

**LONDONDERRY, NEW HAMPSHIRE
SCHOOL DISTRICT**

Financial Statements

With Schedule of Expenditures of Federal Awards

June 30, 2015

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**

Schedule of Findings and Questioned Costs

**LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2015**

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**LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Londonderry, New Hampshire 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 Londonderry, New Hampshire School District as of and for the year ended June 30, 2015, 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 Londonderry, New Hampshire School District, as of June 30, 2015, 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 funding progress for other post-employment benefits, schedule of changes in the District's proportionate share of the net pension liability, and the schedule of District contributions on pages i-ix and 25-30 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 Londonderry, New Hampshire School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 December 7, 2015 on our consideration of the Londonderry, New Hampshire 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Londonderry, New Hampshire School District's internal control over financial reporting and compliance.

Vachon Clekay & Company PC

Manchester, New Hampshire
December 7, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Presented herewith please find the Management Discussion & Analysis Report for the Londonderry School District for the fiscal year ending June 30, 2015. 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 result 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 School District Administration is responsible for establishing an accounting system 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) and pronouncements from Governmental Accounting Standards Board (GASB). 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

As Administrators of the Londonderry School District, we offer readers of the Londonderry School District's financial statements this narrative overview and analysis of the Londonderry School District for the fiscal year ended June 30, 2015. We are committed to assuring that the funds provided by the taxpayers are used to provide a sound education to each student enrolled in the Londonderry School District. The Londonderry community has traditionally given solid support to its educational leaders and has unflinchingly given the resources needed to enable every student an opportunity to succeed. The administration is deeply aware of and accepts its responsibility to make optimum use of taxpayers' money.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Londonderry School District's basic financial statements. The Londonderry School District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Londonderry School District's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 1 and 2 of this report.

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 Londonderry School District, like other governmental units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Londonderry School District are divided into two categories: governmental funds and fiduciary funds.

Management's Discussion and Analysis Londonderry School District

Governmental 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 a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements. Therefore, 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 governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Londonderry School District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Grants Fund, and Capital Projects Fund, which are considered major funds. The School District has two governmental funds that are not considered a major fund, and are shown in one column in the governmental funds' statements.

The Londonderry School District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 3 and 4 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Londonderry School District's own programs. The accounting used for fiduciary funds is much like that used for private enterprises.

The basic fiduciary fund financial statement can be found on page 5 of this report.

Notes to the 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. The notes to the financial statements can be found on pages 6 thru 24 of this report.

Other information, in addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information consisting of the budgetary comparison schedules for the major funds. Required supplementary information can be found on pages 25 thru 30 of this report. Individual fund schedules can be found on pages 39 and 40 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. For the Londonderry School District, assets and deferred outflows of resources did not exceed liabilities and deferred inflows of resources by \$-14,026,265 as of June 30, 2015.

The largest portion of the net position (>100%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and vehicles) and the calculated value of the School District's unfunded liability at the State Retirement System. The School District uses the capital assets to provide its services, and therefore, these assets are not available for future spending. The following table provides a summary of the School District's net position:

Management's Discussion and Analysis
Londonderry School District

TABLE 1

	<u>2015</u>	<u>2014</u>
Current and other assets:		
Capital assets - net	\$ 50,751,678.0	\$ 50,509,321.0
Other assets	<u>5,799,447</u>	<u>3,347,812</u>
Total assets	<u>56,551,125</u>	<u>53,857,133</u>
Deferred outflows of resources	<u>4,089,693</u>	<u>4,074,667</u>
Current and other liabilities:		
Long-term bonds and capital leases payable	15,122,984	13,353,569
Compensated absences payable	3,243,820	2,952,451
Other post-employment benefits	2,136,472	1,964,983
Other liabilities	3,762,601	3,559,470
Net Pension	<u>44,676,763</u>	<u>51,235,214</u>
Total liabilities	<u>68,942,640</u>	<u>73,065,687</u>
Deferred inflows of resources	<u>5,724,443</u>	<u>-</u>
Net position:		
Net investment in capital assets	33,573,081	35,558,606
Restricted	2,070,304	18,370
Unrestricted	<u>(49,669,650)</u>	<u>(50,710,863)</u>
Total net position	<u>\$ (14,026,265)</u>	<u>\$ (15,133,887)</u>

The statement of net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Please note that the 2014 figures have been restated to include the effects on the District's net position for the implementation of GASB Statement No. 68 during the current year fiscal year.

TABLE 2

	<u>2015</u>	<u>2014</u>
Program revenues:		
Charges for services	\$ 1,799,886	\$ 1,641,534
Operating grants and contributions	2,722,977	2,991,753
Capital grants and contributions	<u>539,694</u>	<u>539,694</u>
Total program revenues	<u>5,062,557</u>	<u>5,172,981</u>

Management's Discussion and Analysis
Londonderry School District

	<u>2015</u>	<u>2014</u>
General revenues:		
Property taxes	51,872,798	50,890,547
State adequacy education grant	12,169,238	12,867,509
Interest and investment earnings	126	81
Miscellaneous	52,178	47,312
Total general revenues	<u>64,094,340</u>	<u>63,805,449</u>
Total revenues	<u>69,156,897</u>	<u>68,978,430</u>
Program expenses:		
Instruction	40,878,839	41,342,162
Supporting services	5,674,777	5,764,818
Instructional staff services	2,257,285	2,243,540
General administration	6,200,271	6,577,075
Operation and maintenance of plant	7,787,790	7,617,813
Pupil transportation	3,222,464	3,115,931
Food service	1,361,191	1,393,433
Interest on long-term debt	666,658	760,153
Total program expenses	<u>68,049,275</u>	<u>68,814,925</u>
Change in net position	1,107,622	163,505
Net position - beginning of year	(15,133,887)	32,076,401
Restatement due to GASB #68		(47,373,793)
Net position - ending of year	<u>\$ (14,026,265)</u>	<u>\$ (15,133,887)</u>

During the year ended June 30, 2015, the District was required to adopt GASB Statement #68 – Accounting and Financial Reporting for Pensions. This new pronouncement resulted in a restatement of the beginning net position (see Note 14 on page 24 of the financial statements).

For FY2015, 75% of the total revenues received by the School District came directly from local taxpayers of the school district in the form of the school district assessment and NH State property taxes designated for education. This percentage has increased slightly from last year's 74%. Another 18% came from unrestricted grants from the State of New Hampshire in the form of adequacy aid. This revenue source continues to be in jeopardy as the State Legislature continues to fine tune this formula. Recently, the legislature decided to use enrollment data from the most recent school year, taking advantage of decreasing enrollment state wide. Thus our adequacy grant for this year dropped in relation to prior years, and we expect this trend to continue until enrollment begins to climb. The remaining 7% comes from program fees and other reimbursements.

By far the largest expense of the School District is instruction, which made up 60% of total expenses, which remains consistent with prior years. Other major categories of expenditures are: support services which accounted for 8%, and general administration which accounted for 9% and operations of building and grounds, which accounted for 11% of total expenses.

