEB***

The total OPEB liability in the July 1, 2019 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                             |                                                                                                         |
|-----------------------------|---------------------------------------------------------------------------------------------------------|
| Salary increases            | 2.00%                                                                                                   |
| Discount rate               | 2.21%                                                                                                   |
| Healthcare cost trend rates | .90% for 2019, increasing to 9.50% for 2020, then decreasing .50% per year to an ultimate rate of 5.00% |

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index based on the 20-year AA municipal bond rate as of June 30, 2020.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006).

***Changes in the Total OPEB Liability***

|                          |                         |
|--------------------------|-------------------------|
|                          | Total OPEB<br>Liability |
| Balance at June 30, 2020 | \$ 1,995,431            |
| Changes for the year:    |                         |
| Service cost             | 135,675                 |
| Interest                 | 43,160                  |
| Benefit payments         | <u>(84,961)</u>         |
| Net changes              | <u>93,874</u>           |
| Balance at June 30, 2021 | <u>\$ 2,089,305</u>     |

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

|                      | 1% Decrease<br>(1.21%) | Current<br>Discount Rate<br>(2.21%) | 1% Increase<br>(3.21%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| Total OPEB liability | \$ 2,240,716           | \$ 2,089,305                        | \$ 1,938,509           |

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (10.50 percent decreasing to 6.00 percent) than the current healthcare cost trend rate:

|                      | 1% Decrease<br>(8.50%<br>decreasing<br>to 4.00%) | Healthcare<br>Cost Trend<br>Rates<br>(9.50%<br>decreasing<br>to 5.00%) | 1% Increase<br>(10.50%<br>decreasing<br>to 6.00%) |
|----------------------|--------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------|
| Total OPEB liability | \$ 1,819,295                                     | \$ 2,089,305                                                           | \$ 2,402,764                                      |

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2021, the District recognized OPEB expense of \$32,926. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                    | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|----------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience |                                      | \$ 614,326                          |
| Changes of assumptions                             | \$ 358,048                           |                                     |
| Totals                                             | <u>\$ 358,048</u>                    | <u>\$ 614,326</u>                   |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>June 30,</u> |                     |
|-----------------|---------------------|
| 2022            | \$ (145,909)        |
| 2023            | (95,618)            |
| 2024            | <u>(14,751)</u>     |
|                 | <u>\$ (256,278)</u> |

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

**NOTE 7—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The District contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or on their website at [www.nhrs.org](http://www.nhrs.org).

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

***Benefits Provided***

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

| Years of Creditable Service as of<br><u>January 1, 2012</u> | <u>Minimum Age</u> | <u>Minimum Service</u> | <u>Benefit Multiplier</u> |
|-------------------------------------------------------------|--------------------|------------------------|---------------------------|
| At least 8 but less than 10 years                           | 46                 | 21                     | 2.4%                      |
| At least 6 but less than 8 years                            | 47                 | 22                     | 2.3%                      |
| At least 4 but less than 6 years                            | 48                 | 23                     | 2.2%                      |
| Less than 4 years                                           | 49                 | 24                     | 2.1%                      |

***Changes in Benefits***

Ch 340 laws of 2019 (HB 616) grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.

***Funding Policy***

Plan members are required to contribute 7.0% of their covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rates for the covered payroll of teachers and general employees were 15.99% and 10.88%, respectively. The District contributes 100% of the employer cost for teachers and general employees of the District.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. Contributions to the pension plan for the District were \$1,579,370 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$22,374,649 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2019. The District's proportion of the net pension liability was based on actual contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2020, the District's proportion was approximately 0.3498 percent, which was an increase of 0.0123 percentage points from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$3,741,540. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                               | Deferred<br>Outflows of<br><u>Resources</u> | Deferred<br>Inflows of<br><u>Resources</u> |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------------------------|
| Differences between expected and actual experience                                                            | \$ 604,224                                  | \$ 240,240                                 |
| Changes in assumptions                                                                                        | 2,213,297                                   |                                            |
| Net difference between projected and actual investment earnings on pension plan investments                   | 1,383,896                                   |                                            |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 985,586                                     | 31,264                                     |
| District contributions subsequent to the measurement date                                                     | 1,579,370                                   |                                            |
| Totals                                                                                                        | <u>\$ 6,766,373</u>                         | <u>\$ 271,504</u>                          |

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$6,494,869. The District reported \$1,579,370 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the measurement periods as follows:

| <u>June 30,</u> |                     |
|-----------------|---------------------|
| 2021            | \$ 1,171,521        |
| 2022            | 1,366,698           |
| 2023            | 1,229,859           |
| 2024            | <u>1,147,421</u>    |
|                 | <u>\$ 4,915,499</u> |

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

|                           |                                                                       |
|---------------------------|-----------------------------------------------------------------------|
| Inflation                 | 2.00%                                                                 |
| Wage inflation            | 2.75% (2.25% for Teachers)                                            |
| Salary increases          | 5.60%, average, including inflation                                   |
| Investment rate of return | 6.75%, net of pension plan investment expense,<br>including inflation |

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)

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

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

| <u>Asset Class</u>      | <u>Target Allocation</u> | <u>Weighted Average Long-Term<br/>Expected Real Rate of Return</u> |
|-------------------------|--------------------------|--------------------------------------------------------------------|
| Domestic equity         | 30%                      | 3.71-4.15%                                                         |
| International equity    | 20%                      | 3.96-6.20%                                                         |
| Fixed income            | 25%                      | 0.42-1.66%                                                         |
| Alternative investments | 15%                      | 4.81-7.71%                                                         |
| Real estate             | 10%                      | 2.95%                                                              |
| Total                   | <u>100%</u>              |                                                                    |

***Discount Rate***

The discount rate used to measure the collective pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

|                                                                | 1% Decrease<br><u>(5.75%)</u> | Current<br>Discount Rate<br><u>(6.75%)</u> | 1% Increase<br><u>(7.75%)</u> |
|----------------------------------------------------------------|-------------------------------|--------------------------------------------|-------------------------------|
| District's proportionate share of the<br>net pension liability | \$ 28,966,065                 | \$ 22,374,649                              | \$ 16,988,590                 |

