

LITCHFIELD SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Litchfield School District
Litchfield, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Litchfield School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

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 aggregate remaining fund information of the Litchfield School District as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the general fund and the grants fund, 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 (pages 3 through 17) and the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 40) be presented to supplement the basic financial statements. Such information, although

***Litchfield School District
Independent Auditor's Report***

not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them 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.

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

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015 on our consideration of the Litchfield School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Litchfield School District's internal control over financial reporting and compliance.

March 10, 2015


PLODZIK & SANDERSON
Professional Association

LITCHFIELD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

The Superintendent of Schools and Business Administrator of New Hampshire School Administrative Unit #27, as management of the Litchfield School District, offer readers of the annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2014. The District has prepared this discussion and analysis to encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position for fiscal year ending June 30, 2014 was \$10,464,590. Net position increased by \$550,850 between July 1, 2013 and June 30, 2014. Total liabilities were reduced by \$616,625 or -19.5%. Bond obligation is reduced by \$800,000 and will be retired in 2015.
- The District did not initiate any new construction projects nor issue any bonds in fiscal year 2014.
- The District's General Fund budgetary expenditures and transfers of \$19,303,017 were -\$514,097 less than the final adjusted budget. General Fund budgetary revenues of \$19,777,084 were \$327,565 higher than the final adjusted budget projections.

Revenues consist of: charges for services; operating grants and contributions; and general revenues which consist of local and state property tax assessments, state and federal grants and contributions not restricted to purpose.
- Net change in the unassigned balance for the General Fund was \$474,067, from which \$50,000 was approved for transfer to the district's Building Maintenance Capital Reserve Fund.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes to the financial statements, and related financial information. Our annual financial report consists of five elements: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) this discussion and analysis. This report also contains other supplementary information in addition to the basic financial statements themselves.

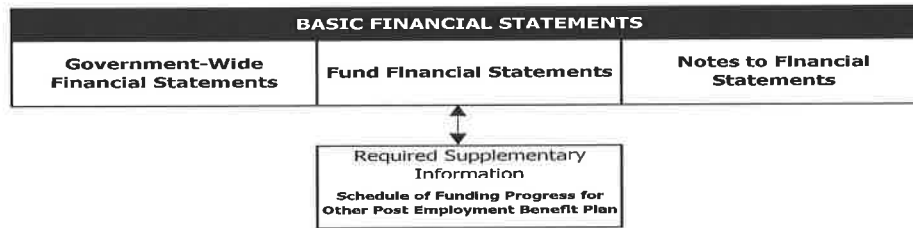
The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following exhibit shows how the required parts of this annual report are arranged and related to one another.



The following exhibit summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain.

REQUIRED FINANCIAL STATEMENTS	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position (not required for agency funds)
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources
TYPE OF INFORMATION ASSETS AND LIABILITIES	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term
TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Financial Statements

The Government-wide Financial Statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as "Governmental Activities." These functions are accounted for in the General Fund, Food Service Fund, and Grants Fund. Intergovernmental revenues include local, state and federal monies. The governmental activities of the District include instruction, support services, operation and

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

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. Fund definitions are part of a state-mandated uniform accounting system and chart of accounts for all New Hampshire School Districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds. The General Fund, Food Service Fund, and Grants Fund are consolidated as Governmental Funds. Both the General Fund and Grants Fund expenditures are compared to budget in the Budgetary Comparison Schedules. Non-major funds include the Food Service Fund. All Food Service revenues are expended on program operations and the Grants Fund revenues are spent mainly on instruction. Fiduciary Funds are agency funds established to account for monies belonging to student groups and are shown on a separate schedule.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, and machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention thus the depreciated value of a District asset, as reflected in these reports, does not reflect an asset's useful, market or replacement value.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

Net Position

Total net position at year end is \$10,464,950 represents an increase of \$550,850 or 5.6% from the prior year.