**Management's Discussion and Analysis
Londonderry School District**

Financial Summary of the School District's Funds

As previously discussed, the Londonderry School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

Fund Balance

The Londonderry School District had a total fund balance as of June 30, 2015 totaling \$2,178,430. The breakout for this total and prior year fund balance calculations can be seen on table 3. Recent legislation allows School Districts to hold in reserve up to 2.5% of net assessment. The Londonderry School District recognizes the importance to grow its unassigned fund balance in an appropriate and responsible method.

This year, the Londonderry School District on a budgetary basis [from normal operations] had a year-end fund balance of \$1,767,449. The District used \$100,000 to fund its capital reserve fund for equipment purchases, retained \$100,000 to add to the unassigned fund balance and appropriated the remaining \$1,767,449 to be used to offset the December 2015 property tax rate. With the addition of \$100,000 the total value of the Districts retained fund balance is \$302,810. Below is a table that shows the allocation of the year-end fund balance for the Londonderry School District's General Fund.

Table 3 – Fund Balance

	<u>Non-spendable</u>	<u>Committed</u>	<u>Assigned</u>	<u>Assigned: retained</u>	<u>Total</u>
June 30, 2015	\$ 8,171	\$ 100,000	\$ 1,767,449	\$ 302,810	\$ 2,178,430
June 30, 2014	6,371	100,000	724,581	202,810	1,033,762
June 30, 2013	2,181	100,000	809,353	102,810	1,014,344
June 30, 2012	2,081		1,029,756		1,031,837
June 30, 2011	6,381	50,000	257,655		314,036
June 30, 2010	11,154		574,089		585,243

At the end of the fiscal year, the School District reported an increase in fund balance (surplus) in the general fund of \$1,144,668. The year-ending fund balance for FY2015 was mainly due to savings in staff turnover and credits from our two Healthcare providers.

As mentioned above, the legislature voted to allow school districts the ability to retain surplus funds. Local school districts must have put the question of retaining surplus to a vote. If approved, the local school district could retain up to 2.5% of the net assessed value. This year, the Londonderry School District retained \$100,000 from year-end surplus funds of 2015. The use of retained funds is restrictive in that they can only be used for emergency needs or reducing future tax rates. Each year's fund balance is a function of the year's activity vs. the approved budget and estimated revenues.

The amount appropriated in the General Fund for 2014-15 was \$67,072,462. Revenues other than the school district assessment and the State adequacy aid for the year were estimated to be \$2,205,845 for the General Fund budget and \$1,519,500 for the Grants Fund.

In addition to General Funding and Grant Funding, the District appropriated \$1,448,000 for the Food Service Program. Actual revenues from Food Service were \$1,359,564 against actual program costs of \$1,366,634. Federal law requires the general fund to supplement any deficit in the program, this year that amounted to \$12,422. Unfortunately and not unlike many school district food service programs, the Londonderry School District program ran a deficit. Most of this is due to the changes in lunch offering due to recent federal requirements, and the contained drop of enrollment. Cost of food sold has increased over the past years, due to the fixed cost of operations.

**Management's Discussion and Analysis
Londonderry School District**

Summarized below is a comparison of appropriated vs. expended/received realized:

	General Fund	Grants Fund
Appropriated	\$ 67,072,462	\$ 1,519,500
Expended	65,213,386	1,442,318
Revenues Anticipated	\$ 66,247,881	\$ 1,519,500
Revenues Realized	66,358,054	1,439,190

General Fund Expenditures for the most part were consistent with the budgeted individual line items. Some of the exceptions were in the areas of salary due to staff turnover, teacher substitute accounts, healthcare premiums and tuition for student attending the vocational centers.

The regular education temporary staff line is annually under funded. The major appropriation for this line is teacher substitutes, which are anticipated to be covered by staff turnover. This year, for the second time, the total expended for teacher substitutes was lower than the approved budget.

The healthcare and dental accounts came in significantly under budget due to the change in how the providers distribute operating surplus. In past years, operating surplus was identified as a revenue source, similar when setting tax rate, however, the Secretary of State, who is the regulator for all risk pools in New Hampshire has ordered all surplus be distributed as cash or a premium holiday. Planning for this has been a nightmare at best for all local governments.

Special Education Costs: For the second year in a row, SPED out-of-district tuition and SPED transportation came in just under budget. Last year was the first time in many, these accounts came close to budget, and usually we would be addressing significant overruns. A matter of continuing concern is the funding of special education. PL 94-146 enacted in 1976 places the responsibility for educating all students on individual school districts. Londonderry accepts this responsibility and takes every appropriate measure to provide an opportunity for each student to have a successful life. The cost of doing so however places a financial burden on the school district. This burden affects not only the taxpayer, but in some years, all students because the regular budget may have to be constrained to meet special education needs. Special education can be one of the more volatile areas annually in regards to forecasting year-end expenditures.

Hooksett Students In an effort to offset the continued drop in education aid coming from the State and to allow students from the Hooksett School District an opportunity to attend a quality high school, the Londonderry School District has recently allowed high school students from the Town of Hooksett the option to attend Londonderry High School. The two Districts recently agreed to a MOU outlining the maximum number of students Londonderry High School would accept and the tuition cost for those students. In FY2015, we had 63 students attending Londonderry High School generating outside tuition income of \$682,250 which equates to roughly a reduction of nineteen cents off the local property tax rate. It should be noted, there is very little if any increased costs for these students attending Londonderry High School.

Capital Expenditures

The School District continues to fund its maintenance responsibilities through an annual appropriation to the Maintenance Trust Fund. The Maintenance Trust provides the resources for projects such as roofing, paving, boilers replacements and minor renovations needed to comply with shifts in enrollment. Last year, the voters approved a \$4.0M bond for capital improvements to various buildings and paving issues. That bond will be fully expended by the end of fiscal year 2016. The approval and use of bond proceeds will provide the window necessary to adjust funding of the Maintenance Trust fund to more appropriate levels without significantly impacting the annual tax rate.

**Management's Discussion and Analysis
Londonderry School District**

The School District participates in the development of the Community Capital Improvement Program. The District has two items listed in the six-year plan:

- Construction of new SAU / Central Office
- Construction of an auditorium

The March 2015 warrant asked the voters to approve \$500,000 for architectural and engineering costs for a new High School Auditorium. The voters did not support this article, so at this point; the auditorium project is on hold.

Property Value

The historical values of Londonderry School District property defined as “fixed assets” are \$83,879,327. The breakdown by item is, land, \$210,117, construction in progress, \$1,152,930, buildings, \$80,079,481 and machinery and equipment \$2,057,601 and vehicles \$379,198. In FY2003, the School District contracted with Maximus, Inc, Miami Beach, FL, to audit and report on the total fixed assets within the School District.

The carrying amount of Londonderry School District capital assets is shown below. The School District's net asset value at year-end was \$50,751,678 a modest increase of \$242,357 from FY2014. Values shown below include the historical cost of land and the depreciated cost of buildings so the net value does **not** accurately indicate the true fair value.

