

# HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT

## FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT  
FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board  
Hillsboro-Deering Cooperative School District  
Hillsborough, New Hampshire

### Opinions

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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position thereof, and budgetary comparisons of the General Fund and Grants Fund, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District, and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with governance regarding, among other matters, the planned scope and timing of the audit, any significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the pension information and OPEB related schedules on pages 31 - 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

The Hillsboro-Deering Cooperative School District has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

#### **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 combining and individual fund schedules and 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*, are presented for purposes of additional analysis and are not a required part of the basic

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

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

In accordance with *Government Auditing Standards*, we have also issued our reported dated March 14, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 School District's internal control over financial reporting and compliance.

March 14, 2023

*Roberts & Heene, PLLC*

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 838,585
Intergovernmental receivables	5,345,395
Other receivables	21,752
Prepaid items	27,019
Capital assets, not being depreciated:	
Land	57,374
Construction in progress	994,065
Capital assets, net of accumulated depreciation:	
Land improvements	386,193
Buildings and building improvements	14,356,957
Machinery, equipment and vehicles	273,215
Total assets	<u>22,300,555</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	4,516,117
Deferred amounts related to OPEB	538,978
Total deferred outflows of resources	<u>5,055,095</u>
<b>LIABILITIES</b>	
Accounts payable	1,107,200
Accrued interest payable	45,626
Noncurrent obligations:	
Due within one year:	
Bond outstanding	735,000
Capital lease payable	110,000
Unamortized lease premium	2,708
Termination benefits payable	99,753
Due in more than one year:	
Capital lease payable	2,095,000
Unamortized lease premium	21,161
Compensated absences payable	117,071
Termination benefits payable	510,466
Net pension liability	15,248,334
OPEB liability	2,721,849
Total liabilities	<u>22,814,168</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	11,364
Deferred amounts related to pensions	4,685,087
Deferred amounts related to OPEB	1,241,908
Total deferred inflows of resources	<u>5,938,359</u>
<b>NET POSITION</b>	
Net investment in capital assets	13,094,886
Restricted for specific purposes	249,990
Unrestricted	(14,741,753)
Total net position	<u>\$ (1,396,877)</u>

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

**EXHIBIT 2**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2022**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 14,211,273	\$ 1,888,841	\$ 1,812,172	\$ -	\$ (10,510,260)
Support services:					
Student	2,230,071	224,596	-	-	(2,005,475)
Instructional staff	1,117,489	-	-	-	(1,117,489)
General administration	93,853	-	-	-	(93,853)
Executive administration	1,113,784	-	-	-	(1,113,784)
School administration	1,189,303	-	-	-	(1,189,303)
Business	13,812	-	-	-	(13,812)
Operation and maintenance of plant	2,984,805	40,000	-	-	(2,944,805)
Student transportation	1,119,812	21,643	-	-	(1,098,169)
Non-instructional services	779,564	34,958	878,686	-	134,080
Facilities acquisition and construction	-	-	1,243,215	-	1,243,215
Interest on long-term debt	39,144	-	-	342,731	303,587
Total primary government	<u>\$ 24,892,910</u>	<u>\$ 2,210,038</u>	<u>\$ 3,934,073</u>	<u>\$ 342,731</u>	<u>(18,406,068)</u>
General revenues:					
School district assessment					12,947,071
Grants and contributions not restricted to specific programs					8,225,863
Miscellaneous					90,656
Total general revenues					<u>21,263,590</u>
Change in net position					2,857,522
Net position, beginning, as restated, see Note III.D.1.					<u>(4,254,399)</u>
Net position, ending					<u>\$ (1,396,877)</u>

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



**EXHIBIT 3**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 461,852	\$ -	\$ 376,733	\$ 838,585
Receivables:				
Accounts	21,752	-	-	21,752
Intergovernmental	3,150,519	1,960,496	234,380	5,345,395
Interfund receivable	2,063,988	-	-	2,063,988
Prepaid items	27,019	-	-	27,019
Total assets	<u>\$ 5,725,130</u>	<u>\$ 1,960,496</u>	<u>\$ 611,113</u>	<u>\$ 8,296,739</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,101,165	\$ 1,343	\$ 4,692	\$ 1,107,200
Interfund payable	-	1,959,153	104,835	2,063,988
Total liabilities	<u>1,101,165</u>	<u>1,960,496</u>	<u>109,527</u>	<u>3,171,188</u>
Deferred inflows of resources:				
Deferred revenue	-	-	11,364	11,364
Fund balances:				
Nonspendable	27,019	-	-	27,019
Restricted	2,774	-	249,990	252,764
Committed	1,399,771	-	240,232	1,640,003
Assigned	209,348	-	-	209,348
Unassigned	2,985,053	-	-	2,985,053
Total fund balances	<u>4,623,965</u>	<u>-</u>	<u>490,222</u>	<u>5,114,187</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,725,130</u>	<u>\$ 1,960,496</u>	<u>\$ 611,113</u>	<u>\$ 8,296,739</u>

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

**EXHIBIT 4**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Position**  
**June 30, 2022**

Total fund balances of governmental funds (Exhibit 3)		\$ 5,114,187
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 32,414,898	
Less accumulated depreciation	<u>(16,347,094)</u>	
		16,067,804
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (2,063,988)	
Payables	<u>2,063,988</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		(45,626)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bond outstanding	\$ 735,000	
Capital lease payable	2,205,000	
Unamortized bond premium	23,869	
Compensated absences payable	117,071	
Termination benefits payable	610,219	
Net pension liability	15,248,334	
OPEB liability	<u>2,721,849</u>	
		(21,661,342)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 4,516,117	
Deferred outflows of resources related to OPEB	538,978	
Deferred inflows of resources related to pensions	(4,685,087)	
Deferred inflows of resources related to OPEB	<u>(1,241,908)</u>	
		(871,900)
Net position of governmental activities (Exhibit 1)		<u><u>\$ (1,396,877)</u></u>