	<u>2014</u>	<u>2013</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current Assets	1,817,761	1,413,444	404,317	28.6%
Non-Current Assets	<u>11,202,620</u>	<u>11,673,474</u>	<u>-470,854</u>	<u>-4.0%</u>
Total Assets	13,020,381	13,086,918	-66,537	-0.5%
Current Liabilities	665,841	688,282	-22,441	-3.3%
Non-Current Liabilities	<u>1,831,477</u>	<u>2,425,661</u>	<u>-594,184</u>	<u>-24.5%</u>
Total Liabilities	2,497,318	3,113,943	-616,625	-19.8%
Deferred Inflows of Resources	58,473	59,235	-762	-1.3%
Net Investment in Capital Assets (Net of Debt)	10,710,025	10,352,219	357,806	3.5%
Restricted Net Position	70,660	70,852	-192	-0.3%
Unrestricted Net Position	<u>-316,095</u>	<u>-509,331</u>	<u>193,236</u>	<u>-37.9%</u>
TOTAL NET ASSETS	10,464,590	9,913,740	550,850	5.6%

Changes in Fund Balance – Total Government Funds

Total revenues were \$20,762,400, an increase of \$355,597 or 1.6% from previous fiscal year.

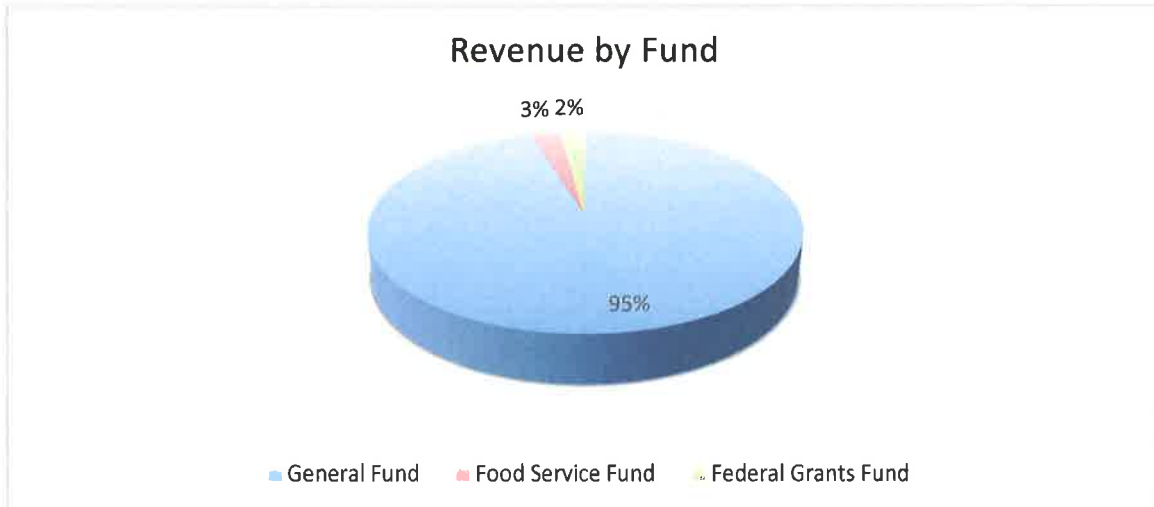
<u>Revenue</u>	<u>2014</u>	<u>% Total</u>	<u>2013</u>	<u>% Total</u>
Program Revenues:				
Charges for Services	683,919	3.3%	503,808	2.5%
Operating Grants	812,077	3.9%	1,025,773	5.0%
Capital Grants	260,787	1.3%	260,787	1.3%
General Revenues:				
School District Assessment	11,033,655	53.1%	10,405,248	50.9%
Unrestricted Grants	7,725,780	37.2%	7,995,081	39.1%
Miscellaneous	<u>246,181</u>	<u>1.2%</u>	<u>236,106</u>	<u>1.2%</u>
Total Revenues	20,762,400	100.0%	20,426,803	100%
\$ Variance Previous Period	335,597			
% Variance Previous Period	1.6%			

Current Tax Appropriation (Local Education Tax) accounts for 53.1% of the district's total revenue. State Education Grant, also referred to as Adequate Education Aid, and State Education Taxes combine for 37.2% of the revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014



Ninety five (95%) of the revenue received by the district supports the General Fund