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital Assets not being depreciated:				
Land	\$ 210,117			\$ 210,117
CIP	<u>478,386</u>	<u>\$ 955,948</u>	<u>\$ (281,404)</u>	<u>1,152,930</u>
Total capital assets not being depreciated	<u>688,503</u>	<u>955,948</u>	<u>(281,404)</u>	<u>1,363,047</u>
Other capital assets:				
Buildings and improvements	78,826,359	1,253,122		80,079,481
Machinery and equipment	1,907,560	150,041		2,057,601
Vehicles	<u>358,903</u>	<u>85,624</u>	<u>(65,329)</u>	<u>379,198</u>
Total other capital assets at historical cost	<u>81,092,822</u>	<u>1,488,787</u>	<u>(65,329)</u>	<u>82,516,280</u>
Less accumulated depreciation:				
Buildings and improvements	(30,105,706)	(1,748,917)		(31,854,623)
Machinery and equipment	(959,001)	(120,397)		(1,079,398)
Vehicles	<u>(207,297)</u>	<u>(38,066)</u>	<u>51,735</u>	<u>(193,628)</u>
Total accumulated depreciation	<u>(31,272,004)</u>	<u>(1,907,380)</u>	<u>51,735</u>	<u>(33,127,649)</u>
Total other assets, net	<u>49,820,818</u>	<u>(418,593)</u>	<u>(13,594)</u>	<u>49,388,631</u>
Total capital assets, net	<u>\$ 50,509,321</u>	<u>\$ 537,355</u>	<u>\$ (294,998)</u>	<u>\$ 50,751,678</u>

Long-Term Debt

The Londonderry School District currently has long-term debt of \$17,210,730 as of June 30th 2015. The legal debt margin as per RSA 33 is calculated at \$211,655,587. The debt consists of a new issue of 3,895,000 for general renovations and improvements, \$12,030,000 April 2003 note to finance the new free standing gymnasium, additions and renovations to the existing high school; \$6,935,000 refinanced note of which the majority is for the 1998 note to finance additions to the middle school and various other renovations; and \$5,500,000 to finance the construction at North Elementary School to replace outdated portable classrooms and the recent approval of \$5,100,000 to finance the South School project and a

**Management's Discussion and Analysis
Londonderry School District**

recent refunding of the North School note of \$2,955,000. The amount of debt repayments appropriated for this year [FY2015] is \$1,700,000.

The District was able to execute an advanced refund of the 2005 North School note [\$5,500,000]. The amount of principal outstanding was \$2,750,000 for the North School bond. The interest rate at issuance was 3.75%. The District refinanced rate of the remaining principal is in the range of 1.0 – 2.38% dependent on the approve schedule. Although the annual savings may not be significant, 12,000 – 15,000 annually, it is still a savings to the District and reduces its interest cost or the cost of borrowing.

The District also has long-term obligations for equipment financed through capital lease purchase agreements. The balance at June 30, 2015 was \$299,175. In the past, the District would consummate a capital lease for a vast majority of its equipment and capital needs. However, with the approval of a capital reserve fund, the District relies on this funding source for most of its equipment needs. Only large equipment, vehicles, trucks etc. may be purchased through a lease-payment arrangement moving forward. With that, the total in capital leases should drop over the next few years.

In addition to long-term debt, compensated absences were calculated on vacation days for all eligible employees and sick days for those employees eligible for compensation at retirement. The value of this compensation is \$3,243,820. Since the approval of GASB 45, all local governments are required to calculate the costs associated with post-employment benefits. The School District contracts with Nyhart Consulting firm to calculate these costs. Page 19 provides a summary calculation of the net OPEB obligation calculated at \$2,136,472 for June 30, 2015. In accordance with GASB 68, the calculated value of unfunded state retirement assigned to the School District for FY2015 is \$44,676,763

Financial Items of Special Interest

CHART I: PER PUPIL COSTS 2006-2014

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Elementary	10,883	11,354	11,898	12,340	13,223	14,150	14,770	15,182
Middle School	8,887	9,282	10,169	10,231	11,252	11,411	12,202	12,426
High School	9,800	10,480	10,730	11,582	12,236	12,232	12,744	13,648
District Average	10,010	10,527	11,058	11,543	12,387	12,764	13,396	13,931
NH State Elementary	10,716	11,506	12,095	12,600	13,120	13,413	13,628	14,200
NH State Middle	9,821	10,639	11,160	11,550	12,114	12,606	12,992	13,321
NH State High	9,992	10,876	11,573	12,036	12,649	13,101	13,490	14,109
NH State Average	10,305	11,135	11,745	12,214	12,775	13,159	13,459	14,002

Chart I illustrates Londonderry’s per pupil average cost vs the State average. The Londonderry School District cost per pupil continues to be BELOW the NH State average. However, Londonderry’s elementary average cost is higher than the New Hampshire average. Due to timing, current (2014-15) numbers are not available for this report. Per Pupil Costs are based on yearly operating costs that do not include tuition, transportation, capital expenditures, debt service, and food service expenditures.

We are often asked how this compares with other high schools. The New Hampshire Department of Education provides statistical data for comparison. These data display cost per student differently from the calculation shown above. They use costs that do not include tuition, transportation, food service revenue, capital expenditures, and debt service in the calculation. Based on the most recent data provided by the Department of Education, using their method, the state average cost per student for all grades (K-12) is \$14,002 compared with Londonderry’s average of \$13,931 for FY2014. As mentioned, the State DOE numbers are not available for FY2015 at this time.

CHART II: EQUALIZED TAX BASE

New Hampshire Department of Education			
Equalized Valuation per Pupil, 2013-2014			
	April 1, 2014		2014 Equalized
	Equalized	2014-2015	Valuation
	<u>Valuation</u>	<u>ADMR</u>	<u>Per Pupil</u>
Concord	3,681,724,357	4,489	820,226
Derry	2,688,560,224	5,415	496,452
Dover	2,850,372,307	3,727	764,858
Hudson	2,555,157,971	3,786	674,839
Keene	176,219,898	2,650	666,181
Londonderry	3,093,766,590	4,336	713,489
Manchester	8,439,859,665	14,079	599,444
Merrimack	2,903,304,538	3,846	754,895
Nashua	8,386,760,928	11,569	724,946
Portsmouth	4,526,473,144	2,245	2,016,588
Salem	3,936,929,706	3,876	1,015,714
State Average	155,223,815,856	181,193	857,860

Chart II compares the equalized tax base used to fund educational services for the Londonderry School District vs. the State Average and surrounding Districts. The equalized valuation per pupil for the State of New Hampshire for 2013-14 was 857,860 vs. 713,489 for Londonderry. One can determine that when compared to the State average, the tax base of the Londonderry School District is asked to work harder to provide the funding for the number of students attending. However, due to recent developments, mainly south of the Airport, Londonderry's equalized value per student is closing the gap vs the State average.

The Londonderry School District, like many other area school districts continues to see its enrollment drop. Since FY2006, the enrollment K-12 for the District has dropped from 5,552 to the reported FY15 enrollment figure of 4,392 or a drop of 1,160 students. During the same time period, the District has reduced staffing levels wherever possible. However, the operating budget has continued to rise over the same period; there are many factors to this. The most prominent is the continued downshifting of costs from the State to local school districts. In addition to state shifting cost responsibilities to local governments, there is not a 1:1 ratio of student enrollment and budget. That is, if the District were to lose one student, that would not generate a reduction in staff. In fact, depending on how enrollment drops, and the effect on class size, we could see a marginal drop in enrollment with no effect on staffing. The School District continues to maintain class sizes at the elementary level slightly below state required levels.