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

**EXHIBIT 5**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2022**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
School district assessment	\$ 12,947,071	\$ -	\$ -	\$ 12,947,071
Other local	2,046,139	-	309,731	2,355,870
State	8,511,724	-	8,953	8,520,677
Federal	226,058	2,836,190	869,733	3,931,981
Total revenues	<u>23,730,992</u>	<u>2,836,190</u>	<u>1,188,417</u>	<u>27,755,599</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	12,764,220	1,592,975	449,357	14,806,552
Support services:				
Student	2,323,678	-	-	2,323,678
Instructional staff	1,140,778	-	-	1,140,778
General administration	93,853	-	-	93,853
Executive administration	1,113,784	-	-	1,113,784
School administration	1,242,043	-	-	1,242,043
Business	13,812	-	-	13,812
Operation and maintenance of plant	2,533,865	-	-	2,533,865
Student transportation	1,119,812	-	-	1,119,812
Non-instructional services	-	-	790,387	790,387
Debt service:				
Principal	735,000	-	-	735,000
Interest	55,125	-	-	55,125
Facilities acquisition and construction	-	1,243,215	-	1,243,215
Total expenditures	<u>23,135,970</u>	<u>2,836,190</u>	<u>1,239,744</u>	<u>27,211,904</u>
Net change in fund balances	595,022	-	(51,327)	543,695
Fund balances, beginning	4,028,943	-	541,549	4,570,492
Fund balances, ending	<u>\$ 4,623,965</u>	<u>\$ -</u>	<u>\$ 490,222</u>	<u>\$ 5,114,187</u>

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

**EXHIBIT 6**  
**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 Fiscal Year Ended June 30, 2022**

Net change in fund balances of total governmental funds (Exhibit 5)		\$ 543,695
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 1,523,066	
Depreciation expense	(740,828)	
		782,238
In the statement of activities, various transactions relating to capital assets (gains or losses on disposal, donations) are reported, whereas they do not appear in the governmental funds because they are not financial resources.		(5,167)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Principal repayment of bond	\$ 735,000	
Principal repayment of capital lease	123,067	
Amortization of lease premium	2,821	
		860,888
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 15,981	
Decrease in compensated absences payable	7,807	
Increase in termination benefits payable	(114,744)	
Decrease in OPEB related balances	304,348	
		213,392
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
School District pension contributions	\$ 1,928,992	
Cost of benefits, net of employee contributions	(1,466,516)	
		462,476
Change in net position of governmental activities (Exhibit 2)		<u>\$ 2,857,522</u>

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

**EXHIBIT 7**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School district assessment	\$ 12,947,071	\$ 12,947,071	\$ -
Other local	1,862,000	2,042,466	180,466
State	8,442,502	8,511,724	69,222
Federal	-	226,058	226,058
Total revenues	<u>23,251,573</u>	<u>23,727,319</u>	<u>475,746</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	14,470,579	12,726,908	1,743,671
Support services:			
Student	2,266,949	2,323,678	(56,729)
Instructional staff	1,222,725	1,140,778	81,947
General administration	137,204	42,612	94,592
Executive administration	1,116,779	1,113,784	2,995
School administration	1,276,835	1,242,043	34,792
Business	-	13,812	(13,812)
Operation and maintenance of plant	2,239,769	2,385,626	(145,857)
Student transportation	1,073,933	1,119,812	(45,879)
Debt service:			
Principal	735,000	735,000	-
Interest	55,125	55,125	-
Total expenditures	<u>24,594,898</u>	<u>22,899,178</u>	<u>1,695,720</u>
Excess (deficiency) of revenues over (under) expenditures	(1,343,325)	828,141	2,171,466
Other financing uses:			
Transfers out	<u>(220,000)</u>	<u>(130,000)</u>	<u>90,000</u>
Net change in fund balance	<u>\$ (1,563,325)</u>	698,141	<u>\$ 2,261,466</u>
Increase in nonspendable fund balance		(24,679)	
Increase in restricted fund balance		(2)	
Increase in committed fund balance		(72,500)	
Unassigned fund balance, beginning		2,384,093	
Unassigned fund balance, ending		<u>\$ 2,985,053</u>	

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

**EXHIBIT 8**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Grants Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**For the Fiscal Year Ended June 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Federal	\$1,162,000	\$ 2,836,190	\$ 1,674,190
<b>EXPENDITURES</b>			
Current:			
Instruction	1,162,000	1,592,975	(430,975)
Facilities acquisition and construction	-	1,243,215	(1,243,215)
Total expenditures	1,162,000	2,836,190	(1,674,190)
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the Hillsboro-Deering Cooperative School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2022.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. *Entity Defined***

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

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

*Government-Wide Financial Statements*

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report tuition, fees, and other charges for the School District's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. The school district assessment from the towns, unrestricted state aid, and revenue from other sources not properly included with program revenues are reported as general revenues.



**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

*Fund Financial Statements*

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

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

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants are recognized when grantor eligibility requirements are met.

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

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

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

*Governmental Funds*

The School District reports the following major governmental funds:

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

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

The School District also reports three nonmajor funds: the student activities, food service, and donations.