**NOTE 8—INTERFUND BALANCES AND TRANSFERS**

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2021 are as follows:



**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

| Due to |                             | Due from            |                    |                                    | <u>Totals</u>       |
|--------|-----------------------------|---------------------|--------------------|------------------------------------|---------------------|
|        |                             | <u>General Fund</u> | <u>Grants Fund</u> | <u>Nonmajor Governmental Funds</u> |                     |
|        | General Fund                |                     | \$ 875,417         | \$ 117,902                         | \$ 993,319          |
|        | Nonmajor Governmental Funds | \$ 418,827          |                    |                                    | 418,827             |
|        |                             | <u>\$ 418,827</u>   | <u>\$ 875,417</u>  | <u>\$ 117,902</u>                  | <u>\$ 1,412,146</u> |

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with the District's fund balance policy and budgetary authorizations. Interfund transfers for the year ended June 30, 2021 are as follows:

|                              | <u>Transfers in</u> | <u>Transfers out</u> |
|------------------------------|---------------------|----------------------|
| General Fund                 |                     | \$ (70,000)          |
| Nonmajor Governmental Funds: |                     |                      |
| Food Service Fund            | \$ 50,000           |                      |
| Donations Fund               | 20,000              |                      |
|                              | <u>\$ 70,000</u>    | <u>\$ (70,000)</u>   |

**NOTE 9—COMPONENTS OF FUND BALANCE**

The components of the District's fund balance for its governmental funds at June 30, 2021 are as follows:

| <u>Fund Balances</u>                 | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------|------------------------------------|---------------------------------|
| <b>Nonspendable:</b>                 |                     |                                    |                                 |
| Prepaid items                        | \$ 2,340            |                                    | \$ 2,340                        |
| <b>Restricted for:</b>               |                     |                                    |                                 |
| Donations and after school programs  |                     | \$ 418,827                         | 418,827                         |
| Energy efficiency improvements       | 2,772               |                                    | 2,772                           |
| <b>Committed for:</b>                |                     |                                    |                                 |
| Expendable trusts                    | 1,187,638           |                                    | 1,187,638                       |
| Subsequent fiscal year appropriation | 130,000             |                                    | 130,000                         |
| <b>Assigned for:</b>                 |                     |                                    |                                 |
| Encumbrances                         | 322,100             |                                    | 322,100                         |
| Student activities                   |                     | 132,466                            | 132,466                         |
| <b>Unassigned (deficit):</b>         |                     |                                    |                                 |
| General operations                   | 2,384,093           |                                    | 2,384,093                       |
| Food service operations              |                     | (9,744)                            | (9,744)                         |
|                                      | <u>\$ 4,028,943</u> | <u>\$ 541,549</u>                  | <u>\$ 4,570,492</u>             |

**NOTE 10—PROPERTY TAXES**

Property taxes levied to support the Hillsboro-Deering Cooperative School District are based on the assessed valuation of the prior April 1st for all taxable real property.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

Under state statutes, the Towns of Hillsboro and Deering, New Hampshire (both independent governmental units) collect School District taxes and State of New Hampshire Education taxes as part of local property tax assessments. As collection agents, the Towns are required to pay over to the District their share of property tax assessments through periodic payments based on cash flow requirements of the District. The Towns assume financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2021, School District taxes were \$12,710,807 and State of New Hampshire Education taxes were \$1,401,423.

The District is entitled to receive monies under the established payment schedule and the unpaid amount at the fiscal year end, if any, is considered to be an “accounts receivable” since the revenue is both measurable and available.

**NOTE 11—RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the District was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2021.

***Property and Liability Insurance***

The Trust provides certain property and liability insurance coverage to member school districts, school administrative units, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the District shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***Worker’s Compensation***

The Trust provides statutory worker’s compensation coverage to member school districts, school administrative units, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers’ compensation benefits and employer’s liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2021

**NOTE 12—CONTINGENT LIABILITIES**

***Federal Grants***

The District participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

***Litigation***

There may be various claims and suits pending against the District, which arise in the normal course of the District's activities. In the opinion of District management, any potential claims against the District, which are not covered by insurance are immaterial and would not affect the financial position of the District.

**NOTE 13—RESTATEMENT OF EQUITY**

During the year ended June 30, 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*.

The impact on net position of the governmental activities as of July 1, 2020 is as follows:

|                                                      | Governmental<br><u>Activities</u> |
|------------------------------------------------------|-----------------------------------|
| Net Position - July 1, 2020 (as previously reported) | \$ (4,165,125)                    |
| Amount of restatement due to:                        |                                   |
| Implementation of GASB Statement 84                  | <u>167,046</u>                    |
| Net Position - July 1, 2020, as restated             | <u><u>\$ (3,998,079)</u></u>      |

The impact on fund balance of the governmental funds as of July 1, 2020 is as follows:

|                                                      | Nonmajor<br>Governmental<br><u>Funds</u> |
|------------------------------------------------------|------------------------------------------|
| Fund Balance - July 1, 2020 (as previously reported) | \$ 495,513                               |
| Amount of restatement due to:                        |                                          |
| Implementation of GASB Statement 84                  | <u>167,046</u>                           |
| Fund Balance - July 1, 2020, as restated             | <u><u>\$ 662,559</u></u>                 |