Contacting the School District's Financial Management

This financial report is designed to provide a general overview of the School District's finances, comply with finance-related laws and regulations, and demonstrate the School District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the School District's Finance Office, at 268 Mammoth Road, Londonderry, New Hampshire 03053 or call (603) 432-6920.

EXHIBIT A
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,731,807
Accounts receivable	20,760
Due from other governments	1,014,517
Inventory	24,192
Prepaid expenses	8,171
Total Current Assets	<u>5,799,447</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,363,047
Depreciable capital assets, net	49,388,631
Total Noncurrent Assets	<u>50,751,678</u>
Total Assets	<u>56,551,125</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on debt refunding	178,468
Deferred outflows related to net pension liability	3,911,225
Total Deferred Outflows of Resources	<u>4,089,693</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	198,320
Accrued expenses	1,077,189
Retainage payable	40,000
Deposits	60,171
Current portion of bonds payable	2,163,589
Current portion of capital leases payable	223,332
Total Current Liabilities	<u>3,762,601</u>
Noncurrent liabilities:	
Bonds payable	15,047,141
Capital leases payable	75,843
Compensated absences payable	3,243,820
Other post-employment benefits payable	2,136,472
Net pension liability	44,676,763
Total Noncurrent Liabilities	<u>65,180,039</u>
Total Liabilities	<u>68,942,640</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	5,724,443
Total Deferred Inflows of Resources	<u>5,724,443</u>
NET POSITION	
Net investment in capital assets	33,573,081
Restricted	2,070,304
Unrestricted (deficit)	(49,669,650)
Total Net Position (Deficit)	<u>\$ (14,026,265)</u>

See accompanying notes to the basic financial statements

EXHIBIT B
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

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>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 40,878,839	\$ 809,111	\$ 2,161,496		\$ (37,908,232)
Supporting services	5,674,777		193,029		(5,481,748)
Instructional staff services	2,257,285				(2,257,285)
General administration	6,200,271				(6,200,271)
Operation and maintenance of plant	7,787,790				(7,787,790)
Pupil transportation	3,222,464				(3,222,464)
Food service	1,361,191	990,775	368,452		(1,964)
Debt service	666,658			\$ 539,694	(126,964)
Total governmental activities	<u>\$ 68,049,275</u>	<u>\$ 1,799,886</u>	<u>\$ 2,722,977</u>	<u>\$ 539,694</u>	<u>(62,986,718)</u>
		General revenues:			
		Property taxes			51,872,798
		State adequacy education grant			12,169,238
		Interest and investment earnings			126
		Miscellaneous			52,178
		Total general revenues			<u>64,094,340</u>
		Change in net position			1,107,622
		Net position (deficit) - beginning, as restated			<u>(15,133,887)</u>
		Net position (deficit) - ending			<u>\$ (14,026,265)</u>

See accompanying notes to the basic financial statements

EXHIBIT C
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Grants Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,726,207			\$ 5,600	\$ 4,731,807
Accounts receivable	15,904			4,856	20,760
Due from other governments	500,517	\$ 379,435		134,565	1,014,517
Due from other funds	294,938		\$ 2,095,062	41,812	2,431,812
Inventory				24,192	24,192
Prepaid expenses	8,171				8,171
Total Assets	<u>5,545,737</u>	<u>379,435</u>	<u>2,095,062</u>	<u>211,025</u>	<u>8,231,259</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 5,545,737</u>	<u>\$ 379,435</u>	<u>\$ 2,095,062</u>	<u>\$ 211,025</u>	<u>\$ 8,231,259</u>
LIABILITIES					
Accounts payable	\$ 151,035			\$ 47,285	\$ 198,320
Accrued expenses	766,864	\$ 9,084		16,562	792,510
Retainage payable			\$ 40,000		40,000
Due to other funds	2,136,874	294,938			2,431,812
Deposits		60,171			60,171
Total Liabilities	<u>3,054,773</u>	<u>364,193</u>	<u>40,000</u>	<u>63,847</u>	<u>3,522,813</u>
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCES					
Nonspendable	8,171			24,192	32,363
Restricted		15,242	2,055,062		2,070,304
Committed	412,534				412,534
Assigned	2,070,259			122,986	2,193,245
Total Fund Balances	<u>2,490,964</u>	<u>15,242</u>	<u>2,055,062</u>	<u>147,178</u>	<u>4,708,446</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,545,737</u>	<u>\$ 379,435</u>	<u>\$ 2,095,062</u>	<u>\$ 211,025</u>	

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 50,751,678

Losses on debt refundings are recognized on an accrual basis in the statement of net position, not the modified accrual basis 178,468

Deferred outflows of resources and deferred inflows of resources that do not provide or require the use of current financial resources are not reported within the funds:

Deferred outflow of resources attributable to net pension liability 3,911,225
Deferred inflow of resources attributable to net pension liability (5,724,443)

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:

Bonds payable (17,210,730)
Capital leases payable (299,175)
Other post-employment benefits (2,136,472)
Accrued interest on long-term obligations (284,679)
Compensated absences (3,243,820)
Net pension liability (44,676,763)

Net position of governmental activities \$ (14,026,265)

See accompanying notes to the basic financial statements

EXHIBIT D
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Grants Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 51,872,798				\$ 51,872,798
Intergovernmental	13,632,551	\$ 1,430,906		\$ 368,452	15,431,909
Charges for services	809,111			990,775	1,799,886
Interest income	78			48	126
Miscellaneous	43,594	8,284		300	52,178
Total Revenues	<u>66,358,132</u>	<u>1,439,190</u>	<u>\$ -</u>	<u>1,359,575</u>	<u>69,156,897</u>
Expenditures:					
Current operations:					
Instruction	39,924,923	1,243,873			41,168,796
Supporting services	5,404,258	193,029			5,597,287
Instructional staff services	2,294,107	5,416			2,299,523
General administration	6,204,665				6,204,665
Operation and maintenance of plant	5,890,143				5,890,143
Pupil transportation	3,222,464				3,222,464
Food service				1,344,761	1,344,761
Capital outlay	599,383		1,724,209		2,323,592
Debt service:					
Principal retirement	1,750,000				1,750,000
Interest and fiscal charges	594,834		51,121		645,955
Lease payments	351,382			21,873	373,255
Total Expenditures	<u>66,236,159</u>	<u>1,442,318</u>	<u>1,775,330</u>	<u>1,366,634</u>	<u>70,820,441</u>
Excess revenues over (under) expenditures	121,973	(3,128)	(1,775,330)	(7,059)	(1,663,544)
Other financing sources (uses):					
Proceeds of bond issuance			4,115,486		4,115,486
Proceeds from capital lease	40,850				40,850
Transfers in				12,422	12,422
Transfers out	(12,422)				(12,422)
Total other financing sources (uses)	<u>28,428</u>	<u>-</u>	<u>4,115,486</u>	<u>12,422</u>	<u>4,156,336</u>
Net change in fund balances	150,401	(3,128)	2,340,156	5,363	2,492,792
Fund balances at beginning of year	2,340,563	18,370	(285,094)	141,815	2,215,654
Fund balances at end of year	<u>\$ 2,490,964</u>	<u>\$ 15,242</u>	<u>\$ 2,055,062</u>	<u>\$ 147,178</u>	<u>\$ 4,708,446</u>

