

**HILLSBORO-DEERING COOPERATIVE
SCHOOL DISTRICT**
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2020
and
Independent Auditor's Report

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
With *Government Auditing Standards***

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

Schedule of Findings and Questioned Costs

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Hillsboro-Deering Cooperative School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsboro-Deering Cooperative School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsboro-Deering Cooperative School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's proportionate share of the net OPEB liability, schedule of District OPEB contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of changes in the District's proportionate share of the net pension liability, and schedule of District pension contributions on pages i-v and 31-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hillsboro-Deering Cooperative School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022 on our consideration of the Hillsboro-Deering Cooperative School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hillsboro-Deering Cooperative School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hillsboro-Deering Cooperative School District's internal control over financial reporting and compliance.

Vachon Clukay & Company PC

Manchester, New Hampshire
June 29, 2022

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020**

Presented herewith please find the Management Discussion & Analysis Report for the Hillsboro-Deering Cooperative School District (the District) for the fiscal year ending June 30, 2020. Responsibility for both the accuracy of the data and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the District's financial position, and the results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an accurate understanding of the District's financial activities have been included.

The District is responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Hillsboro-Deering Cooperative School District using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to Hillsboro-Deering Cooperative School District's financial statements. The basic financial statements are comprised of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District finances, in a manner similar to most private-sector companies.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the remaining difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020**

demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and Grants Fund, which are both considered major funds. Data from other governmental funds are combined into a single, aggregate presentation.

The District adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget. Budgetary information has not been included in these financial statements for the Grants Fund as it is neither practical nor meaningful.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds consist solely of the Student Activities Agency Funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

As of the close of the fiscal year, total assets and deferred outflows of resources were less than liabilities and deferred inflows of resources by (\$4,165,125) (i.e., net position), an increase of \$12,805 from the previous year.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020**

Total Governmental Funds reported combined ending fund balances of \$3,269,253, an increase of \$334,469 from the previous year.

The General Fund shows a year end fund balance of \$2,773,740, an increase of \$344,760 from the previous year.

The Nonmajor Governmental Fund shows a year end fund balance of \$495,513, a decrease of \$10,291 from the previous year.

Statement of Net Position

The table below provides a summary of the District's net position for the fiscal years ended June 30, 2020 and 2019:

	<u>FY 2020</u>	<u>FY 2019</u>
Capital and other assets:		
Capital assets, net	\$ 15,259,703	\$ 15,957,824
Other assets	<u>3,436,470</u>	<u>3,106,093</u>
Total Assets	<u>18,696,173</u>	<u>19,063,917</u>
 Total Deferred Outflows of Resources	 <u>3,738,394</u>	 <u>4,146,674</u>
 Long-term and other liabilities:		
Long-term liabilities	24,899,518	25,743,922
Other liabilities	<u>244,732</u>	<u>348,225</u>
Total Liabilities	<u>25,144,250</u>	<u>26,092,147</u>
 Total Deferred Inflows of Resources	 <u>1,455,442</u>	 <u>1,296,374</u>
 Net Position:		
Net investment in capital assets	10,579,577	10,525,313
Restricted	495,513	497,924
Unrestricted	<u>(15,240,215)</u>	<u>(15,201,167)</u>
Total Net Position	<u>\$ (4,165,125)</u>	<u>\$ (4,177,930)</u>

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020**

Statement of Activities

Changes in net position for the fiscal years ended June 30, 2020 and 2019 are as follows:

	<u>FY 2020</u>	<u>FY 2019</u>
Program revenues:		
Charges for services	\$ 2,069,112	\$ 2,059,292
Operating grants and contributions	1,583,968	1,611,241
Capital grants and contributions	342,731	599,031
Total program revenues	<u>3,995,811</u>	<u>4,269,564</u>
General revenues:		
Property taxes	13,879,196	13,034,391
State adequacy education grant	6,339,499	5,816,743
Kindergarten aid	13,824	69,065
Investment income	14,328	13,961
Miscellaneous	135,220	127,592
Total general revenues	<u>20,382,067</u>	<u>19,061,752</u>
Total revenues	<u>24,377,878</u>	<u>23,331,316</u>
Expenses:		
Instruction	14,512,534	14,081,312
Supporting services	2,235,217	1,815,455
Instructional staff services	1,116,057	974,211
General administration	2,387,442	2,258,404
Operation and maintenance of plant	2,593,704	2,922,026
Pupil transportation	753,451	763,336
Food service	655,468	680,081
Debt service	111,200	139,436
Total expenses	<u>24,365,073</u>	<u>23,634,261</u>
Change in net position	12,805	(302,945)
Net position - beginning of year	<u>(4,177,930)</u>	<u>(3,874,985)</u>
Net position - ending of year	<u>\$ (4,165,125)</u>	<u>\$ (4,177,930)</u>

The District's combined net position increased by .3% to (\$4,165,125) on the full accrual basis of accounting.

Hillsboro-Deering Cooperative School District Activities

As shown in the above statement, the District experienced an increase in financial position of \$12,805 from the prior fiscal year.

The General Fund shows a fund balance of \$2,773,740 (including expendable trusts), an increase of \$344,760 or 14.2% from the previous fiscal year. A decrease in fund balance was anticipated as the District applied fund balance to proposed expenditures and stabilized the tax rate.

The Grants Fund is used to account for financial resources of the various state and federal grant activities of the District and is self-balancing.

**HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020**

The Nonmajor Governmental Fund of the District consists of the Food Service Fund and Donations Fund, which had a combined year end fund balance of \$495,513. The activities of the Nonmajor Governmental Funds experienced a decrease from the prior year in the amount of \$10,291.