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

**I.C.1. *Cash and Investments***

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

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

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

**I.C.2. *Prepaid Items***

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

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

The School District's capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at acquisition value on the date donated. The School District capitalizes assets with cost of \$5,000 or more and an estimated useful life of one year or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective

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accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	5-50
Machinery, equipment and vehicles	2-20

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

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

Deferred inflows of resources in the governmental activities and fund financial statements represent receipts for meals that have not yet been served. Deferred outflows and inflows of resources in the governmental activities consist of resources related to pensions and other postemployment benefits that will be recognized in a subsequent period.

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

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

***I.C.6. Compensated Absences***

Pursuant to the collective bargaining agreement, School District teachers may earn and accumulate unused sick leave, subject to certain limitations. School 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, School 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 School District teachers opting for the early retirement benefits incentive (see Note I.C.7. Termination Benefits).

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

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Compensated absences are reported as accrued in the governmental activities. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

**I.C.7. *Termination Benefits***

Upon voluntary separation from the School District, teachers with 20 years or more of service 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 School District, plus 50% of their per diem rate multiplied by their number of unused sick days up to a maximum of 118 days.

Termination benefits are reported as accrued in the governmental activities. Governmental funds report only matured termination benefits payable to currently terminated employees which are included in wages and benefits expenditures.

**I.C.8. *Equity***

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

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for special purposes, which consists of the balance in the donations fund, whose use is externally imposed by contributors through donations and program fees.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of the prepaid items, which cannot be spent because of their form.
- Restricted, which represents the balance of the donations fund, and unspent lease proceeds.
- Committed, which represents balances of the student activities and food service funds.
- Assigned, which represents encumbrances for instruction and support services assigned by a vote of the school board or by management through the use of approved purchase orders.
- Unassigned, which represents the remaining General Fund balance not reported as nonspendable, restricted, committed or assigned.

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**I.C.9. *Estimates***

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

**II. Stewardship, Compliance and Accountability**

**II.A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unassigned fund balance to balance the budget. In the fiscal year 2022, \$1,433,325 of the fund balance from the fiscal year 2021 was so used, and \$130,000 was appropriated from fund balance.

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

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

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**II.B. Reconciliation of Budgetary Basis to GAAP**

General Fund

Revenues:	
Per Exhibit 7 (budgetary basis)	\$ 23,727,319
Adjustment:	
Perspective difference:	
Expendable trust fund earnings	3,673
Per Exhibit 5 (GAAP basis)	<u>\$ 23,730,992</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 23,029,178
Adjustments:	
Basis difference:	
Encumbrances, beginning	322,100
Encumbrances, ending	(209,348)
Perspective difference:	
Expendable trust fund expenditures	124,040
Transfers to expendable trust fund	(130,000)
Per Exhibit 5 (GAAP basis)	<u>\$ 23,135,970</u>

For the Grants Fund, there are no differences between the budgetary basis and GAAP.

**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. *Receivables***

Significant receivables consist of reimbursements and intergovernmental amounts arising from medicaid, grants, refunds, and reimbursements from other school districts for shared services. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectability.

**III.A.2. *Prepaid Items***

The prepaid items of \$27,019 in the General Fund represent a direct deposit withdrawal for the July 1, 2022 payroll run, that was deducted from the School District's operating account in advance.

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**III.A.3. Capital Assets**

*Changes in Capital Assets*

This table provides a summary of changes in capital assets during the year:

	Balance, beginning	Additions	Deductions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 57,374	\$ -	\$ -	\$ 57,374
Construction in progress	-	994,065	-	994,065
Total capital assets not being depreciated	<u>57,374</u>	<u>994,065</u>	<u>-</u>	<u>1,051,439</u>
Being depreciated:				
Land improvements	869,440	-	-	869,440
Buildings and building improvements	29,089,590	529,001	(109,834)	29,508,757
Machinery, equipment and vehicles	1,706,950	-	(721,688)	985,262
Total capital assets being depreciated	<u>31,665,980</u>	<u>529,001</u>	<u>(831,522)</u>	<u>31,363,459</u>
Total all capital assets	<u>31,723,354</u>	<u>1,523,066</u>	<u>(831,522)</u>	<u>32,414,898</u>
Less accumulated depreciation:				
Land improvements	(452,315)	(30,932)	-	(483,247)
Buildings and building improvements	(14,575,376)	(681,091)	104,667	(15,151,800)
Machinery, equipment and vehicles	(1,404,930)	(28,805)	721,688	(712,047)
Total accumulated depreciation	<u>(16,432,621)</u>	<u>(740,828)</u>	<u>826,355</u>	<u>(16,347,094)</u>
Net book value, capital assets being depreciated	<u>15,233,359</u>	<u>(211,827)</u>	<u>(5,167)</u>	<u>15,016,365</u>
Net book value, all capital assets	<u>\$ 15,290,733</u>	<u>\$ 782,238</u>	<u>\$ (5,167)</u>	<u>\$ 16,067,804</u>

*Depreciation Expense*

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

Instruction	\$ 2,093
Support services:	
Operation and maintenance of plant	738,735
Total depreciation expense	<u>\$ 740,828</u>

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**III.B. Long-Term Liabilities**

General obligation bonds are approved by the voters and repaid with general revenues (property taxes), and are backed by the full faith and credit of the School District.