LONDONDERRY, NEW HAMPSHIRE 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, 2015	
Change in Fund Balances - Total Governmental Funds	\$ 2,492,792
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 exceeded capital outlays in the current period.	255,951
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss of disposed capital assets reduced by the actual proceeds received from the sale of capital assets.	(13,594)
Proceeds from bond issuances are other financing sources in the funds, but bond issuances increase long-term liabilities in the statement of net position.	(4,115,486)
Proceeds from capital lease issuances are reported as other financing sources in the governmental funds, but a capital lease issuance increases long-term liabilities in the statement of net position.	(40,850)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,107,099
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	5,015
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.	25,216
Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(457,555)
Governmental funds report the effect of losses on debt refundings when the debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	(34,778)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and do not require the use of current financial resources. This is the amount by which pension contributions exceeded pension expense in the current period.	883,812
Change in Net Position of Governmental Activities	<u>\$ 1,107,622</u>

See accompanying notes to the basic financial statements

EXHIBIT E
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Student Activities Agency Fund
ASSETS	
Cash and cash equivalents	\$ 382,015
Total assets	<u>\$ 382,015</u>
LIABILITIES	
Due to student groups	\$ 382,015
Total liabilities	<u>\$ 382,015</u>

See accompanying notes to the basic financial statements

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Londonderry, New Hampshire 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 Londonderry, New Hampshire 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 Town of Londonderry, 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. 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 are 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.

**LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2015

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 transactions related to the various local, state and federal grants and the related expenditures.

The *Capital Projects Fund* accounts for the financial transactions related to construction and renovations of the District's schools.

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

**LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2015

approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. 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, the recording of unearned 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 2). 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 fiscal 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 available as an advance, interest, tuition, grants, and student fees.

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2015, the District applied \$724,581 of its unappropriated fund balance to reduce taxes. An additional \$100,000 from fund balance was authorized at the March 2014 annual meeting to offset approved warrant articles.

Loss on Debt Refunding

Debt refunding that results in a difference between the reacquisition price of old debt and the net carrying value of the old debt have been reported in the accompanying financial statements as a loss on debt refunding. Losses on a debt refunding are amortized as a component of interest expense over the remaining life of the related debt. The balance of the loss on refunding as of June 30, 2015 is \$178,468.

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first out basis. Inventory in governmental funds consists of expendable supplies held for consumption.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the 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 fair values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure or intangible assets. 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.

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

All reported capital assets except for land and construction in progress 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>
Buildings and improvements	10-50
Machinery and equipment	5-20
Vehicles	8-10

Compensated Absences

District support personnel earn vacation pay monthly based on their years of service. Vacation leave may not accrue above a maximum level of one and one-half times the employee's current annual accrual without prior approval. Administrators earn twenty days of vacation annually on July 1st of each year plus one additional day per year, after ten years of service, up to a maximum of twenty-five days per year. The maximum accrual is the current year accrual plus ten days. All outstanding vacation leave shall be paid to employees upon their separation from service.

District support personnel, school teachers and the manager may accumulate up to one hundred ten days of sick leave, food service personnel may accumulate up to twenty-five days of sick leave, and non-affiliated and custodial personnel may accumulate one hundred twenty days of sick leave. There is no accumulation limit for the administrator. After 15 years of service, the District will pay, upon retirement, 50% of accumulated sick leave to a maximum of 110 days for teachers and nurses who are at least 55 years of age and 50 days for custodial staff who are at least 55 years of age; and after 10 years of service, 50% for support personnel who, when their age is added to their years of service equals 70, provided they are a minimum of 50 years old, up to a maximum of 50 days; and 50% of accumulated sick leave to a maximum of 120 days for administrative staff who have 20 years of service and are at least 55 years old. The District estimates the amount of vested sick leave to be paid to retiring employees as of the balance sheet date for those employees who are currently eligible to receive payment. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

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

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 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.

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Bond Premium

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premium. The balance of the unamortized bond premium as of June 30, 2015 is \$260,730.

Pensions

During the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. 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. The 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 constrained to specific purposes by their providers through constitutional provisions or by enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

**LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2015

- *Assigned Fund Balance:* Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance:* Amounts that are available for any purpose; these amounts are reported only in the General Fund, with the exception of any deficit fund balance of another governmental fund

The District's policy is to return to the Town, any unassigned fund balance at fiscal year end, to be used to offset the subsequent fiscal year's tax rate. As authorized at the 2013 annual District meeting, the School Board has the authority to retain unassigned fund balance of the General Fund in an amount, not to exceed in any fiscal year, 2.5% of the current fiscal year's net assessment for emergency expenditures or to reduce the tax rate. The District's fund balance policy for the Food Service Fund is to maintain a minimum fund balance equal to 3% of its gross revenues from the previous fiscal year.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

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. Significant estimates include depreciation expense, other post-employment benefits payable, and the net pension liability.

NOTE 2—PROPERTY TAXES

Property taxes levied to support the Londonderry, New Hampshire School District are based on the assessed valuation of the prior April 1st for all taxable real property.

Under state statutes, the Town of Londonderry, New Hampshire (an independent governmental unit) collects School District taxes and State of New Hampshire Education Taxes as part of local property tax assessments. As collection agent, the Town is required to pay over to the District its share of property tax assessments through periodic payments based on cash flow requirements of the District. The Town assumes financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2015, School District taxes were \$45,588,816 and State of New Hampshire Education taxes were \$6,283,982.

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

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 3—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, 2015, 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 agreement permits 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, 2015.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member school districts and school administrative units within 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 \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker’s Compensation

The Trust provides statutory worker’s compensation coverage to member school districts and school administrative units within 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 4—DEPOSITS

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.

Deposits as of June 30, 2015 are classified in the accompanying financial statements as follows:

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Statement of Net Position:	
Cash and cash equivalents	\$ 4,731,807
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>382,015</u>
	<u>\$ 5,113,822</u>

Deposits at June 30, 2015 consist of the following:

Cash on hand	\$ 3,300
Deposits with financial institutions	<u>5,110,522</u>
	<u>\$ 5,113,822</u>

The District limits its investments to money market investment accounts, certificates of deposit, and United States Government obligations in accordance with New Hampshire State Law (RSA 197:23-a). Deposits for Student Activities Agency Funds are at the discretion of the School Principals and Superintendent of Schools.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with the District's investment policy, all deposits in excess of federal depository insurance must be secured by collateral having a value at least equal to the amount of such funds. Of the District's deposits with financial institutions at year end, \$6,325,733 was collateralized by securities held by the bank in the bank's name.