General Fund Budgetary Highlights

Actual total revenues on the budgetary basis were more than the budgeted amount by \$88,263. A significant portion of this difference is due to tuition of students from other districts. Actual total expenditures and other financing uses were below budgeted appropriations by \$1,283,717. Significant savings were realized in instruction, general administration and pupil transportation.

Capital Assets

The Hillsboro-Deering Cooperative School District considers a capital asset to be an asset with a useful life of greater than one year and whose costs exceed or equal \$5,000. Assets are depreciated using the straight-line method over the course of their estimated useful life. During the fiscal year ended June 30, 2020, the net capital assets of the District decreased by \$698,121 as a result of current period depreciation expense of \$698,121. See Note 3 in the notes to the basic financial statements for additional information on the capital assets activity.

Long-Term Obligations

During the fiscal year ended June 30, 2020, the District's bonds payable and capital leases payable decreased by \$735,000 and \$19,860 as a result of scheduled payments on the existing obligations and the premium amortization on the capital lease. The liabilities for other postemployment benefits and pensions had net decreases in potential future payments of \$65,830 and \$68,143, respectively. Compensated absences payable and early retirement benefits had net increases in potential future payments of \$3,157 and \$41,272, respectively. See Notes 4, 5 & 6 in the notes to the basic financial statements for additional information on the long-term obligations.

Contacting Hillsboro-Deering Cooperative School District's Financial Management

This financial report serves to provide our citizens and creditors with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the SAU #34 Business Office at PO Box 2190, 78 School Street, Hillsboro, NH 03244.

EXHIBIT A
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,753,543
Accounts receivable	10,062
Due from other governments	1,669,994
Prepaid items	100
Restricted cash	2,771
Total Current Assets	<u>3,436,470</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	57,374
Depreciable capital assets, net	15,202,329
Total Noncurrent Assets	<u>15,259,703</u>
Total Assets	<u>18,696,173</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	660,406
Deferred outflows related to pension	3,077,988
Total Deferred Outflows of Resources	<u>3,738,394</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	167,217
Accrued liabilities	77,515
Current portion of bonds payable	735,000
Current portion of capital leases payable	117,441
Total Current Liabilities	<u>1,097,173</u>
Noncurrent Liabilities:	
Bonds payable	1,470,000
Capital leases payable	2,357,685
Compensated absences payable	123,985
Early retirement benefits	442,735
OPEB liability	3,412,939
Net pension liability	16,239,733
Total Noncurrent Liabilities	<u>24,047,077</u>
Total Liabilities	<u>25,144,250</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	899,513
Deferred inflows related to pension	555,929
Total Deferred Inflows of Resources	<u>1,455,442</u>
NET POSITION	
Net investment in capital assets	10,579,577
Restricted for:	
Donations Fund - donations and after school programs	398,973
Food Service	96,540
Unrestricted (deficit)	<u>(15,240,215)</u>
Total Net Position	<u>\$ (4,165,125)</u>

See accompanying notes to the basic financial statements

EXHIBIT B
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction	\$ 14,512,534	\$ 1,880,452	\$ 1,169,431		\$ (11,462,651)
Supporting services	2,235,217				(2,235,217)
Instructional staff services	1,116,057				(1,116,057)
General administration	2,387,442				(2,387,442)
Operation and maintenance of plant	2,593,704			\$ 342,731	(2,250,973)
Pupil transportation	753,451		24,437		(729,014)
Food service	655,468	188,660	390,100		(76,708)
Interest and fiscal charges	111,200				(111,200)
Total governmental activities	<u>\$ 24,365,073</u>	<u>\$ 2,069,112</u>	<u>\$ 1,583,968</u>	<u>\$ 342,731</u>	<u>(20,369,262)</u>
General revenues:					
					13,879,196
Property taxes					6,339,499
State adequacy education grant					13,824
Kindergarten aid					14,328
Interest income					135,220
Miscellaneous					<u>20,382,067</u>
Total general revenues					12,805
Change in net position					(4,177,930)
Net Position at beginning of year					<u>\$ (4,165,125)</u>
Net Position at end of year					

See accompanying notes to the basic financial statements

EXHIBIT C
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2020

	General <u>Fund</u>	Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,753,543			\$ 1,753,543
Accounts receivable	10,062			10,062
Due from other governments	1,425,180	\$ 196,467	\$ 48,347	1,669,994
Due from other funds	192,792		450,359	643,151
Prepaid items	100			100
Restricted cash	2,771			2,771
Total Assets	<u>3,384,448</u>	<u>196,467</u>	<u>498,706</u>	<u>4,079,621</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 3,384,448</u>	<u>\$ 196,467</u>	<u>\$ 498,706</u>	<u>\$ 4,079,621</u>
LIABILITIES				
Accounts payable	\$ 160,349	\$ 3,675	\$ 3,193	\$ 167,217
Due to other funds	450,359	192,792		643,151
Total Liabilities	<u>610,708</u>	<u>196,467</u>	<u>3,193</u>	<u>810,368</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Nonspendable	100			100
Restricted	2,771		495,513	498,284
Committed	1,190,110			1,190,110
Assigned	193,006			193,006
Unassigned	1,387,753			1,387,753
Total Fund Balances	<u>2,773,740</u>	<u>-</u>	<u>495,513</u>	<u>3,269,253</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,384,448</u>	<u>\$ 196,467</u>	<u>\$ 498,706</u>	<u>\$ 4,079,621</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT**Reconciliation of the Balance Sheet of Governmental Funds****to the Statement of Net Position**

June 30, 2020

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 3,269,253
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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.	15,259,703
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Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.