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2022	Current Portion
General obligation bond payable:						
2002 School construction	\$14,700,000	2002	2022	3.0-5.0	\$ 735,000	\$ 735,000
Capital lease payable:						
Energy improvement	\$ 2,650,000	2017	2037	3.00	2,205,000	110,000
Unamortized lease premium					23,869	2,708
Compensated absences payable:						
Vested sick leave					117,071	-
Termination benefits payable					610,219	99,753
Net pension liability					15,248,334	-
Other postemployment benefits liability					2,721,849	-
					<u>\$ 21,661,342</u>	<u>\$ 944,753</u>

*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2022:

	General Obligation Bond Payable	Capital Lease Payable	Unamortized Lease Premium	Compensated Absences Payable	Termination Benefits Payable	Net Pension Liability	Other Postemployment Benefits Liability	Total
Balance, beginning	\$ 1,470,000	\$ 2,328,067	\$ 26,690	\$ 124,878	\$ 495,475	\$ 22,374,649	\$ 3,678,213	\$ 30,497,972
Additions	-	-	-	-	114,744	-	-	114,744
Reductions	(735,000)	(123,067)	(2,821)	(7,807)	-	(7,126,315)	(956,364)	(8,951,374)
Balance, ending	<u>\$ 735,000</u>	<u>\$2,205,000</u>	<u>\$ 23,869</u>	<u>\$ 117,071</u>	<u>\$ 610,219</u>	<u>\$ 15,248,334</u>	<u>\$ 2,721,849</u>	<u>\$ 21,661,342</u>



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*Debt Service Requirements to Maturity*

The final debt service requirements to maturity for the outstanding bond is \$753,375, consisting of \$735,000 of principal, and \$18,375 in interest, due in fiscal year 2023.

The future minimum lease obligations for the capital lease are as follow:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 110,000	\$ 72,969	\$ 182,969
2024	115,000	70,066	185,066
2025	125,000	67,029	192,029
2026	130,000	63,789	193,789
2027	135,000	60,346	195,346
2028-2032	725,000	223,211	948,211
2033-2037	865,000	76,303	941,303
Totals	<u>\$ 2,205,000</u>	<u>\$ 633,713</u>	<u>\$ 2,838,713</u>

**III.C. Receivables and Payables – Payments Within the Reporting Entity**

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

The amounts due to the General Fund represent overdrafts of pooled cash. The following schedule reports interfund receivables and payables within the reporting entity at year-end:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 1,959,153
General	Nonmajor	104,835
		<u>\$ 2,063,988</u>

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**III.D. Fund Equity**

**III.D.1. Restatement of Beginning Equity**

The beginning equity of the Governmental Activities was restated as follows:

To correct capital assets balance	\$ 715,696
Net position, as previously reported	<u>(4,970,095)</u>
Net position, as restated	<u><u>\$ (4,254,399)</u></u>

**III.D.2. Fund Balances**

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

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 27,019	\$ -	\$ 27,019
Restricted for:			
Instruction	-	249,990	249,990
Capital outlay	2,774	-	2,774
Total restricted	<u>2,774</u>	<u>249,990</u>	<u>252,764</u>
Committed for:			
Instruction	-	126,719	126,719
Non-instructional services	-	113,513	113,513
Capital outlay	1,399,771	-	1,399,771
Total committed	<u>1,399,771</u>	<u>240,232</u>	<u>1,640,003</u>
Assigned to:			
Instruction	23,712	-	23,712
Support services	185,636	-	185,636
Total assigned	<u>209,348</u>	<u>-</u>	<u>209,348</u>
Unassigned	2,985,053	-	2,985,053
Total fund balances	<u><u>\$ 4,623,965</u></u>	<u><u>\$ 490,222</u></u>	<u><u>\$ 5,114,187</u></u>

**IV. Other Information**

**IV.A. Risk Management**

The School District's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School District was a member of the N.H. Public Risk Management Exchange (Primex), which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

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

Workers' compensation contributions paid in fiscal year 2022 to be recorded as an insurance expenditure/expense totaled \$39,711, and property/liability contributions totaled \$38,667. There were no unpaid contributions for the year.

#### **IV.B. Retirement Pensions**

##### *General Information about the Pension Plan*

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

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution was 7% of gross earnings for all employees. The rates of contribution from the School District were 21.02% for teachers and 14.06% for other employees, which are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the School District during the fiscal years 2020, 2021, and 2022 were \$1,553,958, \$1,579,370, and \$1,928,992, respectively. The amounts were paid on a monthly basis as due.

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

At June 30, 2022, the School District reported a liability of \$15,248,334 for its proportionate share of the net pension liability. The net pension liability is based on a June 30, 2020 actuarial valuation, rolled forward to determine the net pension liability as of June 30, 2021. The roll-forward of the total pension liability from June 30, 2020 to June 30, 2021 reflects expected service and interest costs reduced by actual benefits payments, refunds, and administrative expenses for the plan year. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2021, the

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School District's reported proportion was 0.3441%, which was a decrease of 0.0057% from its proportion as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of \$1,466,516. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 567,548	\$ 260,839
Net differences between projected and actual earnings on pension plan investments	-	4,264,609
Changes of assumptions	1,592,602	-
Differences between expected and actual experience	426,975	159,639
School District contributions subsequent to the measurement date	1,928,992	-
	<u>\$ 4,516,117</u>	<u>\$ 4,685,087</u>

The School District reported \$1,928,992 as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ending June 30,	
2023	\$ (100,010)
2024	(238,174)
2025	(319,237)
2026	(1,440,541)
	<u>\$ (2,097,962)</u>

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*Actuarial Assumptions*

The total pension liability in the June 30, 2021 actuarial valuation was determined using the actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	18 years, beginning July 1, 2021 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smoothed market for funding purposes, 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Municipal Bond Rate	2.45% per year
Salary Increases	5.6% average, including inflation
Investment Rate of Return	7.25% net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015.