SCHEDULE 1  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended June 30, 2021

|                                                 | <u>Budgeted Amounts</u> |                   | <u>Actual</u>       | Variance with                                |
|-------------------------------------------------|-------------------------|-------------------|---------------------|----------------------------------------------|
|                                                 | <u>Original</u>         | <u>Final</u>      | <u>Amounts</u>      | Final Budget -<br>Favorable<br>(Unfavorable) |
| Revenues:                                       |                         |                   |                     |                                              |
| Taxes                                           | \$ 14,112,230           | \$ 14,112,230     | \$ 14,112,230       | \$ -                                         |
| Intergovernmental                               | 7,533,881               | 7,533,881         | 7,724,236           | 190,355                                      |
| Charges for services                            | 1,913,986               | 1,913,986         | 1,830,829           | (83,157)                                     |
| Interest income                                 |                         |                   | 1,961               | 1,961                                        |
| Miscellaneous                                   | 47,000                  | 47,000            | 246,693             | 199,693                                      |
| Total Revenues                                  | <u>23,607,097</u>       | <u>23,607,097</u> | <u>23,915,949</u>   | <u>308,852</u>                               |
| Expenditures:                                   |                         |                   |                     |                                              |
| Current operations:                             |                         |                   |                     |                                              |
| Instruction                                     | 14,059,843              | 14,059,843        | 13,182,754          | 877,089                                      |
| Supporting services                             | 2,271,969               | 2,271,969         | 2,139,127           | 132,842                                      |
| Instructional staff services                    | 1,183,661               | 1,183,661         | 1,180,393           | 3,268                                        |
| General administration                          | 2,532,376               | 2,532,376         | 2,444,859           | 87,517                                       |
| Operation and maintenance of plant              | 2,344,043               | 2,344,043         | 2,121,323           | 222,720                                      |
| Pupil transportation                            | 993,782                 | 993,782           | 822,038             | 171,744                                      |
| Debt service:                                   |                         |                   |                     |                                              |
| Principal retirement                            | 735,000                 | 735,000           | 735,000             | -                                            |
| Interest and fiscal charges                     | 91,875                  | 91,875            | 91,875              | -                                            |
| Total Expenditures                              | <u>24,212,549</u>       | <u>24,212,549</u> | <u>22,717,369</u>   | <u>1,495,180</u>                             |
| Excess of revenues over<br>(under) expenditures | <u>(605,452)</u>        | <u>(605,452)</u>  | <u>1,198,580</u>    | <u>1,804,032</u>                             |
| Other financing sources (uses):                 |                         |                   |                     |                                              |
| Transfers out                                   | <u>(410,000)</u>        | <u>(410,000)</u>  | <u>(270,000)</u>    | <u>140,000</u>                               |
| Total Other financing sources (uses)            | <u>(410,000)</u>        | <u>(410,000)</u>  | <u>(270,000)</u>    | <u>140,000</u>                               |
| Net change in fund balance                      | (1,015,452)             | (1,015,452)       | 928,580             | 1,944,032                                    |
| Fund Balance at beginning of year               |                         |                   |                     |                                              |
| - Budgetary Basis                               | <u>1,587,853</u>        | <u>1,587,853</u>  | <u>1,587,853</u>    | <u>-</u>                                     |
| Fund Balance at end of year                     |                         |                   |                     |                                              |
| - Budgetary Basis                               | <u>\$ 572,401</u>       | <u>\$ 572,401</u> | <u>\$ 2,516,433</u> | <u>\$ 1,944,032</u>                          |

See accompanying notes to the required supplementary information

SCHEDULE 2

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**

**Schedule of Changes in the District's Proportionate Share of the Net OPEB Liability**

For the Year Ended June 30, 2021

| <b>Cost-Sharing Multiple Employer Plan Information Only</b> |                                                                    |                                                                                 |                                           |                                                                                                                    |                                                                                                |
|-------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| <u>Measurement<br/>Period Ended</u>                         | <u>District's<br/>Proportion of<br/>the Net OPEB<br/>Liability</u> | <u>District's<br/>Proportionate<br/>Share of the<br/>Net OPEB<br/>Liability</u> | <u>District's<br/>Covered<br/>Payroll</u> | <u>District's Proportionate<br/>Share of the Net<br/>OPEB Liability<br/>as a Percentage of<br/>Covered Payroll</u> | <u>Plan Fiduciary<br/>Net Position<br/>as a Percentage<br/>of the Total<br/>OPEB Liability</u> |
| June 30, 2020                                               | 0.36300548%                                                        | \$ 1,588,908                                                                    | \$ 9,969,739                              | 15.94%                                                                                                             | 7.74%                                                                                          |
| June 30, 2019                                               | 0.32332843%                                                        | \$ 1,417,508                                                                    | \$ 9,601,328                              | 14.76%                                                                                                             | 7.75%                                                                                          |
| June 30, 2018                                               | 0.32611190%                                                        | \$ 1,493,090                                                                    | \$ 9,357,174                              | 15.96%                                                                                                             | 7.53%                                                                                          |
| June 30, 2017                                               | 0.41325909%                                                        | \$ 1,889,561                                                                    | \$ 8,984,501                              | 21.03%                                                                                                             | 7.91%                                                                                          |
| June 30, 2016                                               | 0.40977790%                                                        | \$ 1,983,756                                                                    | \$ 8,749,174                              | 22.67%                                                                                                             | 5.21%                                                                                          |

  

| <b>Significant Actuarial Assumptions</b> |                  |                             |                                          |                            |                            |
|------------------------------------------|------------------|-----------------------------|------------------------------------------|----------------------------|----------------------------|
| <u>Measurement<br/>Periods</u>           | <u>Inflation</u> | <u>Salary<br/>Increases</u> | <u>Investment<br/>Rate of<br/>Return</u> | <u>Mortality<br/>Table</u> | <u>Mortality<br/>Scale</u> |
| June 30, 2020                            | 2.00%            | 5.60%                       | 6.75%                                    | Pub-2010                   | MP-2019                    |
| June 30, 2016 - 2019                     | 2.50%            | 5.60%                       | 7.25%                                    | RP-2014                    | MP-2015                    |