Deferred outflows of resources related to OPEB liability	660,406
Deferred outflows of resources related to net pension liability	3,077,988
Deferred inflows of resources related to OPEB liability	(899,513)
Deferred inflows of resources related to net pension liability	(555,929)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Long-term liabilities at year end consist of:

Accrued interest on long-term obligations	(77,515)
Bonds payable	(2,205,000)
Capital leases payable	(2,475,126)
Compensated absences payable	(123,985)
Early retirement benefits	(442,735)
OPEB liability	(3,412,939)
Net pension liability	<u>(16,239,733)</u>

Net Position of Governmental Activities (Exhibit A)	<u><u>\$ (4,165,125)</u></u>
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See accompanying notes to the basic financial statements

EXHIBIT D
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General <u>Fund</u>	Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 13,879,196			\$ 13,879,196
Intergovernmental	6,835,785	\$ 1,054,137	\$ 390,100	8,280,022
Charges for services	1,793,084		276,028	2,069,112
Interest income	14,328			14,328
Miscellaneous	53,854		81,366	135,220
Total Revenues	<u>22,576,247</u>	<u>1,054,137</u>	<u>747,494</u>	<u>24,377,878</u>
Expenditures:				
Current operations:				
Instruction	12,899,689	1,054,137	173,544	14,127,370
Supporting services	2,174,415			2,174,415
Instructional staff services	1,095,266			1,095,266
General administration	2,373,161			2,373,161
Operation and maintenance of plant	2,001,880			2,001,880
Pupil transportation	753,451			753,451
Food service			654,241	654,241
Debt service:				
Principal retirement	735,000			735,000
Interest and fiscal charges	128,625			128,625
Total Expenditures	<u>22,161,487</u>	<u>1,054,137</u>	<u>827,785</u>	<u>24,043,409</u>
Excess of revenues over (under) expenditures	<u>414,760</u>	<u>-</u>	<u>(80,291)</u>	<u>334,469</u>
Other financing sources (uses):				
Transfers in			70,000	70,000
Transfers out	(70,000)			(70,000)
Total Other financing sources (uses)	<u>(70,000)</u>	<u>-</u>	<u>70,000</u>	<u>-</u>
Net change in fund balances	344,760	-	(10,291)	334,469
Fund Balances at beginning of year	<u>2,428,980</u>	<u>-</u>	<u>505,804</u>	<u>2,934,784</u>
Fund Balances at end of year	<u>\$ 2,773,740</u>	<u>\$ -</u>	<u>\$ 495,513</u>	<u>\$ 3,269,253</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1

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

For the Year Ended June 30, 2020

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 334,469
--	------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense exceeded capital outlays in the current period.	(698,121)
--	-----------

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

	735,000
--	---------

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

	101,836
--	---------

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

	3,024
--	-------

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

	(25,290)
--	----------

Prepayment of bond interest is an asset in the governmental funds, but the prepayment of interest is expensed in the statement of activities.

	39,691
--	--------

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

	(44,429)
--	----------

Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.

Net changes in OPEB	227,267
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Net changes in pension	(660,642)
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	<div style="border-top: 1px solid black; display: inline-block; width: 100%;"></div>
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Change in Net Position of Governmental Activities (Exhibit B)	<div style="border-bottom: 3px double black; display: inline-block; width: 100%;"></div>
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	\$ 12,805
--	-----------

See accompanying notes to the basic financial statements

EXHIBIT E
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

		Student Activities <u>Agency Fund</u>
	ASSETS	
Cash and cash equivalents		\$ 167,567
Total Assets		<u>\$ 167,567</u>
	LIABILITIES	
Due to student groups		\$ 167,567
Total Liabilities		<u>\$ 167,567</u>

See accompanying notes to the basic financial statements

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Fund Accounting

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

1. Governmental Funds:

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

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

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

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The District maintains one fiduciary fund, an agency fund known as the Student Activities Agency Fund. The agency fund was established to account for revenues generated by student managed activities. The District's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-Exchange Transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 9). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

2. Expenses/Expenditures:

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

Budgetary Data

The District's budget represents functional appropriations as authorized by annual District meetings. The school board may transfer funds between operating categories as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but requires the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2020, the District applied \$1,204,060 of its fund balance to reduce taxes.

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Early Retirement Benefits

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

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

Lease Premium

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Pensions

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Fund Balance Policy

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

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

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

Authority to Assign

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Spending Prioritizations

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

Deficit Fund Balance

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

Interfund Activity

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

Estimates

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

NOTE 2—DEPOSITS

Deposits as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 1,753,543
Restricted cash	2,771
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>167,567</u>
	<u>\$ 1,923,881</u>

Deposits at June 30, 2020 consist of the following:

Cash on hand	\$ 294
Deposits with financial institutions	<u>1,923,587</u>
	<u>\$ 1,923,881</u>

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

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

Deposits for the Student Activities Agency Fund are at the discretion of the School Principals and Superintendent of Schools.

Custodial Credit Risk

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

Of the District's deposits with financial institutions at year end, \$2,742,542 was collateralized by securities held by the bank in the bank's name.

NOTE 3—CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 57,374			\$ 57,374
Total capital assets not being depreciated	<u>57,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>57,374</u>
Other capital assets:				
Land improvements	555,200			555,200
Buildings and improvements	28,929,745			28,929,745
Furniture and equipment	<u>1,326,997</u>			<u>1,326,997</u>
Total other capital assets at historical cost	<u>30,811,942</u>	<u>-</u>	<u>-</u>	<u>30,811,942</u>
Less accumulated depreciation for:				
Land improvements	(399,519)	(15,220)		(414,739)
Buildings and improvements	(13,254,831)	(653,283)		(13,908,114)
Furniture and equipment	<u>(1,257,142)</u>	<u>(29,618)</u>		<u>(1,286,760)</u>
Total accumulated depreciation	<u>(14,911,492)</u>	<u>(698,121)</u>	<u>-</u>	<u>(15,609,613)</u>
Total other capital assets, net	<u>15,900,450</u>	<u>(698,121)</u>	<u>-</u>	<u>15,202,329</u>
Total capital assets, net	<u>\$ 15,957,824</u>	<u>\$ (698,121)</u>	<u>\$ -</u>	<u>\$ 15,259,703</u>