Mortality rates were based on the RP-2014 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
School District's proportionate share of net pension liability	\$ 21,806,862	\$ 15,248,334	\$ 9,777,451

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

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**IV.C. Other Postemployment Benefits**

*Plan Description*

The School District is part of two different OPEB plans, one that is a retiree health care benefits program operating as a single-employer plan that is used to provide OPEB for all permanent full-time employees (implicit rate subsidy); and the other that consists of benefits to its retired employees and their beneficiaries as required by RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*. The latter are provided through the New Hampshire Retirement System (NHRS) operating as a cost-sharing, multiple-employer OPEB medical subsidy healthcare plan (medical insurance subsidy). Further information on this plan can be found in the audited report of the NHRS Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan which is available on the NHRS website at [www.nhrs.org](http://www.nhrs.org).

Benefits provided to retirees follow New Hampshire Revised Statutes Annotated 100-A:50 (Medical Insurance Coverage). This statute states that the School District “shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees ...” In addition, the statute states “Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees, or may require each retiree to pay any part or all of the cost of the retiree’s participation.”

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

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

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

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Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions. The current medical premiums are as follow:

<u>Non-Medicare Plans</u>	<u>Individual</u>	<u>2-Person</u>	<u>Family</u>
AB10IPDED(07L)-RX10/20/45/3K(L)	\$786.48	\$1,572.97	\$2,123.51

Currently, there are 194 active and retired employees that receive health benefits from the School District. The School District recognizes the cost of providing health insurance annually as expenditures in the General Fund as payments are made. For the year ended June 30, 2022, the School District recognized nothing for its share of insurance premiums for currently enrolled retirees.

With the medical insurance subsidy plan, there is a payment made by the NHRS to the former employer or its insurance administrator toward the cost of health insurance for the qualified retiree, his/her qualified spouse, and dependent children with disability who are living in the retiree's household and being cared for by the retiree. If the health insurance premium is less than the medical subsidy amount, then only the premium amount is paid by the NHRS. If the insurance premium is more than the medical subsidy amount, then the retiree or other qualified person is responsible for paying the balance of the premium. Benefits are based on age, creditable service, and retirement or hire dates. This plan is closed to new entrants. As of the June 30, 2021 measurement date, participants of the postretirement plan that met eligibility requirements were comprised of 180 active employees and retirees.

*Total OPEB Liability*

The School District's total OPEB liability of \$2,721,849 consists of \$1,286,216 for the implicit rate subsidy determined by an actuarial valuation as of July 1, 2021 and \$1,435,633 for the medical insurance subsidy, determined by an actuarial valuation as of June 30, 2020 rolled forward to the measurement date using actuarial assumptions, applied to all periods included in the measurement.

*Actuarial Assumptions for Implicit Rate Subsidy*

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

Discount Rate:	3.54%, net of investment expenses, including inflation
Actuarial Cost Method:	Entry Age Normal. The costs of each employee's postemployment benefits are allocated as a level basis over the earnings of the employee between date of hire and assumed exit age.
Amortization Method:	Level dollar amount over thirty (30) years on an open amortization period for pay-as-you-go funding

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

Heath Care Costs Trend Rates:	<u>Year</u>	<u>Trend</u>
	1	7.00%
	2	6.50%
	3	6.00%
	4	5.90%
	5	5.80%
	Ultimate	4.24%

Mortality Rates: Pre-Retirement: RP-2014 Employees Mortality Tables for males and females projected with generational mortality improvement using Scale MP-2015

Post-Retirement: RP-2014 Healthy Annuitants Mortality Tables for males and females projected with generational mortality improvement using Scale MP-2015

Inflation: 0.90%

Actuarial assumptions for the medical insurance subsidy were previously noted under Note IV.B. Retirement Pensions.

*Discount Rate*

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

*Healthcare Cost Trend Rates*

Healthcare cost trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. Trend rates after year 5 grade down to the ultimate rate utilizing the *Society of Actuaries Getzen Medical Trend Model*. The ultimate trend rate is reached in 2075.



**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

*Sensitivity of Total OPEB Liability*

Assumptions and methods used to determine the total OPEB liability are sensitive to changes in the discount rate and healthcare cost trend rates. The following presents the total OPEB liability calculated using the current discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher.

Medical Subsidy:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
School District's total OPEB liability	\$ 150,646	\$ 1,435,633	\$ 1,326,864

Implicit Rate Subsidy:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
School District's total OPEB liability	\$ 1,388,908	\$ 1,286,216	\$ 1,189,072

The following presents the total OPEB liability for the implicit rate subsidy calculated using the current healthcare cost trend rate of 7.00%, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher.