NOTE 5—CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 210,117			\$ 210,117
Construction in progress	478,386	\$ 955,948	\$ (281,404)	1,152,930
Total capital assets not being depreciated	<u>688,503</u>	<u>955,948</u>	<u>(281,404)</u>	<u>1,363,047</u>
Other capital assets:				
Buildings and improvements	78,826,359	1,253,122		80,079,481
Machinery and equipment	1,907,560	150,041		2,057,601
Vehicles	358,903	85,624	(65,329)	379,198
Total other capital assets at historical cost	<u>81,092,822</u>	<u>1,488,787</u>	<u>(65,329)</u>	<u>82,516,280</u>
Less accumulated depreciation for:				
Buildings and improvements	(30,105,706)	(1,748,917)		(31,854,623)
Machinery and equipment	(959,001)	(120,397)		(1,079,398)
Vehicles	(207,297)	(38,066)	51,735	(193,628)
Total accumulated depreciation	<u>(31,272,004)</u>	<u>(1,907,380)</u>	<u>51,735</u>	<u>(33,127,649)</u>
Total other capital assets, net	<u>49,820,818</u>	<u>(418,593)</u>	<u>(13,594)</u>	<u>49,388,631</u>
Total capital assets, net	<u>\$ 50,509,321</u>	<u>\$ 537,355</u>	<u>\$ (294,998)</u>	<u>\$ 50,751,678</u>

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 27,473
Instructional staff services	3,513
General administration	3,101
Operation and maintenance of plant	1,857,352
Food service	15,941
	<u>\$ 1,907,380</u>

The balance of the assets acquired through capital leases as of June 30, 2015 is as follows:

Buildings and improvements	\$ 53,243
Machinery and equipment	190,953
Vehicles	142,502
Less: Accumulated depreciation	<u>(85,578)</u>
	<u>\$ 301,120</u>

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the New Hampshire Retirement System (NHRS), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The New Hampshire Retirement System is 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 employees, public school teachers and administrators, 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. All assets are held in a single trust and are available to pay retirement benefits to all members. All of the District's eligible employees are classified as Group I.

Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service.

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Members may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

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 employees were 11.96% and 10.44%, 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. The District's contributions to the NHRS for the years ending June 30, 2015, 2014, and 2013, were \$3,911,225, \$3,861,421, and \$2,960,144, respectively, equal to the required contributions for each year.

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

At June 30, 2015, the District reported a liability of \$44,676,763 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. 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, 2014, the District's proportion was approximately 1.1902 percent, which was a decrease of 0.0002 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$3,027,414. At June 30, 2015, 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>
Net difference between projected and actual earnings on pension plan investments		\$ 5,716,428
Changes in proportion and differences between District contributions and proportionate share of contributions		8,015
District contributions subsequent to the measurement date	<u>\$ 3,911,225</u>	
Total	<u>\$ 3,911,225</u>	<u>\$ 5,724,443</u>

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as a decrease to unrestricted net position in the amount of \$1,813,218. The District reported \$3,911,225 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
<u>June 30,</u>	
2016	\$ (1,429,107)
2017	(1,429,107)
2018	(1,429,107)
2019	<u>(1,429,107)</u>
	<u>\$ (5,716,428)</u>

Actuarial Assumptions

The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Wage inflation	3.75 percent
Salary increases	5.8 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2011 pursuant to an experience study of the period 2005-2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.0%)</u>
Fixed income	25%	(0.47)-2.0%
Domestic equity	30%	3.3%
International equity	20%	4.25-6.5%
Real estate	10%	3.3%
Private equity	5%	5.8%
Private debt	5%	5.0%
Opportunistic	5%	2.5%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee 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. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 58,846,565	\$ 44,676,763	\$ 32,722,412

NOTE 7—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the District provides postretirement medical benefits to its eligible retirees and their spouses. Eligibility requirements are dependent upon the employee's date of hire and age. Employees hired prior to July 1, 2011 are required to reach age 50 with 10 years of service, age 60 with no service or have 20 years of service and 70 points. Employees hired after July 1, 2011 are required to reach age 60 with 30 years of service or reach age 65 with no service requirement. Retirees contribute 100% for individual and two person medical coverage. Surviving beneficiaries continue to receive access to the District medical coverage after the death of the retired employee as long as they pay the required premiums. As of July 1, 2014, the actuarial valuation date, participants of the post retirement

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

plan that meet eligibility requirements are comprised of 131 retirees and 498 active employees. The plan does not issue a separate financial report.

Annual OPEB Costs

The District's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The District's annual OPEB cost for the year ending June 30, 2015 including the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2014 is as follows:

Annual Required Contribution (ARC)	\$ 445,769
Interest on Net OPEB Obligation (NOO)	88,424
NOO amortization adjustment to ARC	<u>(83,754)</u>
Annual OPEB cost	450,439
Contributions made	<u>(278,950)</u>
Increase in Net OPEB obligation	171,489
Net OPEB obligation - beginning of year	<u>1,964,983</u>
Net OPEB obligation - end of year	<u><u>\$ 2,136,472</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for years ended June 30, 2015, 2014, and 2013 are as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 450,439	61.9%	\$ 2,136,472
6/30/2014	\$ 501,721	58.3%	\$ 1,964,983
6/30/2013	\$ 511,114	49.6%	\$ 1,755,904

The District's net OPEB obligation as of June 30, 2015 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 4,419,370
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 4,419,370</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 28,631,217
UAAL as a percentage of covered payroll	15.4%

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the District and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The method used in the July 1, 2014 actuarial valuation was the Projected Unit Credit Cost method. The actuarial value of assets was not determined as the District has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return, an initial healthcare cost trend of 9.0% that is reduced to an ultimate 5.0% long-term rate. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on an open group basis. This has been calculated assuming the amortization payment increases at a rate of 3.0% per year.

NOTE 8—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the District’s long-term obligations for the year ended June 30, 2015 are as follows:

<u>Type</u>	<u>Balance</u>			<u>Amounts</u>	
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
				<u>June 30, 2015</u>	<u>One Year</u>
General obligation bonds	\$ 14,805,000	\$ 3,895,000	\$(1,750,000)	\$ 16,950,000	\$ 2,115,000
Unamortized bond premium	45,259	220,486	(5,015)	260,730	48,589
Total Bonds Payable	14,850,259	4,115,486	(1,755,015)	17,210,730	2,163,589
Capital leases	615,424	40,850	(357,099)	299,175	223,332
Compensated absences	2,957,754	543,823	(257,757)	3,243,820	-
	<u>\$ 18,423,437</u>	<u>\$ 4,700,159</u>	<u>\$(2,369,871)</u>	<u>\$ 20,753,725</u>	<u>\$ 2,386,921</u>

Payments on the general obligation bonds and capital leases are paid out of the General Fund and Food Service Fund (a nonmajor governmental fund). Compensated absences will be paid from the General Fund.

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

General Obligation Bonds

Bonds payable at June 30, 2015 is comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest Rate	Final Maturity Date	Balance at <u>June 30, 2015</u>
2002 Series B issue	\$ 12,030,000	4.0-5.0%	July 2022	\$ 5,330,000
2004 Refunding bond issue	6,935,000	3.25%	August 2016	975,000
2005 Series bond issue	5,500,000	3.75%	August 2015	275,000
2008 Series bond issue	5,100,000	4.0-4.25%	July 2028	3,570,000
2014 Refunding bond issue	2,955,000	1.0-2.38%	August 2025	2,905,000
2014 Series B issue	<u>3,895,000</u>	3.00%	July 2024	<u>3,895,000</u>
	<u>\$ 36,415,000</u>			16,950,000
			Add: <i>Unamortized bond premiums</i>	260,730
				<u>\$ 17,210,730</u>

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.