*See accompanying notes to the required supplementary information*

SCHEDULE 3

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**

**Schedule of District OPEB Contributions**

For the Year Ended June 30, 2021

| <b>Cost-Sharing Multiple Employer Plan Information Only</b> |                                                    |                                                                                             |                                                 |                                           |                                                                     |
|-------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------|
| <u>Year Ended</u>                                           | <u>Contractually<br/>Required<br/>Contribution</u> | <u>Contributions in<br/>Relation to the<br/>Contractually<br/>Required<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>District's<br/>Covered<br/>Payroll</u> | <u>Contributions<br/>as a Percentage<br/>of Covered<br/>Payroll</u> |
| June 30, 2021                                               | \$ 172,156                                         | \$ (172,156)                                                                                | \$ -                                            | \$ 10,101,857                             | 1.70%                                                               |
| June 30, 2020                                               | \$ 168,494                                         | \$ (168,494)                                                                                | \$ -                                            | \$ 9,969,739                              | 1.69%                                                               |
| June 30, 2019                                               | \$ 147,300                                         | \$ (147,300)                                                                                | \$ -                                            | \$ 9,601,328                              | 1.53%                                                               |
| June 30, 2018                                               | \$ 144,249                                         | \$ (144,249)                                                                                | \$ -                                            | \$ 9,357,174                              | 1.54%                                                               |
| June 30, 2017                                               | \$ 244,939                                         | \$ (244,939)                                                                                | \$ -                                            | \$ 8,984,501                              | 2.73%                                                               |
| June 30, 2016                                               | \$ 238,106                                         | \$ (238,106)                                                                                | \$ -                                            | \$ 8,749,174                              | 2.72%                                                               |

*See accompanying notes to the required supplementary information*

## SCHEDULE 4

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT****Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

For the Year Ended June 30, 2021

| <b>Single Employer Plan Information Only</b>                     |                     |                     |                     |                     |
|------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                  | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         |
| Total OPEB Liability:                                            |                     |                     |                     |                     |
| Service cost                                                     | \$ 135,675          | \$ 132,741          | \$ 128,521          | \$ 126,002          |
| Interest                                                         | 43,160              | 41,174              | 66,285              | 62,587              |
| Differences between expected and actual experience               | -                   | (625,433)           | (33,905)            | (34,678)            |
| Changes of assumptions or other inputs                           | -                   | 544,394             | -                   | -                   |
| Benefit payments                                                 | <u>(84,961)</u>     | <u>(83,124)</u>     | <u>(53,520)</u>     | <u>(47,731)</u>     |
| Net change in total OPEB liability                               | 93,874              | 9,752               | 107,381             | 106,180             |
| Total OPEB Liability at beginning of year                        | <u>1,995,431</u>    | <u>1,985,679</u>    | <u>1,878,298</u>    | <u>1,772,118</u>    |
| Total OPEB Liability at end of year                              | <u>\$ 2,089,305</u> | <u>\$ 1,995,431</u> | <u>\$ 1,985,679</u> | <u>\$ 1,878,298</u> |
| Covered employee payroll                                         | \$ 15,981,327       | \$ 15,667,968       | \$ 9,711,325        | \$ 9,520,907        |
| Total OPEB liability as a percentage of covered employee payroll | 13.07%              | 12.74%              | 20.45%              | 19.73%              |
| <b>Significant Actuarial Assumptions</b>                         |                     |                     |                     |                     |
| Discount rate                                                    | 2.21%               | 2.21%               | 3.58%               | 3.58%               |
| Health cost trend rates:                                         |                     |                     |                     |                     |
| Initial                                                          | 0.90% - 2020        | 0.90% - 2020        | (0.80)% - 2018      | (0.80)% - 2018      |
| Ultimate                                                         | 5.00% - 2030        | 5.00% - 2030        | 5.00% - 2028        | 5.00% - 2028        |
| Mortality data set                                               | SOA RP-2014         | SOA RP-2014         | SOA RP-2014         | SOA RP-2014         |
| Mortality improvement scale                                      | MP-2019             | MP-2019             | MP-2017             | MP-2017             |

*See accompanying notes to the required supplementary information*

SCHEDULE 5

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**

**Schedule of Changes in the District's Proportionate Share of the Net Pension Liability**

For the Year Ended June 30, 2021

| <u>Measurement<br/>Period Ended</u> | <u>District's<br/>Proportion of<br/>the Net Pension<br/>Liability</u> | <u>District's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability</u> | <u>District's<br/>Covered<br/>Payroll</u> | <u>District's Proportionate<br/>Share of the Net<br/>Pension Liability (Asset)<br/>as a Percentage of<br/>Covered Payroll</u> | <u>Plan Fiduciary<br/>Net Position<br/>as a Percentage<br/>of the Total<br/>Pension Liability</u> |
|-------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| June 30, 2020                       | 0.34981427%                                                           | \$ 22,374,649                                                                      | \$ 9,969,739                              | 224.43%                                                                                                                       | 58.72%                                                                                            |
| June 30, 2019                       | 0.33750828%                                                           | \$ 16,239,733                                                                      | \$ 9,601,328                              | 169.14%                                                                                                                       | 65.59%                                                                                            |
| June 30, 2018                       | 0.33867477%                                                           | \$ 16,307,876                                                                      | \$ 9,357,174                              | 174.28%                                                                                                                       | 64.73%                                                                                            |
| June 30, 2017                       | 0.30863287%                                                           | \$ 15,178,542                                                                      | \$ 8,984,501                              | 168.94%                                                                                                                       | 62.66%                                                                                            |
| June 30, 2016                       | 0.30738630%                                                           | \$ 16,345,560                                                                      | \$ 8,749,174                              | 186.82%                                                                                                                       | 58.30%                                                                                            |
| June 30, 2015                       | 0.30303199%                                                           | \$ 12,004,694                                                                      | \$ 8,589,679                              | 139.76%                                                                                                                       | 65.47%                                                                                            |
| June 30, 2014                       | 0.31326241%                                                           | \$ 11,758,573                                                                      | \$ 8,594,068                              | 136.82%                                                                                                                       | 66.32%                                                                                            |
| June 30, 2013                       | 0.32120016%                                                           | \$ 13,823,763                                                                      | \$ 8,926,829                              | 154.86%                                                                                                                       | 59.81%                                                                                            |