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 19,297
Instructional staff services	5,933
Operation and maintenance of plant	<u>672,891</u>
	<u>\$ 698,121</u>

The balance of the assets acquired through capital leases as of June 30, 2020 is as follows:

	<u>Buildings and Improvements</u>	<u>Furniture and Equipment</u>
Cost	\$ 2,560,370	\$ 86,018
Less: accumulated depreciation	<u>(512,074)</u>	<u>(68,814)</u>
	<u>\$ 2,048,296</u>	<u>\$ 17,204</u>

NOTE 4—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

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

<u>Type</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 2,940,000		\$ (735,000)	\$ 2,205,000	\$ 735,000
Capital leases payable	2,462,344		(16,836)	2,445,508	117,441
Premium on capital lease	<u>32,642</u>		<u>(3,024)</u>	<u>29,618</u>	
Total Capital leases payable	2,494,986	\$ -	(19,860)	2,475,126	117,441
Compensated absences payable	120,828	14,789	(11,632)	123,985	-
Early retirement benefits	<u>401,463</u>	<u>105,407</u>	<u>(64,135)</u>	<u>442,735</u>	<u>-</u>
Totals	<u>\$ 5,957,277</u>	<u>\$ 120,196</u>	<u>\$ (830,627)</u>	<u>\$ 5,246,846</u>	<u>\$ 852,441</u>

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

General Obligation Bonds

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

Bonds payable at June 30, 2020 are comprised of the following individual issue:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2020</u>
2002 School Construction Bonds	3.0-5.0%	August 2022	<u>\$ 2,205,000</u>

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Debt service requirements to retire general obligation bonds outstanding at June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 735,000	\$ 91,875	\$ 826,875
2022	735,000	55,125	790,125
2023	735,000	18,375	753,375
	<u>\$ 2,205,000</u>	<u>\$ 165,375</u>	<u>\$ 2,370,375</u>

Capital Lease Obligations

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

The following are the individual capital lease obligations outstanding at June 30, 2020:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at June 30, 2020</u>
Office equipment	3.59%	August 2021	\$ 35,508
Energy efficient building improvements	3.00%	July 2036	2,410,000
			<u>2,445,508</u>
		<i>Add: Unamortized Lease Premium</i>	<u>29,618</u>
		Total Capital leases payable	<u>\$ 2,475,126</u>

Debt service requirements for the capital lease obligations outstanding at June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 117,441	\$ 77,011	\$ 194,452
2022	123,067	73,617	196,684
2023	110,000	70,066	180,066
2024	115,000	67,029	182,029
2025	125,000	63,789	188,789
2026-2030	685,000	265,214	950,214
2031-2035	805,000	139,931	944,931
2036-2037	<u>365,000</u>	<u>11,484</u>	<u>376,484</u>
Total	2,445,508	768,141	3,213,649
<i>Add: Unamortized Lease Premium</i>	<u>29,618</u>		<u>29,618</u>
	<u>\$ 2,475,126</u>	<u>\$ 768,141</u>	<u>\$ 3,243,267</u>

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

NOTE 5—OTHER POSTEMPLOYMENT BENEFITS

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

	Deferred Outflows	OPEB Liability	Deferred Inflows	OPEB Expense
Cost-Sharing Multiple Employer Plan	\$ 168,494	\$ 1,417,508	\$ 5,414	\$ (3,401)
Single Employer Plan	<u>491,912</u>	<u>1,995,431</u>	<u>894,099</u>	<u>28,006</u>
Total	<u>\$ 660,406</u>	<u>\$ 3,412,939</u>	<u>\$ 899,513</u>	<u>\$ 24,605</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as a decrease to unrestricted net position in the amount of \$239,107.

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

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

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

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

Benefits Provided

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

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

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contribution rates for the covered payroll of general employees and teachers were 0.29% and 1.81%, respectively, for the year ended June 30, 2020. Contributions to the OPEB plan for the District were \$168,494 for the year ended June 30, 2020. Employees are not required to contribute to the OPEB plan.

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

At June 30, 2020, the District reported a liability of \$1,417,508 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2018. The District's proportion of the net OPEB liability was based on actual contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2019, the District's proportion was approximately 0.3233 percent, which was a decrease of 0.0028 percentage points from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized negative OPEB expense of (\$3,401). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 2,466
Net difference between projected and actual earnings on OPEB plan investments		1,593
Changes in proportion and differences between District contributions and proportionate share of contributions		1,355
District contributions subsequent to the measurement date	\$ 168,494	
Totals	<u>\$ 168,494</u>	<u>\$ 5,414</u>

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

The District reported \$168,494 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2020	\$ (4,878)
2021	(1,057)
2022	110
2023	411
	<u>\$ (5,414)</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Wage inflation	3.25% (3.00% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
Fixed income	25%	1.12-2.46%
International equity	20%	4.50-6.00%
Alternative investments	15%	4.86%-7.90%
Real estate	10%	3.00%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and RSA 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net OPEB liability	\$ 1,537,503	\$ 1,417,508	\$ 1,313,240

SINGLE EMPLOYER PLAN

Plan Description

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Benefits Provided

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

Employees Covered By Benefit Terms

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

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

Total OPEB Liability

The District's total OPEB liability of \$1,995,431 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs for OPEB

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

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

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

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 1,985,679
Changes for the year:	
Service cost	132,741
Interest	41,174
Differences between expected and actual experience	(625,433)
Changes in assumptions or other inputs	544,394
Benefit payments	<u>(83,124)</u>
Net changes	<u>9,752</u>
Balance at June 30, 2020	<u>\$ 1,995,431</u>

Changes of assumptions and other inputs reflect a decrease in the discount rate from 3.58% at June 30, 2019 to 2.21% at June 30, 2020. Additionally, the mortality assumption was updated from RP-2000 Projected 10 Years using Projection Scale AA to SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006).