Debt service requirements to retire general obligation bonds outstanding at June 30, 2015 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 2,115,000	\$ 588,306	\$ 2,703,306
2017	2,105,000	507,881	2,612,881
2018	1,615,000	438,665	2,053,665
2019	1,610,000	378,656	1,988,656
2020	1,605,000	318,900	1,923,900
2021-2025	6,615,000	747,118	7,362,118
2026-2029	<u>1,285,000</u>	<u>88,954</u>	<u>1,373,954</u>
Sub-total Bonds payable	16,950,000	3,068,480	20,018,480
Add: <i>Unamortized bond premiums</i>	260,730		260,730
Total Bonds payable	<u>\$ 17,210,730</u>	<u>\$ 3,068,480</u>	<u>\$ 20,279,210</u>

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of vehicles, equipment and fixture acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Following are the individual capital leases at June 30, 2015:

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

Various vehicles, equipment and fixtures due in annual installments of \$154,158 through July 2015 including interest of 3.12%	\$ 149,494
Various equipment due in annual installments of \$55,947 through July 2016 including interest of 1.87%	108,831
Various vehicles due in annual installments of \$21,969 through October 2016 including interest of 5.00%	40,850
	<u>\$ 299,175</u>

Debt service requirements to retire capital lease obligations outstanding at June 30, 2015 are as follows:

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>June 30,</u>				
2016		\$ 223,332	\$ 8,743	\$ 232,075
2017		75,843	2,074	77,917
		<u>\$ 299,175</u>	<u>\$ 10,817</u>	<u>\$ 309,992</u>

Available Debt Margin

The District is subject to State statute which limits debt outstanding to a percentage (dependent of purpose) of a valuation calculation made annually by the State. As of June 30, 2015, the District had the following available debt margin:

	<u>% of Assessed</u>	<u>Statutory</u>	<u>Net Debt</u>	<u>Authorized and</u>	<u>Available</u>
	<u>Valuation</u>	<u>Limit</u>	<u>Outstanding</u>	<u>Unissued Debt</u>	<u>Debt Limit</u>
School	7.00%	\$ 228,605,587	\$ 16,950,000	\$ -	\$ 211,655,587

NOTE 10—INTERFUND BALANCES AND TRANSFERS

The District has combined the cash resources of its General Fund, Special Revenue Funds, and Capital Projects Fund. 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, 2015 are as follows:

	<u>General</u>	<u>Due from</u>	
		<u>Fund</u>	<u>Grants</u>
		<u>Fund</u>	<u>Totals</u>
<u>Due to</u> General Fund		\$ 294,938	\$ 294,938
Capital Projects Fund	\$ 2,095,062		2,095,062
Nonmajor Governmental Funds	41,812		41,812
	<u>\$ 2,136,874</u>	<u>\$ 294,938</u>	<u>\$ 2,431,812</u>

During the year ending June 30, 2015, the General Fund transferred \$12,422 to the Food Service Fund (a nonmajor governmental fund) to offset its decrease in fund balance for the fiscal year.

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 11—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

Capital projects	\$ 2,055,062
Donations	15,242
	<u>\$ 2,070,304</u>

NOTE 12—FUND BALANCE COMPONENTS

The District's fund balance components are comprised as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Inventory				\$ 24,192	\$ 24,192
Prepaid expenses	\$ 8,171				8,171
Restricted for:					
Donations		\$ 15,242			15,242
Capital projects			\$ 2,055,062		2,055,062
Committed for:					
Designated for subsequent fiscal year appropriation	100,000				100,000
Capital reserves	312,534				312,534
Assigned for:					
Food service operations				5,563	5,563
Impact fees				117,423	117,423
Designated to offset subsequent fiscal year tax rate	1,767,449				1,767,449
Fund balance retention	302,810				302,810
	<u>\$ 2,490,964</u>	<u>\$ 15,242</u>	<u>\$ 2,055,062</u>	<u>\$ 147,178</u>	<u>\$ 4,708,446</u>

NOTE 13—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 are various claims and suits pending against the District, which arise in the normal course of the District's activities. In the opinion of legal counsel and District management, the potential claims against the District, which are not covered by insurance are immaterial and would not affect the financial position of the District.

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2015

NOTE 14—RESTATEMENT OF EQUITY

During the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*, as described in Note 1 of these financial statements. The impact on beginning net position of the Governmental Activities is as follows:

	Governmental <u>Activities</u>
Net Position - July 1, 2014 (as previously reported)	\$ 32,239,906
Amount of restatement due to:	
Net Pension Liability	(51,235,214)
Contributions subsequent to measurement date	<u>3,861,421</u>
Net Position - July 1, 2014, as restated	<u>\$ (15,133,887)</u>

SCHEDULE 1
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 51,872,798	\$ 51,872,798	\$ 51,872,798	\$ -
Intergovernmental	13,513,933	13,513,933	13,632,551	118,618
Charges for services	661,150	661,150	809,111	147,961
Miscellaneous	200,000	200,000	43,594	(156,406)
Total Revenues	<u>66,247,881</u>	<u>66,247,881</u>	<u>66,358,054</u>	<u>110,173</u>
Expenditures:				
Current:				
Instruction	40,818,858	40,818,858	39,230,234	1,588,624
Supporting services	5,739,055	5,739,055	5,304,607	434,448
Instructional staff services	2,356,592	2,356,592	2,251,655	104,937
General administration	5,990,965	5,990,965	6,107,945	(116,980)
Operation and maintenance of plant	5,582,296	5,582,296	5,787,843	(205,547)
Pupil transportation	3,272,354	3,272,354	3,222,464	49,890
Debt service:				
Principal retirement	1,700,000	1,700,000	1,750,000	(50,000)
Interest and fiscal charges	660,957	660,957	594,834	66,123
Lease payments	351,384	351,384	351,382	2
Total Expenditures	<u>66,472,461</u>	<u>66,472,461</u>	<u>64,600,964</u>	<u>1,871,497</u>
Excess revenues over (under) expenditures	<u>(224,580)</u>	<u>(224,580)</u>	<u>1,757,090</u>	<u>1,981,670</u>
Other financing uses:				
Transfers out	<u>(600,001)</u>	<u>(600,001)</u>	<u>(612,422)</u>	<u>(12,421)</u>
Total other financing uses	<u>(600,001)</u>	<u>(600,001)</u>	<u>(612,422)</u>	<u>(12,421)</u>
Net change in fund balance	(824,581)	(824,581)	1,144,668	1,969,249
Fund balances at beginning of year				
- Budgetary Basis	<u>1,033,762</u>	<u>1,033,762</u>	<u>1,033,762</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 209,181</u>	<u>\$ 209,181</u>	<u>\$ 2,178,430</u>	<u>\$ 1,969,249</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT

Schedule of Funding Progress for Other Post-Employment Benefits

For the Year Ended June 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2014	-	\$ 4,419,370	\$ 4,419,370	0.0%	\$ 28,631,217	15.4%
7/1/2012	-	\$ 4,765,363	\$ 4,765,363	0.0%	\$ 28,049,722	17.0%
7/1/2010	-	\$ 4,972,482	\$ 4,972,482	0.0%	\$ 27,071,787	18.4%