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
School District's total OPEB liability	\$ 604,399	\$ 1,286,216	\$ 768,974

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

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

For the year ended June 30, 2022, the School District recognized a credit to OPEB expense of \$103,482. At year-end, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 165
Net differences between projected and actual earnings on pension plan investments	-	17,934
Changes of assumptions	224,184	888,956
Differences between expected and actual experience	167,741	334,853
School District contributions subsequent to the measurement date	147,053	-
	<u>\$ 538,978</u>	<u>\$ 1,241,908</u>

The School District reported \$147,053 as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in fiscal year 2023. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follow:

Year Ending June 30,	
2023	\$ (242,437)
2024	(160,771)
2025	(146,476)
2026	(148,092)
2027	(152,207)
	<u>\$ (849,983)</u>

**IV.D. Contingent Liabilities**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 9**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**New Hampshire Retirement System**

For the Year Ended June 30,	School District's Proportion of Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered- Employee Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	Plan Net Position as a Percentage of the Total Pension Liability
2022	0.3441%	\$15,248,334	\$10,108,508	150.85%	72.22%
2021	0.3498%	\$22,374,649	\$9,969,739	224.43%	58.72%
2020	0.3375%	\$16,239,733	\$9,601,328	169.14%	65.59%
2019	0.3388%	\$16,307,876	\$9,357,174	174.28%	64.77%
2018	0.3086%	\$15,178,542	\$8,984,501	168.94%	62.66%
2017	0.3073%	\$16,345,560	\$8,749,174	186.82%	58.30%
2016	0.3030%	\$12,004,694	\$8,589,679	139.76%	65.47%
2015	0.3132%	\$11,758,573	\$8,594,068	136.82%	66.32%
2014	0.3212%	\$13,823,763	\$8,926,829	154.86%	59.82%

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

**EXHIBIT 10**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Schedule of the School District's Pension Contributions**  
**New Hampshire Retirement System**

For the Year Ended June 30,	Contractually Required Contribution	Contribution in Relation to the Contractually Required Contribution	Contribution Deficiency	School District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$1,928,992	(\$1,928,992)	\$ -	\$10,108,508	19.08%
2021	\$1,579,370	(\$1,579,370)	\$ -	\$9,969,739	15.84%
2020	\$1,553,958	(\$1,553,958)	\$ -	\$9,601,328	16.18%
2019	\$1,466,366	(\$1,466,366)	\$ -	\$9,357,174	15.67%
2018	\$1,431,435	(\$1,431,435)	\$ -	\$8,984,501	15.93%
2017	\$1,130,656	(\$1,130,656)	\$ -	\$8,749,174	12.92%
2016	\$1,098,491	(\$1,098,491)	\$ -	\$8,589,679	12.79%
2015	\$1,016,636	(\$1,016,636)	\$ -	\$8,594,068	11.83%
2014	\$1,016,296	(\$1,016,296)	\$ -	\$8,926,829	11.38%

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

**EXHIBIT 11**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Changes in the School District's Total OPEB Liability and Related Ratios**

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Total OPEB liability:					
Service cost	\$ 74,248	\$ 135,675	\$ 132,741	\$ 128,521	\$ 126,002
Interest	113,631	43,160	41,174	66,285	62,587
Plan net investment income	(38,372)	-	-	-	-
Administrative expense	616	-	-	-	-
Changes of assumptions					
and differences between expected and actual experience	498,403	-	(625,433)	(33,905)	(34,678)
Change in proportion of medical subsidy	200,826	-	544,394	-	-
Benefit payments	(216,808)	(84,961)	(83,124)	(53,520)	(47,731)
Net change in total OPEB liability	632,544	93,874	9,752	107,381	106,180
Total OPEB liability, beginning	2,089,305	1,995,431	1,985,679	1,878,298	1,772,118
Total OPEB liability, ending	<u>\$ 2,721,849</u>	<u>\$ 2,089,305</u>	<u>\$ 1,995,431</u>	<u>\$ 1,985,679</u>	<u>\$ 1,878,298</u>
Covered payroll	\$10,108,508	\$15,981,327	\$15,667,968	\$9,711,325	\$9,520,907
Total OPEB liability as a percentage of covered payroll	26.93%	13.07%	12.74%	20.45%	19.73%

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

**EXHIBIT 12**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Changes in the School District's OPEB Contributions**

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Actuarially determined contribution	\$ 310,889	\$ 172,156	\$ 168,494	\$ 147,300	\$ 144,249
Contributions in relation to the actuarially determined contribution	(225,970)	(172,156)	(168,494)	(147,300)	(144,249)
Contribution deficiency	\$ 84,919	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$10,084,846	\$15,981,327	\$15,667,968	\$9,711,325	\$9,520,907
Contributions as a percentage of covered-employee payroll	3.08%	1.08%	1.08%	1.52%	1.52%

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

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

The Pension and OPEB Schedules are meant to present related information for ten years. Because this is the eighth year that the School District has presented the pension information, and the fourth year that the School District has presented the OPEB information under the current measurement standard, only nine and five years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.



## **COMBINING AND INDIVIDUAL FUND SCHEDULES**

**EXHIBIT 13**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2022**

	Special Revenue Funds			
	Student Activities	Food Service	Donations	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 126,719	\$ -	\$ 250,014	\$ 376,733
Intergovernmental receivables	-	234,380	-	234,380
Total assets	<u>\$ 126,719</u>	<u>\$ 234,380</u>	<u>\$ 250,014</u>	<u>\$ 611,113</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 4,668	\$ 24	\$ 4,692
Interfund payable	-	104,835	-	104,835
Total liabilities	<u>-</u>	<u>109,503</u>	<u>24</u>	<u>109,527</u>
Deferred inflows of resources:				
Deferred revenue	<u>-</u>	<u>11,364</u>	<u>-</u>	<u>11,364</u>
Fund balances:				
Restricted	-	-	249,990	249,990
Committed	126,719	113,513	-	240,232
Total fund balances	<u>126,719</u>	<u>113,513</u>	<u>249,990</u>	<u>490,222</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 126,719</u>	<u>\$ 234,380</u>	<u>\$ 250,014</u>	<u>\$ 611,113</u>