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

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

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 2,144,376	\$ 1,995,431	\$ 1,847,852

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

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

	1% Decrease (8.50% decreasing to 4.00%)	Healthcare Cost Trend Rates (9.50% decreasing to 5.00%)	1% Increase (10.50% decreasing to 6.00%)
Total OPEB liability	\$ 1,747,080	\$ 1,995,431	\$ 2,282,619

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$28,006. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 894,099
Changes of assumptions	<u>\$ 491,912</u>	<u> </u>
Totals	<u>\$ 491,912</u>	<u>\$ 894,099</u>

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

<u>June 30,</u>	
2021	\$ (145,909)
2022	(145,909)
2023	(95,618)
2024	<u>(14,751)</u>
	<u>\$ (402,187)</u>

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

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

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

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

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Benefits Provided

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

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

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

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

Funding Policy

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

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. Contributions to the pension plan for the District were \$1,553,958 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$16,239,733 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2018. The District's proportion of the net pension liability was based on actual contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2019, the District's proportion was approximately 0.3375 percent, which was a decrease of 0.0012 percentage points from its proportion measured as of June 30, 2018.

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$2,217,008. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 89,792	\$ 349,201
Changes in assumptions	582,675	
Net difference between projected and actual investment earnings on pension plan investments		132,655
Changes in proportion and differences between District contributions and proportionate share of contributions	851,563	74,073
District contributions subsequent to the measurement date	<u>1,553,958</u>	
Totals	<u>\$ 3,077,988</u>	<u>\$ 555,929</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$2,522,059. The District reported \$1,553,958 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the measurement periods as follows:

<u>June 30,</u>	
2020	\$ 791,743
2021	(18,325)
2022	167,177
2023	<u>27,506</u>
	<u>\$ 968,101</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions:

Inflation	2.50%
Wage inflation	3.25% (3.00% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
Fixed income	25%	1.12-2.46%
International equity	20%	4.50-6.00%
Alternative Investments	15%	4.86-7.90%
Real estate	10%	3.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
District's proportionate share of the net pension liability	\$ 21,745,671	\$ 16,239,733	\$ 11,689,118

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

NOTE 7—INTERFUND BALANCES AND TRANSFERS

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2020 are as follows:

	General Fund	Due from Grants Fund	Totals
Due to General Fund		\$ 192,792	\$ 192,792
Nonmajor Governmental Funds	\$ 450,359		450,359
	<u>\$ 450,359</u>	<u>\$ 192,792</u>	<u>\$ 643,151</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with the District's fund balance policy and budgetary authorizations. Interfund transfers for the year ended June 30, 2020 are as follows:

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

NOTE 8—COMPONENTS OF FUND BALANCE

The components of the District's fund balance for its governmental funds at June 30, 2020 are as follows:

<u>Fund Balances</u>	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 100		\$ 100
Restricted for:			
Food service operations		\$ 96,540	96,540
Donations and after school programs		398,973	398,973
Energy efficiency improvements	2,771		2,771
Committed for:			
Expendable trusts	990,110		990,110
Subsequent fiscal year appropriation	200,000		200,000
Assigned for:			
Encumbrances	193,006		193,006
Unassigned:			
General operations	1,387,753		1,387,753
	<u>\$ 2,773,740</u>	<u>\$ 495,513</u>	<u>\$ 3,269,253</u>

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

NOTE 9—PROPERTY TAXES

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

Under state statutes, the Towns of Hillsboro and Deering, New Hampshire (both independent governmental units) collect School District taxes and State of New Hampshire Education taxes as part of local property tax assessments. As collection agents, the Towns are required to pay over to the District their share of property tax assessments through periodic payments based on cash flow requirements of the District. The Towns assume financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2020, School District taxes were \$12,447,578 and State of New Hampshire Education taxes were \$1,431,618.

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

NOTE 10—RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, the District was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2020.

Property and Liability Insurance

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2020

Worker's Compensation

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

NOTE 11—CONTINGENT LIABILITIES

Federal Grants

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

Litigation

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

NOTE 12—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, which the District is required to implement in the fiscal year ending June 30, 2021. Management believes that this pronouncement will have a potentially significant impact on the District's financial statements, wherein certain funds currently reported as Fiduciary Funds will require classification as a Governmental Fund.

SCHEDULE 1
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes	\$ 13,879,196	\$ 13,879,196	\$ 13,879,196	\$ -
Intergovernmental	6,842,999	6,842,999	6,835,785	(7,214)
Charges for services	1,705,782	1,705,782	1,793,084	87,302
Interest income			1,321	1,321
Miscellaneous	47,000	47,000	53,854	6,854
Total Revenues	<u>22,474,977</u>	<u>22,474,977</u>	<u>22,563,240</u>	<u>88,263</u>
Expenditures:				
Current operations:				
Instruction	13,624,298	13,624,298	12,787,321	836,977
Supporting services	2,003,416	2,003,416	2,172,384	(168,968)
Instructional staff services	1,191,759	1,191,759	1,097,066	94,693
General administration	2,472,476	2,472,476	2,293,714	178,762
Operation and maintenance of plant	2,263,178	2,188,178	2,114,313	73,865
Pupil transportation	1,040,285	1,040,285	771,897	268,388
Debt service:				
Principal retirement	735,000	735,000	735,000	-
Interest and fiscal charges	128,625	128,625	128,625	-
Total Expenditures	<u>23,459,037</u>	<u>23,384,037</u>	<u>22,100,320</u>	<u>1,283,717</u>
Excess of revenues over (under) expenditures	<u>(984,060)</u>	<u>(909,060)</u>	<u>462,920</u>	<u>1,371,980</u>
Other financing sources (uses):				
Transfers out	<u>(270,000)</u>	<u>(270,000)</u>	<u>(270,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(270,000)</u>	<u>(270,000)</u>	<u>(270,000)</u>	<u>-</u>
Net change in fund balance	(1,254,060)	(1,179,060)	192,920	1,371,980
Fund balance at beginning of year				
- Budgetary Basis	<u>1,394,933</u>	<u>1,394,933</u>	<u>1,394,933</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 140,873</u>	<u>\$ 215,873</u>	<u>\$ 1,587,853</u>	<u>\$ 1,371,980</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