See accompanying notes to the required supplementary information

SCHEDULE 3

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT

Schedule of Changes in the District's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	1.1902%	1.1905%
District's proportionate share of the net pension liability (asset)	\$ 44,676,763	\$ 51,235,214
District's covered-employee payroll	\$ 32,777,129	\$ 33,087,061
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136.30%	154.85%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 4
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
 Schedule of District Contributions
 For the Year Ended June 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 3,911,225	\$ 3,861,421	\$ 2,960,144
Contributions in relation to the contractually required contribution	<u>(3,911,225)</u>	<u>(3,861,421)</u>	<u>(2,960,144)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 33,330,808	\$ 32,777,129	\$ 33,087,061
Contributions as a percentage of covered-employee payroll	11.73%	11.78%	8.95%

See accompanying notes to the required supplementary information

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2015

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 non-budgetary activity, budgetary transfers out, capital lease transactions, and activity budgeted in the prior fiscal year as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 66,398,982	\$ 66,248,581
Non-budgetary activity	(78)	(599,383)
Budgetary transfers out		600,000
Capital lease transactions	(40,850)	(40,850)
Activity budgeted for in prior fiscal year and recognized in current fiscal year		(994,962)
Per Schedule 1	<u>\$ 66,358,054</u>	<u>\$ 65,213,386</u>

Major Special Revenue Fund

The District adopts its budgets 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—GENERAL FUND BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at June 30, 2015 are as follows:

**LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
 June 30, 2015**

Nonspendable:	
Prepaid expenses	\$ 8,171
Committed for:	
Designated for subsequent year expenditures	100,000
Assigned for:	
Designated to offset subsequent fiscal year tax rate	1,767,449
Fund balance retention	<u>302,810</u>
	<u>\$ 2,178,430</u>

NOTE 3—SCHEDULE OF CHANGES IN THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF DISTRICT 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 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 additional information becomes available.

SCHEDULE 1
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE		
Pass Through Payments from New Hampshire Department of Education		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 7,231
National School Lunch Program	10.555	<u>332,138</u>
Total Child Nutrition Cluster		<u>339,369</u>
Total Department of Agriculture		<u>339,369</u>
DEPARTMENT OF EDUCATION		
Pass Through Payments from New Hampshire Department of Education		
Adult Education - Basic Grants to States #57312	84.002	<u>4,385</u>
Title I Grants to Local Educational Agencies #50081	84.010	<u>208,974</u>
Special Education Cluster:		
Special Education - Grants to States #52508	84.027	1,020,651
Special Education - Preschool Grants #52508	84.173	<u>13,721</u>
Total Special Education Cluster		<u>1,034,372</u>
Improving Teacher Quality State Grants #44874 #54874	84.367	5,797 <u>126,640</u> <u>132,437</u>
Total Department of Education		<u>1,380,168</u>
Total Expenditures of Federal Awards		<u>\$ 1,719,537</u>

See notes to schedule of expenditures of federal awards

LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

NOTE 1—GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Londonderry, New Hampshire School District (the District). The District's reporting entity is defined in Note 1 of the District's basic financial statements. All federal funds are included on the schedule.

NOTE 2—BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is described in Note 1 of the District's basic financial statements.

NOTE 3—NON-CASH TRANSACTIONS

The District participates in the USDA Food Distribution Program which is a non-cash program. The value of commodities expended by the District is \$69,611 and has been reported on the Schedule of Expenditures of Federal Awards as part of the National School Lunch Program.

NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the District's basic financial statements as intergovernmental revenues in the Grants Fund and Nonmajor Governmental Funds as follows:

Grants Fund	\$ 1,380,168
Nonmajor Governmental Funds:	
Food Service Fund	<u>339,369</u>
	<u>\$ 1,719,537</u>

**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
Londonderry, New Hampshire 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 Londonderry, New Hampshire School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Londonderry, New Hampshire School District's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Londonderry, New Hampshire School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Londonderry, New Hampshire School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Londonderry, New Hampshire 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Londonderry, New Hampshire 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Vachon Clerkay & Company PC". The signature is written in a cursive, flowing style.

Manchester, New Hampshire
December 7, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditor's Report

To the School Board
Londonderry, New Hampshire School District

Report on Compliance for Each Major Federal Program

We have audited the Londonderry, New Hampshire School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Londonderry, New Hampshire School District's major federal programs for the year ended June 30, 2015. The Londonderry, New Hampshire School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Londonderry, New Hampshire 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, 2015.

Report on Internal Control Over Compliance

Management of the Londonderry, New Hampshire 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 Londonderry, New Hampshire 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Londonderry, New Hampshire School District's internal control over compliance.

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

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

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



Manchester, New Hampshire
December 7, 2015

**Londonderry, New Hampshire School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified – all reporting units
 Internal control over financial reporting:
 Material weakness(es) identified? _____yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____yes X none reported
 Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____yes X none reported

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

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? _____yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish
 between Type A and Type B program: \$ 300,000 .

Auditee qualified as low-risk auditee? _____X_____yes _____no

Section II--Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III--Federal Award Findings and Questioned Costs

There were no findings and questioned costs required to be reported under OMB Circular A-133 .510(a).

SCHEDULE A
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2015

	Food Service <u>Fund</u>	Impact Fees <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,600		\$ 5,600
Accounts receivable	4,856		4,856
Due from other governments	17,142	\$ 117,423	134,565
Due from other funds	41,812		41,812
Inventory	<u>24,192</u>		<u>24,192</u>
Total Assets	<u>93,602</u>	<u>117,423</u>	<u>211,025</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 93,602</u>	<u>\$ 117,423</u>	<u>\$ 211,025</u>
LIABILITIES			
Accounts payable	\$ 47,285		\$ 47,285
Accrued expenses	<u>16,562</u>		<u>16,562</u>
Total Liabilities	<u>63,847</u>	<u>\$ -</u>	<u>63,847</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	24,192		24,192
Assigned	<u>5,563</u>	<u>117,423</u>	<u>122,986</u>
Total Fund Balances	<u>29,755</u>	<u>117,423</u>	<u>147,178</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 93,602</u>	<u>\$ 117,423</u>	<u>\$ 211,025</u>

SCHEDULE B
LONDONDERRY, NEW HAMPSHIRE SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended June 30, 2015

	Food Service Fund	Impact Fees Fund	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental	\$ 368,452		\$ 368,452
Charges for services	990,775		990,775
Interest income	37	\$ 11	48
Miscellaneous	300		300
Total Revenues	<u>1,359,564</u>	<u>11</u>	<u>1,359,575</u>
Expenditures:			
Current operations:			
Food service	1,344,761		1,344,761
Debt service:			
Lease payments	21,873		21,873
Total Expenditures	<u>1,366,634</u>	<u>-</u>	<u>1,366,634</u>
Excess revenues (under) expenditures	<u>(7,070)</u>	<u>11</u>	<u>(7,059)</u>
Other financing sources:			
Transfers in	12,422		12,422
Total other financing sources	<u>12,422</u>	<u>-</u>	<u>12,422</u>
Net change in fund balances	5,352	11	5,363
Fund balances at beginning of year	<u>24,403</u>	<u>117,412</u>	<u>141,815</u>
Fund balances at end of year	<u>\$ 29,755</u>	<u>\$ 117,423</u>	<u>\$ 147,178</u>