**EXHIBIT 14**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2022**

	Special Revenue Funds			
	Student Activities	Food Service	Donations	Total
<b>REVENUES</b>				
Local	\$ 151,436	\$ 34,958	\$ 123,337	\$ 309,731
State	-	8,953	-	8,953
Federal	-	869,733	-	869,733
Total revenues	<u>151,436</u>	<u>913,644</u>	<u>123,337</u>	<u>1,188,417</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	157,183	-	292,174	449,357
Non-instructional services	-	790,387	-	790,387
Total expenditures	<u>157,183</u>	<u>790,387</u>	<u>292,174</u>	<u>1,239,744</u>
Net change in fund balances	(5,747)	123,257	(168,837)	(51,327)
Fund balances, beginning	132,466	(9,744)	418,827	541,549
Fund balances, ending	<u>\$ 126,719</u>	<u>\$ 113,513</u>	<u>\$ 249,990</u>	<u>\$ 490,222</u>

**EXHIBIT 15**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2022**

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 12,947,071	\$ 12,947,071	\$ -
Other local sources:			
Tuition	1,800,000	1,888,841	88,841
Transportation	15,000	21,643	6,643
Investment earnings	-	2,862	2,862
Rentals	-	40,000	40,000
Miscellaneous	47,000	89,120	42,120
Total from other local sources	1,862,000	2,042,466	180,466
State sources:			
Adequacy aid (grant)	6,588,174	6,588,207	33
Adequacy aid (tax)	1,411,597	1,411,598	1
School building aid	342,731	342,731	-
Catastrophic aid	100,000	169,188	69,188
Total from state sources	8,442,502	8,511,724	69,222
Federal sources:			
Medicaid	-	226,058	226,058
Total revenues	23,251,573	\$ 23,727,319	\$ 475,746
Use of fund balance	1,563,325		
Total revenues and use of fund balance	\$ 24,814,898		

**EXHIBIT 16**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2022**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 61,024	\$ 8,392,291	\$ 7,965,642	\$ 7,736	\$ 479,937
Special programs	-	5,628,323	4,400,047	15,976	1,212,300
Vocational programs	-	60,000	60,000	-	-
Other	-	389,965	338,531	-	51,434
Total instruction	61,024	14,470,579	12,764,220	23,712	1,743,671
Support services:					
Student	-	2,266,949	2,323,678	-	(56,729)
Instructional staff	-	1,222,725	1,140,778	-	81,947
General administration	86,660	137,204	93,853	35,419	94,592
Executive administration	-	1,116,779	1,113,784	-	2,995
School administration	-	1,276,835	1,242,043	-	34,792
Business	-	-	13,812	-	(13,812)
Operation and maintenance of plant	174,416	2,239,769	2,409,825	150,217	(145,857)
Student transportation	-	1,073,933	1,119,812	-	(45,879)
Total support services	261,076	9,334,194	9,457,585	185,636	(47,951)
Debt service:					
Principal	-	735,000	735,000	-	-
Interest	-	55,125	55,125	-	-
Total debt service	-	790,125	790,125	-	-
Other financing uses:					
Transfers out	-	220,000	130,000	-	90,000
Total encumbrances, appropriations, expenditures and other financing uses	\$ 322,100	\$ 24,814,898	\$ 23,141,930	\$ 209,348	\$ 1,785,720

**EXHIBIT 17**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2022**

Unassigned fund balance, beginning		\$ 2,384,093
Changes:		
Fund balance used to reduce school district assessment		(1,433,325)
Fund balance appropriated		(130,000)
Budget summary:		
Revenue surplus (Exhibit 15)	\$ 475,746	
Unexpended balance of appropriations (Exhibit 16)	1,785,720	
Budget surplus		2,261,466
Increase in nonspendable fund balance		(24,679)
Increase in restricted fund balance		(2)
Increase in committed fund balance		(72,500)
Unassigned fund balance, ending		<u>\$ 2,985,053</u>