Significant Actuarial Assumptions

| <u>Measurement<br/>Periods</u> | <u>Inflation</u> | <u>Salary<br/>Increases</u> | <u>Investment<br/>Rate of<br/>Return</u> | <u>Mortality<br/>Table</u> | <u>Mortality<br/>Scale</u> |
|--------------------------------|------------------|-----------------------------|------------------------------------------|----------------------------|----------------------------|
| June 30, 2020                  | 2.00%            | 5.60%                       | 6.75%                                    | Pub-2010                   | MP-2019                    |
| June 30, 2016 - 2019           | 2.50%            | 5.60%                       | 7.25%                                    | RP-2014                    | MP-2015                    |
| June 30, 2013 - 2015           | 3.00%            | 3.75-5.80%                  | 7.75%                                    | RP-2000                    | Scale AA                   |

*See accompanying notes to the required supplementary information*



SCHEDULE 6

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**

**Schedule of District Pension Contributions**

For the Year Ended June 30, 2021

| <u>Year Ended</u> | <u>Contractually<br/>Required<br/>Contribution</u> | <u>Contributions in<br/>Relation to the<br/>Contractually<br/>Required<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>District's<br/>Covered<br/>Payroll</u> | <u>Contributions<br/>as a Percentage<br/>of Covered<br/>Payroll</u> |
|-------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------|
| June 30, 2021     | \$ 1,579,370                                       | \$ (1,579,370)                                                                              | \$ -                                            | \$ 10,101,857                             | 15.63%                                                              |
| June 30, 2020     | \$ 1,553,958                                       | \$ (1,553,958)                                                                              | \$ -                                            | \$ 9,969,739                              | 15.59%                                                              |
| June 30, 2019     | \$ 1,466,366                                       | \$ (1,466,366)                                                                              | \$ -                                            | \$ 9,601,328                              | 15.27%                                                              |
| June 30, 2018     | \$ 1,431,435                                       | \$ (1,431,435)                                                                              | \$ -                                            | \$ 9,357,174                              | 15.30%                                                              |
| June 30, 2017     | \$ 1,130,656                                       | \$ (1,130,656)                                                                              | \$ -                                            | \$ 8,984,501                              | 12.58%                                                              |
| June 30, 2016     | \$ 1,098,491                                       | \$ (1,098,491)                                                                              | \$ -                                            | \$ 8,749,174                              | 12.56%                                                              |
| June 30, 2015     | \$ 1,016,636                                       | \$ (1,016,636)                                                                              | \$ -                                            | \$ 8,589,679                              | 11.84%                                                              |
| June 30, 2014     | \$ 1,016,296                                       | \$ (1,016,296)                                                                              | \$ -                                            | \$ 8,594,068                              | 11.83%                                                              |
| June 30, 2013     | \$ 798,676                                         | \$ (798,676)                                                                                | \$ -                                            | \$ 8,926,829                              | 8.95%                                                               |

*See accompanying notes to the required supplementary information*

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2021

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

***General Fund***

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the District. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). General Fund budgetary revenues and other financing sources, and expenditures and other financing uses, were adjusted for encumbrances, non-budgetary revenues and expenditures, and budgetary transfers as follows:

|                                         | Revenues<br>and Other<br>Financing<br>Sources | Expenditures<br>and Other<br>Financing<br>Uses |
|-----------------------------------------|-----------------------------------------------|------------------------------------------------|
| Per Exhibit D                           | \$ 23,920,273                                 | \$ 22,665,070                                  |
| Encumbrances - June 30, 2020            |                                               | (193,006)                                      |
| Encumbrances - June 30, 2021            |                                               | 322,100                                        |
| Non-budgetary revenues and expenditures | (4,324)                                       | (6,795)                                        |
| Budgetary transfers                     |                                               | 200,000                                        |
| Per Schedule 1                          | <u>\$ 23,915,949</u>                          | <u>\$ 22,987,369</u>                           |

***Major Special Revenue Fund***

The District adopts its budget under regulations of the New Hampshire Departments of Education and Revenue Administration which differ from accounting principles generally accepted in the United States of America. Consequently, budgetary information is not presented for the Grants Fund as the information is neither practical nor meaningful.

**NOTE 2—SCHEDULE OF CHANGES IN THE DISTRICT’S PROPORTIONATE SHARE OF NET OPEB LIABILITY AND SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS**

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the District’s proportionate share of the net OPEB liability and schedule of District OPEB contributions. The District implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
For the Year Ended June 30, 2021

**NOTE 3—SCHEDULE OF CHANGES IN THE DISTRICT’S TOTAL OPEB LIABILITY AND RELATED RATIOS**

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the District’s total OPEB liability and related ratios. The District implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**NOTE 4—SCHEDULE OF CHANGES IN THE DISTRICT’S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the District’s proportionate share of the net pension liability and schedule of district pension contributions. The District implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

## SCHEDULE I

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT****Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2021