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

See accompanying notes to the required supplementary information

SCHEDULE 3

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT

Schedule of District OPEB Contributions

For the Year Ended June 30, 2020

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

See accompanying notes to the required supplementary information

SCHEDULE 4

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

For the Year Ended June 30, 2020

Single Employer Plan Information Only			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 132,741	\$ 128,521	\$ 126,002
Interest	41,174	66,285	62,587
Differences between expected and actual experience	(625,433)	(33,905)	(34,678)
Changes of assumptions or other inputs	544,394	-	-
Benefit payments	<u>(83,124)</u>	<u>(53,520)</u>	<u>(47,731)</u>
Net change in total OPEB liability	9,752	107,381	106,180
Total OPEB Liability at beginning of year	<u>1,985,679</u>	<u>1,878,298</u>	<u>1,772,118</u>
Total OPEB Liability at end of year	<u>\$ 1,995,431</u>	<u>\$ 1,985,679</u>	<u>\$ 1,878,298</u>
Covered employee payroll	\$ 15,667,968	\$ 9,711,325	\$ 9,520,907
Total OPEB liability as a percentage of covered employee payroll	12.74%	20.45%	19.73%

Significant Actuarial Assumptions			
Discount rate	2.21%	3.58%	3.58%
Health cost trend rates:			
Initial	0.90% - 2020	(0.80)% - 2018	(0.80)% - 2018
Ultimate	5.00% - 2030	5.00% - 2028	5.00% - 2028
Mortality data set	SOA RP-2014	SOA RP-2014	SOA RP-2014
Mortality improvement scale	MP-2019	MP-2017	MP-2017

See accompanying notes to the required supplementary information

SCHEDULE 5

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT

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

For the Year Ended June 30, 2020

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

See accompanying notes to the required supplementary information

SCHEDULE 6

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT

Schedule of District Pension Contributions

For the Year Ended June 30, 2020

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

See accompanying notes to the required supplementary information

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 22,576,247	\$ 22,231,487
Encumbrances - June 30, 2019		(127,871)
Encumbrances - June 30, 2020		193,006
Non-budgetary revenues and expenditures	(13,007)	(126,302)
Budgetary transfers		200,000
Per Schedule 1	<u>\$ 22,563,240</u>	<u>\$ 22,370,320</u>

Major Special Revenue Fund

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

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

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

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2020

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

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

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

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

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

Changes in Actuarial Assumptions

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE I
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	Total Federal <u>Expenditures</u>
DEPARTMENT OF AGRICULTURE		
Pass Through Payments from the New Hampshire Department of Education		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	\$ 116,175
National School Lunch Program	10.555	
- School Lunch (Cash)		248,779
- Commodities (Non-cash)		38,980
		287,759
<i>Total Child Nutrition Cluster</i>		403,934
Fresh Fruit and Vegetable Program	10.582	15,962
Total Department of Agriculture		419,896
NATIONAL ENDOWMENT FOR THE HUMANITIES		
Pass Through Payments from the Institute of Museum and Library Services		
National Leadership Grants	45.312	
#LG-29-19-0157-19		24,300
Total National Endowment for the Humanities		24,300
DEPARTMENT OF EDUCATION		
Pass Through Payments from the New Hampshire Department of Education		
Title I Grants to Local Educational Agencies	84.010	
#20190055		71,377
#20190517		92,523
#20200055		262,716
#20200517		25,119
		451,735
<i>Special Education Cluster (IDEA):</i>		
Special Education - Grants to States	84.027	
#82622		9,023
#92505		102,398
#95603		1,458
#202516		219,923
		332,802
Special Education - Preschool Grants	84.173	
#92505		525
#202516		9,608
		10,133
<i>Total Special Education Cluster (IDEA)</i>		342,935

See notes to schedule of expenditures of federal awards

SCHEDULE I
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2020

<u>Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Total Federal Expenditures</u>
DEPARTMENT OF EDUCATION (continued)		
Twenty-First Century Community Learning Centers #20190002 #20200002	84.287	2,988 87,407 <u>90,395</u>
Rural Education #86479 #20190454	84.358	7,584 18,078 <u>25,662</u>
Supporting Effective Instruction State Grants #84850 #20190094 #20190554 #20200094	84.367	2,035 26,560 2,686 31,734 <u>63,015</u>
Student Support and Academic Enrichment Program #20190426	84.424	9,465 <u>9,465</u>
Total Department of Education		<u>983,207</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Pass Through Payments from the New Hampshire Department of Education Substance Abuse and Mental Health Services Projects of Regional and National Significance #202619	93.243	44,449 <u>44,449</u>
Total Department of Health and Human Services		<u>44,449</u>
Total Expenditures of Federal Awards		<u>\$ 1,471,852</u>

See notes to schedule of expenditures of federal awards

HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Hillsboro-Deering Cooperative School District (the District) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hillsboro-Deering Cooperative School District, it is not intended to and does not present the financial position or changes in net position of the Hillsboro-Deering Cooperative School District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3—INDIRECT COST RATE

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

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

Independent Auditor's Report

To the School Board
Hillsboro-Deering Cooperative School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hillsboro-Deering Cooperative School District, as of and for the year ended June 30, 2020, 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 June 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hillsboro-Deering Cooperative School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hillsboro-Deering Cooperative School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hillsboro-Deering Cooperative School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Hillsboro-Deering Cooperative School District's Response to Finding

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

Purpose of this Report

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

Vachon Clukay & Company PC

Manchester, New Hampshire
June 29, 2022

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

Independent Auditor's Report

To the School Board
Hillsboro-Deering Cooperative School District

Report on Compliance for Each Major Federal Program

We have audited the Hillsboro-Deering Cooperative School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hillsboro-Deering Cooperative School District's major federal programs for the year ended June 30, 2020. The Hillsboro-Deering Cooperative School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hillsboro-Deering Cooperative School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hillsboro-Deering Cooperative School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Hillsboro-Deering Cooperative School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-002 that we consider to be a significant deficiency.