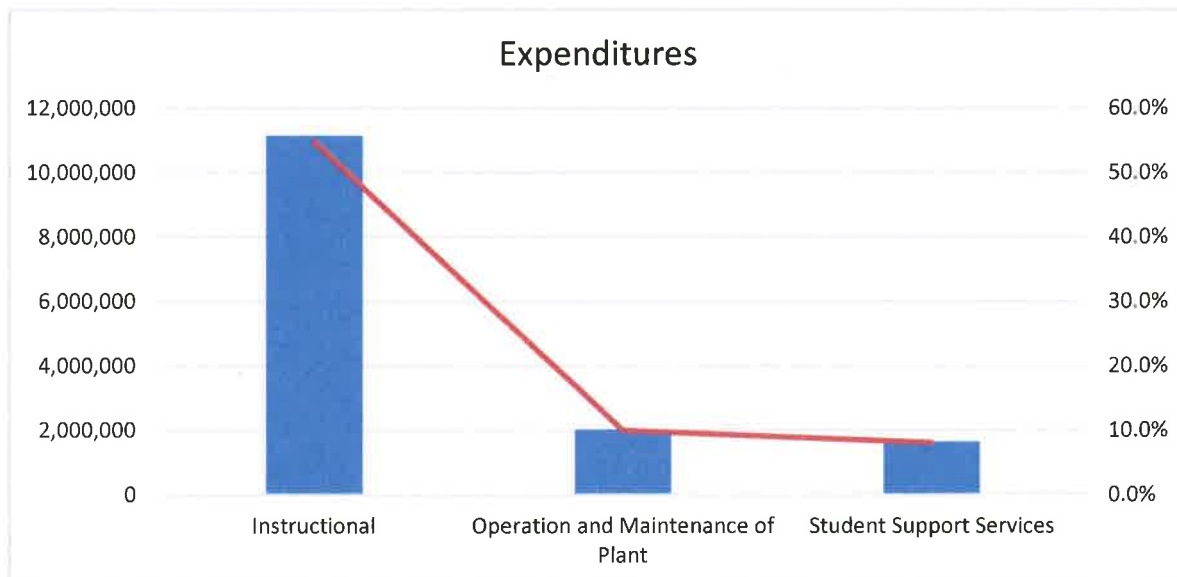


MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

Total expenditures were \$20,211,550, a decrease of -\$229,395 or -1.1% from the previous fiscal year.

<u>Program Expenses</u>	<u>2014</u>	<u>% Total</u>	<u>2013</u>	<u>% Total</u>
Instructional	11,346,354	56.1%	11,795,318	59.6%
Support Services:				
Student	1,692,703	8.4%	1,560,159	7.9%
Instructional Staff	1,021,846	5.1%	492,422	2.5%
General Administration	114,903	0.6%	71,442	0.4%
Executive Administration	468,438	2.3%	450,923	2.3%
School Administration	1,181,757	5.8%	1,255,287	6.3%
Business	289,272	1.4%	286,905	1.4%
Operation and Maintenance of Plant	2,063,524	10.2%	1,731,201	8.7%
Student Transportation	774,529	3.8%	779,593	3.9%
Other	546,250	2.7%	528,522	2.7%
Non-Instructional Services	546,360	2.7%	556,666	2.8%
Interest on Long-Term Debt	67,463	0.3%	91,405	0.5%
Facilities Acquisition and Construction	<u>98,151</u>	<u>0.5%</u>	<u>194,366</u>	<u>1.0%</u>
Total Governmental Activities	20,211,550	100.0%	19,794,209	100%
\$ Variance Previous Period	417,341			
% Variance Previous Period	2.11%			

The following categories represent 72.9% of total expenditures of the district.



Change in General Fund Balance

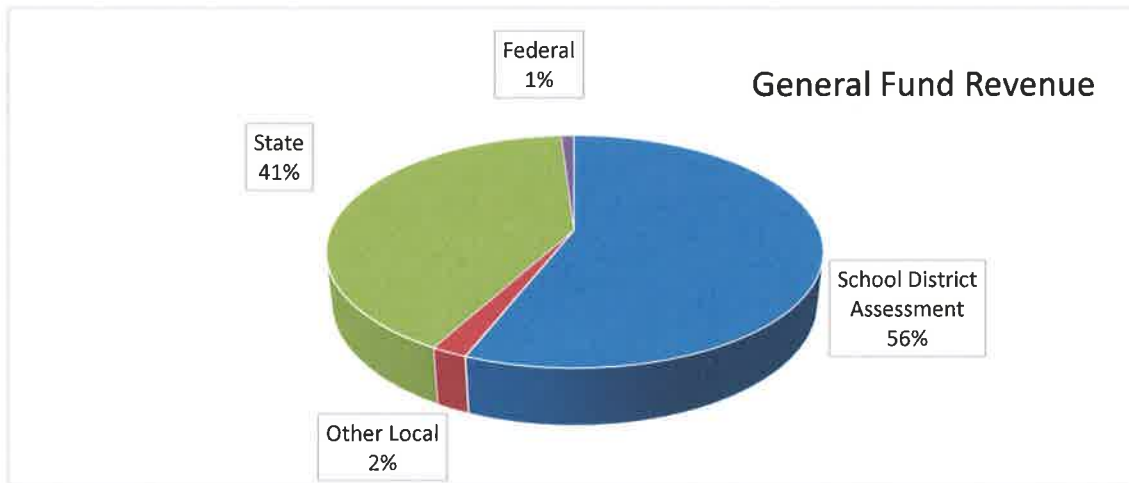
The District's General Fund total revenues and other funding sources were \$19,777,084; total expenses were \$19,303,017.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