| Federal Grantor / Pass-Through<br>Grantor / Program or Cluster Title    | Assistance<br>Listing<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Total Federal<br>Expenditures |
|-------------------------------------------------------------------------|---------------------------------|-------------------------------------------------|-------------------------------|
| <b>DEPARTMENT OF AGRICULTURE</b>                                        |                                 |                                                 |                               |
| Pass Through Payments from the New Hampshire Department of Education    |                                 |                                                 |                               |
| <b>Child Nutrition Cluster:</b>                                         |                                 |                                                 |                               |
| School Breakfast Program                                                | 10.553                          | N/A                                             | \$ 103,711                    |
| National School Lunch Program                                           |                                 |                                                 |                               |
| - School Lunch (Cash)                                                   | 10.555                          | N/A                                             | 205,306                       |
| - Snack (Cash)                                                          | 10.555                          | N/A                                             | 4,718                         |
| - Commodities (Non-cash)                                                | 10.555                          | N/A                                             | 23,401                        |
|                                                                         |                                 |                                                 | <u>233,425</u>                |
| Summer Food Service Program For Children                                | 10.559                          | N/A                                             | 38,696                        |
| <b>Total Child Nutrition Cluster</b>                                    |                                 |                                                 | <u>375,832</u>                |
| Pass Through Payments from the New Hampshire Department of Education    |                                 |                                                 |                               |
| Fresh Fruit and Vegetable Program                                       | 10.582                          | N/A                                             | 16,523                        |
| <b>Total Department of Agriculture</b>                                  |                                 |                                                 | <u>392,355</u>                |
| <b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>                            |                                 |                                                 |                               |
| Pass Through Payments from the Institute of Museum and Library Services |                                 |                                                 |                               |
| National Leadership Grants                                              | 45.312                          | #LG-29-19-0157-19                               | 5,421                         |
| <b>Total National Endowment for the Humanities</b>                      |                                 |                                                 | <u>5,421</u>                  |
| <b>DEPARTMENT OF EDUCATION</b>                                          |                                 |                                                 |                               |
| Pass Through Payments from the New Hampshire Department of Education    |                                 |                                                 |                               |
| Title I Grants to Local Educational Agencies                            | 84.010                          | #20200517                                       | 177,948                       |
| Title I Grants to Local Educational Agencies                            | 84.010                          | #20200055                                       | 23,539                        |
| Title I Grants to Local Educational Agencies                            | 84.010                          | #20210850                                       | 288,987                       |
| Title I Grants to Local Educational Agencies                            | 84.010                          | #20211304                                       | 15,262                        |
|                                                                         |                                 |                                                 | <u>505,736</u>                |
| Pass Through Payments from the New Hampshire Department of Education    |                                 |                                                 |                               |
| <b>Special Education Cluster (IDEA):</b>                                |                                 |                                                 |                               |
| Special Education - Grants to States                                    | 84.027                          | #92505                                          | 14,224                        |
| Special Education - Grants to States                                    | 84.027                          | #95603                                          | 4,052                         |
| Special Education - Grants to States                                    | 84.027                          | #20205025                                       | 1,200                         |
| Special Education - Grants to States                                    | 84.027                          | #20205046                                       | 4,184                         |
| Special Education - Grants to States                                    | 84.027                          | #202516                                         | 50,617                        |
| Special Education - Grants to States                                    | 84.027                          | #20210828                                       | 263,118                       |
|                                                                         |                                 |                                                 | <u>337,395</u>                |
| Pass Through Payments from the New Hampshire Department of Education    |                                 |                                                 |                               |
| Special Education - Preschool Grants                                    | 84.173                          | #92505                                          | 5,391                         |
| Special Education - Preschool Grants                                    | 84.173                          | #20210828                                       | 9,608                         |
|                                                                         |                                 |                                                 | <u>14,999</u>                 |
| <b>Total Special Education Cluster (IDEA)</b>                           |                                 |                                                 | <u>352,394</u>                |

See notes to schedule of expenditures of federal awards

## SCHEDULE I

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT****Schedule of Expenditures of Federal Awards (Continued)**

For the Year Ended June 30, 2021

| Federal Grantor / Pass-Through<br>Grantor / Program or Cluster Title                                                                                                          | Assistance<br>Listing<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Total Federal<br>Expenditures |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------------------------------|-------------------------------|
| <b>DEPARTMENT OF EDUCATION (CONTINUED)</b>                                                                                                                                    |                                 |                                                 |                               |
| Pass Through Payments from the New Hampshire Department of Education<br>Twenty-First Century Community Learning Centers                                                       | 84.287                          | #20210837                                       | 92,400                        |
| Pass Through Payments from the New Hampshire Department of Education<br>Rural Education                                                                                       | 84.358                          | #20190454                                       | 633                           |
| Pass Through Payments from the New Hampshire Department of Education<br>Supporting Effective Instruction State Grants                                                         | 84.367                          | #20190094                                       | 10,129                        |
| Supporting Effective Instruction State Grants                                                                                                                                 | 84.367                          | #20200094                                       | 11,615                        |
| Supporting Effective Instruction State Grants                                                                                                                                 | 84.367                          | #20211371                                       | 3,669                         |
|                                                                                                                                                                               |                                 |                                                 | 25,413                        |
| Pass Through Payments from the New Hampshire Department of Education<br>Student Support and Academic Enrichment Program                                                       | 84.424                          | #20190426                                       | 315                           |
| Pass Through Payments from the New Hampshire Department of Education<br>COVID-19 Education Stabilization Fund Under the Coronavirus<br>Aid, Relief, and Economic Security Act | 84.425D<br>84.425U              | #20204886<br>#20220684                          | 205,305<br>92,625<br>297,930  |
| <b>Total Department of Education</b>                                                                                                                                          |                                 |                                                 | 1,274,821                     |
| <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                                                                                                                |                                 |                                                 |                               |
| Pass Through Payments from the New Hampshire Department of<br>Health and Human Services                                                                                       |                                 |                                                 |                               |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance                                                                                     | 93.243                          | #202619                                         | 45,676                        |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance                                                                                     | 93.243                          | #20211200                                       | 58,578                        |
|                                                                                                                                                                               |                                 |                                                 | 104,254                       |
| <b>Total Department of Health and Human Services</b>                                                                                                                          |                                 |                                                 | 104,254                       |
| <b>Total Expenditures of Federal Awards</b>                                                                                                                                   |                                 |                                                 | \$ 1,776,851                  |

See notes to schedule of expenditures of federal awards

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2021

**NOTE 1—BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Hillsboro-Deering Cooperative School District (the District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hillsboro-Deering Cooperative School District, it is not intended to and does not present the financial position or changes in net position of the Hillsboro-Deering Cooperative School District.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3—INDIRECT COST RATE**

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

**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***

Independent Auditor's Report

To the School Board  
Hillsboro-Deering Cooperative School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsboro-Deering Cooperative School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Hillsboro-Deering Cooperative School District's basic financial statements, and have issued our report thereon dated October 20, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hillsboro-Deering Cooperative School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hillsboro-Deering Cooperative School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hillsboro-Deering Cooperative 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. 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items #2021-001 and #2021-002 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hillsboro-Deering Cooperative School District's financial statements are free from 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 financial statements. 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*.