Hillsboro-Deering Cooperative School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 such opinion on the response.

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

Vachon Clukay & Company PC

Manchester, New Hampshire
June 29, 2022

**Hillsboro-Deering Cooperative School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

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

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

Unmodified

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

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program of Cluster
84.010	Title I Grants To Local Educational Agencies
84.027 & 84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? yes X no

Section II--Financial Statement Findings

The following finding relating to the financial statements is required to be reported by GAGAS.

Finding #2020-001 Timeliness of Bank Reconciliations:

Condition: Bank reconciliations of the District's General Fund checking account are not being performed in a timely manner. A final reconciliation of the District's June 30, 2020 General Fund checking account was completed during October 2021 and provided for the audit on March 10, 2022.

Criteria: Completing the cash reconciliation process in a timely manner is a critical component of the internal control process over financial reporting.

Cause: District personnel had not completed the bank reconciliation.

Effect: Failure to reconcile cash in a timely manner increases the risk that transactions may go undetected for an extended period of time, resulting in decisions of management and those charged with governance being made on incomplete or inaccurate data.

Recommendation: We recommend the bank reconciliation process be performed on a monthly basis to identify any data entry or bank processing errors in a timely manner.

Views of responsible officials: The District had significant changeover in the position of Business Administrator over an 18-month period, which resulted in the delay of reconciling the District's cash balance from the general ledger to the bank reconciliation prepared by the District's Treasurer on a monthly basis. Reconciliations are now being performed monthly by the middle of the subsequent month following the receipt of the bank statement.

Section III--Federal Award Findings and Questioned Costs

The following findings and questioned costs as defined under 2 CFR 200.516(a) are required to be reported.

Finding #2020-002

Department of Education

Title I (CFDA #84.010)

Special Education Cluster (CFDA #84.027 & 84.173)

Pass Through Payments from the New Hampshire Department of Education

Project Number(s): #20200055 #202516

Criteria or specific requirement: Federal cost principles, as identified in 2 CFR 200.430, require salaries allocated to more than one federal award activity or cost objective to be supported by records which accurately reflect the distribution of salary or wages. Budget estimates determined before the services are performed do not qualify as support for charges to the federal awards. Personnel activity reports are required when time is allocated between federal awards and cost objectives. Periodic certifications are required when an individual's salary is charged solely to one federal award or cost objective.

Condition: During our testing of compliance with the federal program, we noted that personnel activity reports to document time and effort were not completed for individuals whose salaries were allocated to more than one federal award activity as well as a single federal award activity and the District's General Fund. Additionally, individuals charged solely to one federal award activity and cost objective did not complete periodic certifications.

Questioned costs: None.

Context: Of the District's payroll charges related to the major programs during fiscal year 2020, we haphazardly selected 27 individual charges from the bi-weekly payroll periods. All employees charged to the grants were selected for testing at least once with the sample representing \$33,288 of \$597,832 in payroll related charges. During the examination of charges, we noted all individuals selected for testing who were compensated at either an hourly rate or were paid a stipend completed timecards or personnel activity reports to support the charges to the federal awards. The remaining nine charges were comprised of individuals who were salaried, two of which were charged 100% to the special education cluster, two were split 50% between two federal programs and one who was split 50% between the Title I program and 50% the District's General Fund and the remaining two were allocated between two federal award programs.

Effect: Failure to adequately document personnel activity in accordance with the requirements of the Code of Federal Regulations increases the risk that the District will request reimbursement for expenditures which were not related to employee time spent on the federal award.

Cause: For periodic certifications of time and effort, the District's payroll specialist previously prepared the periodic certification forms for distribution to the employees. The process was designated to the grant manager in the current year, who failed to require the employees to complete the periodic certifications. For distribution of salary related to individuals working on multiple federal awards, the District allocated the individual's salary based on the budgeted amounts written into the grant and failed to obtain, at a minimum, monthly personnel activity reports to support the allocation of salary amongst the grants.

Repeat finding: Yes, #2019-001

Recommendation: We recommend whenever an employee's salary is allocated 100% to a federal award and single cost objective the District prepare, at a minimum, semi-annual certifications of time and effort. Additionally, when an employee's salary is allocated to multiple federal awards or cost objectives the District should complete, at a minimum, monthly personnel activity reports showing the distribution of the employee's time and effort. Any changes from the initial budgeted amounts written into the federal awards and actual time and effort as documented in the personnel activity reports must be adjusted such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

Views of responsible officials: District is in agreement with the identified finding and took corrective action with the start of fiscal year 2021.

P. O. Box 2190
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*Patricia M. Parenteau, MS, CAGS
Superintendent of Schools*

*Jennifer Crawford, Ed. D
Director of Curriculum, Instruction and Assessment*

S A U #34

Soaring to Excellence

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*Mary Henry
Business Administrator*

HILLSBORO-DEERING SCHOOL DISTRICT CORRECTIVE ACTION PLAN

Finding #2020-001

Corrective Action Plan: District Business Administrator examined all bank reconciliations performed prior to being employed and identified errors in the previous reconciliations. These errors were investigated and postings within the general ledger required correction. Previous bank reconciliations were reperformed to ensure accuracy during October 2021. Bank reconciliations are now performed monthly by the middle of the close of the previous month.