At the start of the period, the general fund balance was \$378,363. The end of year resulted in an increase to the general fund balance of \$474,067, less \$50,000 transfer commitment to the Building Maintenance Trust Fund, in the General Fund unassigned fund balance to \$802,430.

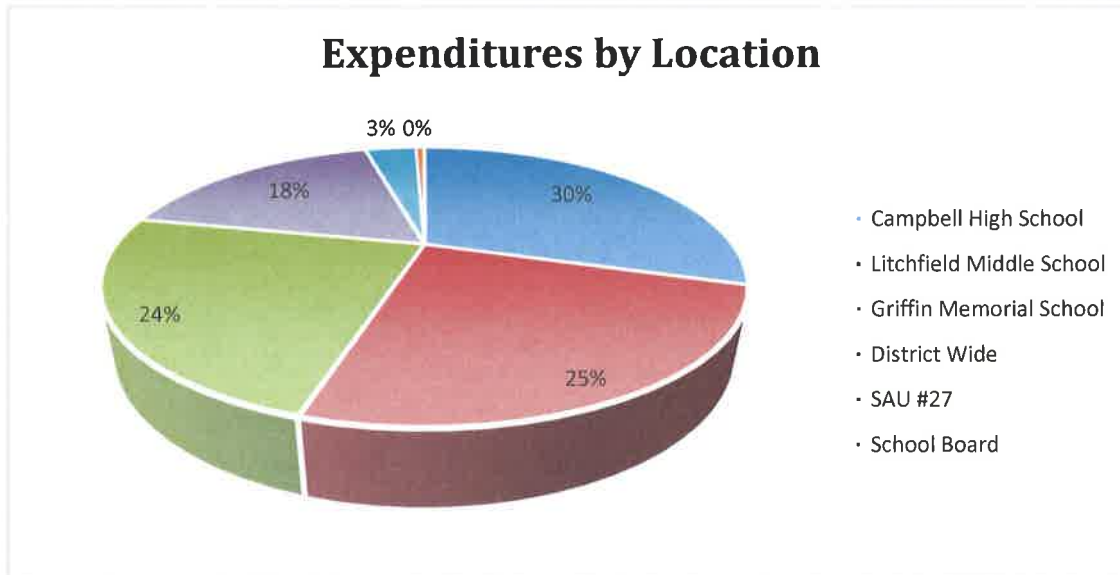
Summary of Revenues

The biggest share of revenue (\$11,033,655) was derived from local appropriations from local school tax. State property tax (\$1,850,157) is included as part of intergovernmental revenue even though it is raised locally. This revenue statement includes all revenues from local, state and federal sources.