## **Hillsboro-Deering Cooperative School District's Responses to Findings**

Hillsboro-Deering Cooperative School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hillsboro-Deering Cooperative School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

*Vashon Clukay & Company PC*

Manchester, New Hampshire  
October 20, 2022



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the School Board  
Hillsboro-Deering Cooperative School District

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

We have audited the Hillsboro-Deering Cooperative School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hillsboro-Deering Cooperative School District's major federal programs for the year ended June 30, 2021. The Hillsboro-Deering Cooperative 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Hillsboro-Deering Cooperative 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hillsboro-Deering Cooperative 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 Hillsboro-Deering Cooperative School District's compliance.

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

In our opinion, the Hillsboro-Deering Cooperative 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, 2021.

## Report on Internal Control Over Compliance

Management of the Hillsboro-Deering Cooperative 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 Hillsboro-Deering Cooperative 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hillsboro-Deering Cooperative School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
October 20, 2022

**Hillsboro-Deering Cooperative School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021**

**Section I—Summary of Auditor's Results**

**Financial Statements**

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

Internal control over financial reporting:

Material weakness(es) identified?   X   yes        no  
Significant deficiency(ies) identified        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?        yes   X   no  
Significant deficiency(ies) identified        yes   X   none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        yes   X   no

Identification of major federal programs:

| CFDA Number(s)          | Name of Federal Program of Cluster           |
|-------------------------|----------------------------------------------|
| 84.010                  | Title I Grants To Local Educational Agencies |
| 10.553, 10.555 & 10.559 | Child Nutrition Cluster                      |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?        yes   X   no

## **Section II--Financial Statement Findings**

The following findings relating to the financial statements are required to be reported by GAGAS.

### **Finding #2021-001 Federal Grant Reconciliations:**

**Condition:** The District's federal grants fund as presented for the audit had expenditures in excess of revenues on individual grants as well as in total within the fund. Additionally, the District failed to appropriately identify grant revenues and related receivables for certain federal grants. Lastly, the District did not make reimbursement claims in a timely manner.

**Criteria:** Reimbursement based federal grant activity accounted for within a single fund in the District's operating system should be tracked in a manner that allows individual grant expenditures and revenues to balance as well as the grant expenditures and revenues as a whole to balance. Completing the grant reconciliation process in a timely manner is a critical component of the internal control process over financial reporting.

**Cause:** District personnel responsible for filing monthly reimbursement claims identified grant budget line overages, however the necessary adjusting entries were not made by the District's Business Administrator. Additionally, the District's Business Administrator failed to complete the grant reconciliation process in matching the monthly expenditures with the grant reimbursement claims for 26 of the District's 28 open grants during the fiscal year.

**Effect:** Failure to reconcile grant activity on a monthly basis and submit reimbursement claims increases the risk expenditures which are eligible for reimbursement will not be requested and the grant will subsequently be closed without the District receiving funds it may be otherwise entitled to. Additionally, without a system in place to ensure grant activity is being actively reconciled, the District's financial records may become susceptible to material misstatements.

**Recommendation:** We recommend District personnel who are responsible for submitting grant reimbursement file the claim within a timely manner, such as by the middle of the subsequent month. After filing the reimbursement claim we recommend posting a journal entry to record the revenue and related receivable. Finally, after posting the entry we recommend District personnel reconcile the individual monthly grant activity to ensure revenues and expenditures are in agreement with one another. In doing so, the District will ensure grant expenditures and revenues offset one another and any potential future variances in the grant resulting from journal entries may be more easily identified.

**Views of responsible officials:** District is in agreement with the identified finding and took corrective action during August 2022.

### **Finding #2021-002 Year End Financial Close Process**

**Condition:** The District's financial records as presented for the audit contained numerous errors. Such errors included an individual fund where the balances from the prior fiscal year which were not carried forward into the current year and utilization of the PO Rollover process within the District's operating system which records all open purchase orders as expenditures and a liability.

**Criteria:** The year end close process of the District should include an evaluation of year end liabilities which are identified from invoices received prior to and subsequent to year end. Such liabilities should be evaluated against the balances generated as part of the year end PO Rollover process to appropriately reverse amounts which do not constitute year end liabilities. Additionally, on an annual basis District management should compare the ending balances from one fiscal year to the opening balances in the subsequent fiscal year to ensure all balances are in agreement and were appropriately brought forward.

**Cause:** District personnel responsible for the year end close process rolled the open purchase orders at year end to be able to make payment in the subsequent year, however failed to evaluate each purchase order with an open balance as a year-end liability. Additionally, the District's Business Administrator did not review the ending balances from fiscal year 2020 to ensure the balances for each of the District's funds were carried forward into fiscal year 2021.

**Effect:** Failure to appropriately evaluate the items representing year end liabilities from open purchase orders rolled increases the risk the District's financial records utilized for external reporting may contain material misstatements. Additionally, without a system in place to ensure year end balances for all of the District's funds maintained within the operating system are carried forward from one fiscal year to the next fiscal year the District's financial records may be materially misstated.

**Recommendation:** We recommend District personnel who are responsible for the fiscal year end close process examine each purchase order rolled to determine whether such items constitute a year end liability of the District. Any amounts which do not represent a year end liability should be removed through an adjusting entry. Additionally, District management should annually review the opening balances in the current fiscal year against the ending balances in the subsequent fiscal year to ensure amounts are in agreement with one another. Any journal entries posted subsequent to fiscal year roll process may require additional procedures to ensure the balances are appropriately brought forward.

**Views of responsible officials:** District is in agreement with the identified finding and took corrective action during October 2022.

### **Section III--Federal Award Findings and Questioned Costs**

There were no findings and questioned costs required to be reported under 2 CFR 200.516(a).