Individual Responsible: Business Administrator

Anticipated Implementation Date of Corrective Action: Corrective action began effective October 2021 with reconciliation of the District's June 30, 2020 cash balance.

Finding #2020-002

**Department of Education
Title I (84.010)**

Special Education Cluster (CFDA #84.027 & #84.173)

Pass Through Payments from the New Hampshire Department of Education

Corrective Action Plan: Effective July 1, 2020 the District began requiring salaried employees who have any portion of their salary allocated to a federal award program complete a monthly time and effort certification.

Individual Responsible: Program Manager of Title I and the Special Education Cluster

Anticipated Implementation Date of Corrective Action: Corrective action began effective with the District's next fiscal year, July 1, 2020.

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03244-2190

*Patricia M. Parenteau, MS, CAGS
Superintendent of Schools*

*Jennifer Crawford, Ed. D
Director of Curriculum, Instruction and Assessment*

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Summary Schedule of Prior Audit Findings

Finding #2019-001

Department of Education

Special Education Cluster (CFDA #84.027 & #84.173)

Pass Through Payments from the New Hampshire Department of Education

Criteria or specific requirement: Federal cost principles, as identified in 2 CFR 200.430, require salaries allocated to more than one federal award activity or cost objective to be supported by records which accurately reflect the distribution of salary or wages. Budget estimates determined before the services are performed do not qualify as support for charges to the federal awards. Personnel activity reports are required when time is allocated between federal awards and cost objectives. Periodic certifications are required when an individual's salary is charged solely to one federal award or cost objective.

Condition: During our testing of compliance with the federal program, we noted that personnel activity reports to document time and effort were not completed for individuals whose salaries were allocated to more than one federal award activity. Additionally, individuals charged solely to one federal award activity and cost objective did not complete periodic certifications.

Questioned costs: None.

Context: Of the District's payroll charges related to the cluster during fiscal year 2019, we haphazardly selected 34 individual charges from the bi-weekly payroll periods. All employees charged to the grant were selected for testing at least once with the sample representing \$149,815 of \$278,674 in payroll related charges. During the examination of charges, we noted all individuals selected for testing who were compensated at either an hourly rate or were paid a stipend completed timecards or personnel activity reports to support the charges to the federal awards. The remaining four charges were comprised of individuals who were salaried, two of which were charged 100% to the cluster and the remaining two were allocated between two federal award programs.

Effect: Failure to adequately document personnel activity in accordance with the requirements of the Code of Federal Regulations increases the risk that the District will request reimbursement for expenditures which were not related to employee time spent on the federal award.

Cause: For periodic certifications of time and effort, the District's payroll specialist previously prepared the periodic certification forms for distribution to the employees. The process was designated to the grant manager in the current year, who failed to require the employees to complete the periodic certifications. For distribution of salary related to individuals working on multiple federal awards, the District allocated the individual's salary based on the budgeted amounts written into the grant and failed to obtain, at a minimum, monthly personnel activity reports to support the allocation of salary amongst the grants.

Status of finding: Not corrected as of June 30, 2020. Due to timing of the fiscal year 2019 audit and the development of the finding the District did not complete corrective action until fiscal year 2021.

SCHEDULE A
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2020

	Food Service <u>Fund</u>	Donations <u>Fund</u>	Total Nonmajor <u>Funds</u>
ASSETS			
Due from other governments	\$ 48,347		\$ 48,347
Due from other funds	<u>48,945</u>	<u>\$ 401,414</u>	<u>450,359</u>
Total Assets	<u>97,292</u>	<u>401,414</u>	<u>498,706</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 97,292</u>	<u>\$ 401,414</u>	<u>\$ 498,706</u>
LIABILITIES			
Accounts payable	<u>\$ 752</u>	<u>\$ 2,441</u>	<u>\$ 3,193</u>
Total Liabilities	<u>752</u>	<u>2,441</u>	<u>3,193</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	<u>96,540</u>	<u>398,973</u>	<u>495,513</u>
Total Fund Balances	<u>96,540</u>	<u>398,973</u>	<u>495,513</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 97,292</u>	<u>\$ 401,414</u>	<u>\$ 498,706</u>

SCHEDULE B
HILLSBORO-DEERING COOPERATIVE SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended June 30, 2020

	Food Service <u>Fund</u>	Donations <u>Fund</u>	Total Nonmajor <u>Funds</u>
Revenues:			
Intergovernmental	\$ 390,100		\$ 390,100
Charges for services	188,660	\$ 87,368	276,028
Miscellaneous		81,366	81,366
Total Revenues	<u>578,760</u>	<u>168,734</u>	<u>747,494</u>
Expenditures:			
Current operations:			
Instruction		173,544	173,544
Food service	<u>654,241</u>		<u>654,241</u>
Total Expenditures	<u>654,241</u>	<u>173,544</u>	<u>827,785</u>
Excess of revenues over (under) expenditures	<u>(75,481)</u>	<u>(4,810)</u>	<u>(80,291)</u>
Other financing sources (uses):			
Transfers in	<u>50,000</u>	<u>20,000</u>	<u>70,000</u>
Total Other financing sources (uses)	<u>50,000</u>	<u>20,000</u>	<u>70,000</u>
Net change in fund balances	(25,481)	15,190	(10,291)
Fund Balances at beginning of year	<u>122,021</u>	<u>383,783</u>	<u>505,804</u>
Fund Balances at end of year	<u>\$ 96,540</u>	<u>\$ 398,973</u>	<u>\$ 495,513</u>