## **SINGLE AUDIT RELATED INFORMATION**

**EXHIBIT 18**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	Assistance Listing Number	Pass Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through the State of New Hampshire Department of Education			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	N/A	\$ 210,308
National School Lunch Program	10.555	N/A	623,675
Fresh Fruits and Vegetable Program	10.582	N/A	35,750
CLUSTER TOTAL			<u>869,733</u>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>			
Passed through the Institute of Museum and Library Services			
National Leadership Grants	45.312	LG-29-19-0157-19	<u>14,589</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the State of New Hampshire Department of Education			
Title I Grants to Local Educational Agencies:			
Title IA - FY20	84.010	20200017	28,079
Title IA - FY21	84.010	20210850	121,614
Title IA CSI - FY21	84.010	20211304	86,304
Title IA - FY22	84.010	20220326	235,055
PROGRAM TOTAL			<u>471,052</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States:			
IDEA FY19	84.027	92505	3,796
IDEA FY19 Remote Learning	84.027	92603	1,033
IDEA FY20	84.027	20202516	21,358
IDEA FY20 Competent Educator	84.027	20205025	7,384
IDEA FY21	84.027	20210828	23,633
IDEA FY22	84.027	20220081	234,299
Special Education - Preschool Grants:			
Preschool FY20	84.173	20205046	142
Preschool FY21	84.173	20210828	56
Preschool FY22	84.173	20220081	9,666
CLUSTER TOTAL			<u>301,367</u>
Twenty-First Century Community Learning Centers	84.287	20210837	<u>2,957</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**EXHIBIT 18 (continued)**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2022**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	Assistance Listing Number	Pass Through Grantor's Number	Expenditures
Rural Education:			
Title V RLIS FY19	84.358	20190426	3,299
Title V RLIS FY20	84.358	20200094	21,075
Title V RLIS FY21	84.358	20211669	11,962
PROGRAM TOTAL			<u>36,336</u>
Supporting Effective Instruction State Grants:			
Title IIA - FY19	84.367	20190094	4,335
Title IIA - FY20	84.367	20200094	9,971
Title IIA - FY21	84.367	20211371	24,256
			<u>38,562</u>
Student Support and Academic Enrichment Program:			
Title IV, Part A FY19	84.424	20190426	3,886
Title IV, Part A FY20	84.424	20200046	32,176
Title IV, Part A FY21	84.424	20211643	3,884
PROGRAM TOTAL			<u>39,946</u>
Education Stabilization Fund:			
COVID-19 ARP Elementary and Secondary School Emergency Relief Fund	84.425D	20204886	121,437
COVID-19 ARP Elementary and Secondary School Emergency Relief (ESSER II	84.425U	20211871	766,166
COVID-19 ARP Elementary and Secondary School Emergency Relief (ESSER II	84.425U	20220684	753,554
COVID-19 ARP ESSER - Homeless Children/Youth	84.425W	20220883	3,133
PROGRAM TOTAL			<u>1,644,290</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the State of New Hampshire			
Department of Health and Human Services			
Substance Abuse and Mental Health Services Projects of Regional and National Significance:			
Project Aware - FY21	93.243	20211200	110,491
Project Aware - FY22	93.243	20220274	168,167
PROGRAM TOTAL			<u>278,658</u>
GRAND TOTAL			<u>\$ 3,697,490</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Hillsboro-Deering Cooperative School District under programs of the federal government for the fiscal year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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.

**2. Summary of Significant Accounting Policies**

Expenditures on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**3. Commodities**

Included in the expenditures reported under the National School Lunch Program is the value of food commodities received during the year from the U.S. Department of Agriculture Surplus Distribution Program.

**4. Indirect Cost Rate**

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



# Roberts & Greene, PLLC

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

To the Members of the School Board  
Hillsboro-Deering Cooperative School District  
Hillsborough, New Hampshire

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, 2022 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 March 14, 2023.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hillsboro-Deering Cooperative School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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  
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 14, 2023

*Roberts & Greene, PLLC*



# Roberts & Greene, PLLC

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Members of the School Board  
Hillsboro-Deering Cooperative School District  
Hillsborough, New Hampshire

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

#### ***Opinion on the 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 the Hillsboro-Deering Cooperative School District's major federal program for the year ended June 30, 2022. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 its major federal program for the year ended June 30, 2022.

#### ***Basis for Opinion on the Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted accounting standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material

noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of the major federal program as a whole.

In performing and audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on the major federal program is not modified with respect to that matter.

The Hillsboro-Deering Cooperative School District's response to the noncompliance finding in our audit is described in the accompanying schedule of findings and questioned costs. The Hillsboro-Deering Cooperative School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on 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 a 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* 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 over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, we did not identify any deficiencies in internal control

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAMS**  
**AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

March 14, 2023

*Roberts & Heene, PLLC*

**EXHIBIT 19**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2022**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

1. The auditor’s report issued contained an unmodified opinion on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.
2. There were no material weaknesses identified in the internal control over financial reporting.
3. There were no significant deficiencies identified in the internal control over financial reporting that were not considered to be material weaknesses.
4. There was no noncompliance material to the financial statements noted.

*Federal Awards*

1. There were no material weaknesses identified in the internal control over the major program.
2. There were no significant deficiencies identified in the internal control over the major program that were not considered to be material weaknesses.
3. The auditor’s report issued on compliance for the major program contained an unmodified opinion.
4. There was one audit finding required to be reported in accordance with the Uniform Guidance.
5. The program tested as a major program was CFDA 84.425: Education Stabilization Fund.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. The School District did not qualify as a low-risk auditee.

**Section II – Financial Statement Findings**

**NONE**



**EXHIBIT 19 (continued)**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2022**

**Section III – Federal Award Findings and Questioned Costs**

***U.S. Department of Education Passed through the State of New Hampshire Department of Education:  
CFDA 84.425D Elementary and Secondary School Emergency Relief Fund (ESSER)***

**2022-001 Documentation of Employee Time and Effort**

**Criteria:** Per federal regulations 2 CFR section 200.430(i)(1)(vii), the School District must maintain time and effort distribution records for an employee who works, all or in part, under federal grants.

**Condition:** The School District did not maintain proper time and effort records for employees who were partially funded with ESSER federal funds. Timesheets did not contain a certification clause that the information submitted accurately reflects the time and effort distribution, and the timesheet was not dated by the employee and/or supervisor.

**Cause:** The School District was not aware of the required detail.

**Effect:** The School District was not in compliance with all of the components of the requirements.

**Recommendation:** We recommend that the School District ensure that all timesheets include the related employee data, clearly identified time segregated between federal and non-federal funding, and a properly signed time and effort certification statement.

**Management's Response:** The School District agrees with this finding and have updated the bi-weekly timesheets to ensure proper documentation.

**EXHIBIT 20**  
**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2022**

**2021-001 Federal Grant Reconciliations**

**Condition:** The School 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 School District failed to appropriately identify grant revenues and related receivables for certain federal grants. Lastly, the School District did not make reimbursement claims in a timely manner.

**Status:** Corrective action has been taken.

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

**Condition:** The School 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 School District's operating system which records all open purchase orders as expenditures and a liability.

**Status:** Corrective action has been taken.