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# SAU #34

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*Jeni Laliberte, CAGS  
Director of Curriculum, Instruction and Assessment*

*Grant Geisler, MS  
Business Manager*

## HILLSBORO-DEERING SCHOOL DISTRICT CORRECTIVE ACTION PLAN

### **Finding #2021-001**

**Corrective Action Plan:** The new Business Administrator faced a similar challenge with FY'22 grant administration. Upon arrival on July 1, 2022, there were several grant reports that were overdue for FY'22 (at least one hadn't been reported at all). The Business Administrator worked with Grant Managers to make sure all activities reflected the correct dollar amounts and that necessary amendments were submitted and approved so that reports (reimbursement requests) could be submitted. By the middle of August 2022, all grant reports were up to date. Revenues for grants are tracked as they are received and are booked to the appropriate grant. The FY'22 audit may have a similar finding, but the process has been corrected for FY'23. In essence, the Business Administrator must either manage grants him/herself or at least closely monitor management of grants if delegated.

**Individual Responsible:** Business Administrator

**Anticipated Implementation Date of Corrective Action:** August 2022

### **Finding #2021-002**

**Corrective Action Plan:** District Business Administrator will consult with the Director of Finance of another school district within the State which utilizes the same accounting system to establish procedures surrounding the purchase order rollover and fiscal year close process.

**Individual Responsible:** Business Administrator

**Anticipated Implementation Date of Corrective Action:** October 2022

SCHEDULE A  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
June 30, 2021

|                                                                        | Food<br>Service<br><u>Fund</u> | Donations<br><u>Fund</u> | Student<br>Activity<br><u>Funds</u> | Total<br>Nonmajor<br><u>Funds</u> |
|------------------------------------------------------------------------|--------------------------------|--------------------------|-------------------------------------|-----------------------------------|
| <b>ASSETS</b>                                                          |                                |                          |                                     |                                   |
| Cash and cash equivalents                                              |                                |                          | \$ 132,466                          | \$ 132,466                        |
| Due from other governments                                             | \$ 108,656                     |                          |                                     | 108,656                           |
| Due from other funds                                                   |                                | \$ 418,827               |                                     | 418,827                           |
| Total Assets                                                           | <u>108,656</u>                 | <u>418,827</u>           | <u>132,466</u>                      | <u>659,949</u>                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                  |                                |                          |                                     |                                   |
| Total Deferred Outflows of Resources                                   | <u>-</u>                       | <u>-</u>                 | <u>-</u>                            | <u>-</u>                          |
| Total Assets and Deferred Outflows of Resources                        | <u>\$ 108,656</u>              | <u>\$ 418,827</u>        | <u>\$ 132,466</u>                   | <u>\$ 659,949</u>                 |
| <b>LIABILITIES</b>                                                     |                                |                          |                                     |                                   |
| Accounts payable                                                       | \$ 498                         |                          |                                     | \$ 498                            |
| Due to other funds                                                     | 117,902                        |                          |                                     | 117,902                           |
| Total Liabilities                                                      | <u>118,400</u>                 | <u>\$ -</u>              | <u>\$ -</u>                         | <u>118,400</u>                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                                |                          |                                     |                                   |
| Total Deferred Inflows of Resources                                    | <u>-</u>                       | <u>-</u>                 | <u>-</u>                            | <u>-</u>                          |
| <b>FUND BALANCES</b>                                                   |                                |                          |                                     |                                   |
| Restricted                                                             |                                | 418,827                  |                                     | 418,827                           |
| Assigned                                                               |                                |                          | 132,466                             | 132,466                           |
| Unassigned (deficit)                                                   | (9,744)                        |                          |                                     | (9,744)                           |
| Total Fund Balances                                                    | <u>(9,744)</u>                 | <u>418,827</u>           | <u>132,466</u>                      | <u>541,549</u>                    |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances | <u>\$ 108,656</u>              | <u>\$ 418,827</u>        | <u>\$ 132,466</u>                   | <u>\$ 659,949</u>                 |

SCHEDULE B

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

**Governmental Funds - All Nonmajor Funds**

For the Year Ended June 30, 2021

|                                                 | Food<br>Service<br><u>Fund</u> | Donations<br><u>Fund</u> | Student<br>Activity<br><u>Funds</u> | Total<br>Nonmajor<br><u>Funds</u> |
|-------------------------------------------------|--------------------------------|--------------------------|-------------------------------------|-----------------------------------|
| Revenues:                                       |                                |                          |                                     |                                   |
| Intergovernmental                               | \$ 378,547                     |                          |                                     | \$ 378,547                        |
| Charges for services                            | 31,394                         | \$ 69,687                |                                     | 101,081                           |
| Miscellaneous                                   |                                | 69,533                   | \$ 50,236                           | 119,769                           |
| Total Revenues                                  | <u>409,941</u>                 | <u>139,220</u>           | <u>50,236</u>                       | <u>599,397</u>                    |
| Expenditures:                                   |                                |                          |                                     |                                   |
| Current operations:                             |                                |                          |                                     |                                   |
| Instruction                                     |                                | 139,366                  |                                     | 139,366                           |
| Food service                                    | 566,225                        |                          |                                     | 566,225                           |
| Other student                                   |                                |                          | 84,816                              | 84,816                            |
| Total Expenditures                              | <u>566,225</u>                 | <u>139,366</u>           | <u>84,816</u>                       | <u>790,407</u>                    |
| Excess of revenues over (under) expenditures    | <u>(156,284)</u>               | <u>(146)</u>             | <u>(34,580)</u>                     | <u>(191,010)</u>                  |
| Other financing sources (uses):                 |                                |                          |                                     |                                   |
| Transfers in                                    | <u>50,000</u>                  | <u>20,000</u>            |                                     | <u>70,000</u>                     |
| Total Other financing sources (uses)            | <u>50,000</u>                  | <u>20,000</u>            | <u>-</u>                            | <u>70,000</u>                     |
| Net change in fund balances                     | (106,284)                      | 19,854                   | (34,580)                            | (121,010)                         |
| Fund Balances at beginning of year, as restated | <u>96,540</u>                  | <u>398,973</u>           | <u>167,046</u>                      | <u>662,559</u>                    |
| Fund Balances at end of year                    | <u>\$ (9,744)</u>              | <u>\$ 418,827</u>        | <u>\$ 132,466</u>                   | <u>\$ 541,549</u>                 |