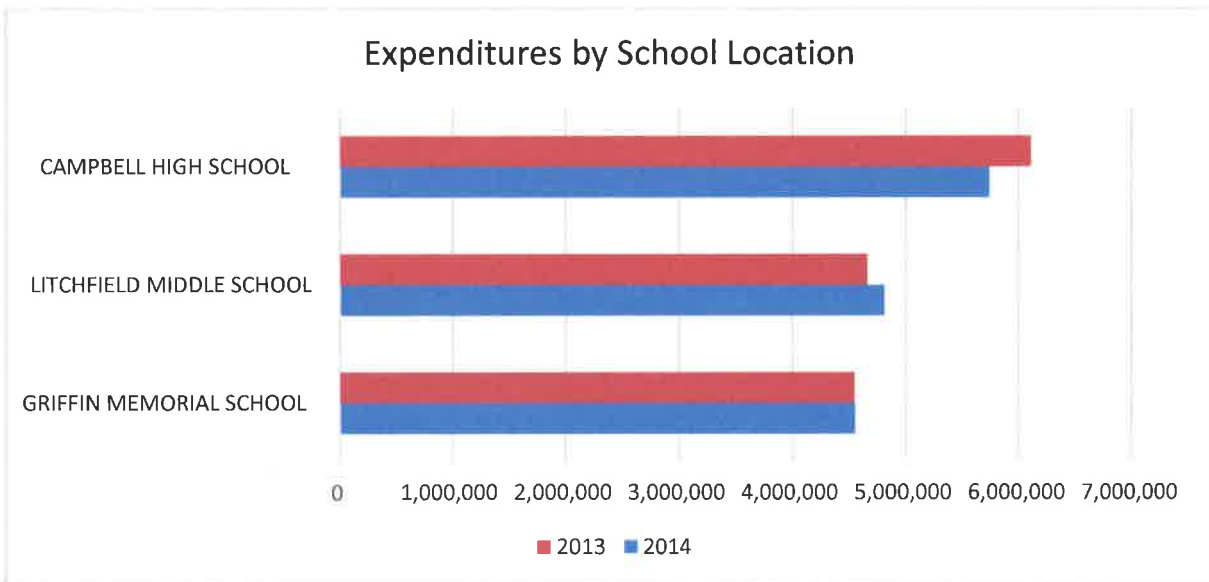
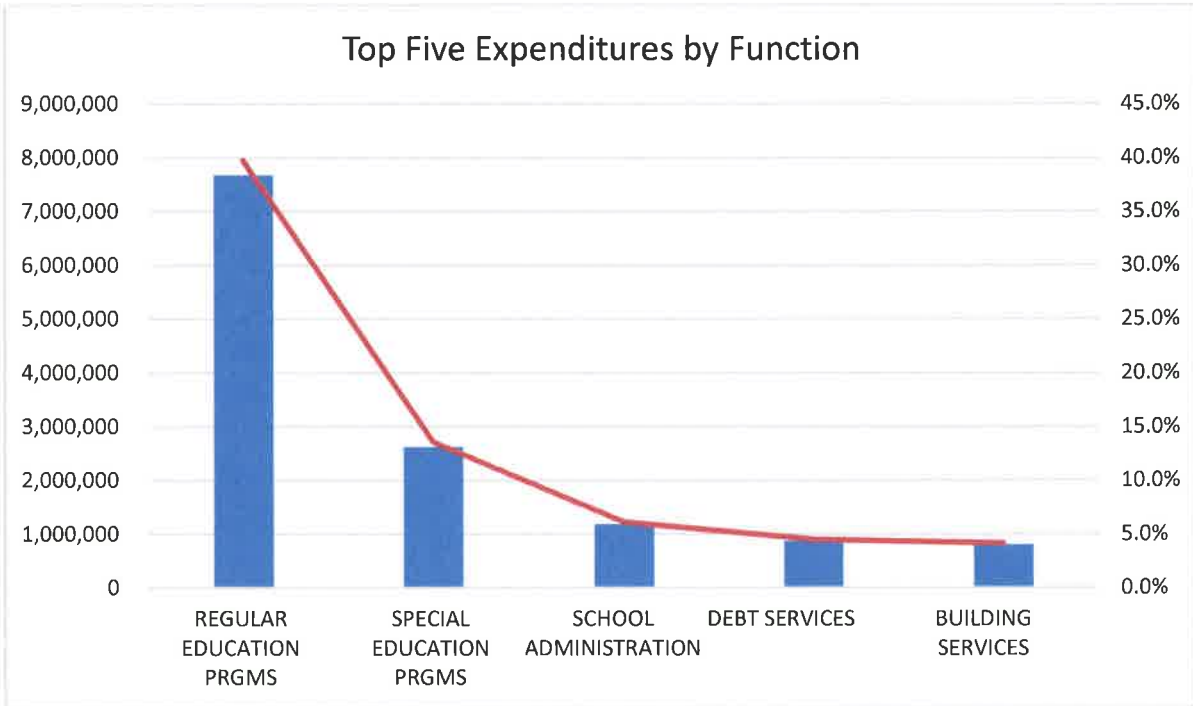
Summary of Expenditures

General Fund expenditures are accounted for in six locations.



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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Regular education programs account for nearly 40% of total expenditures for the period

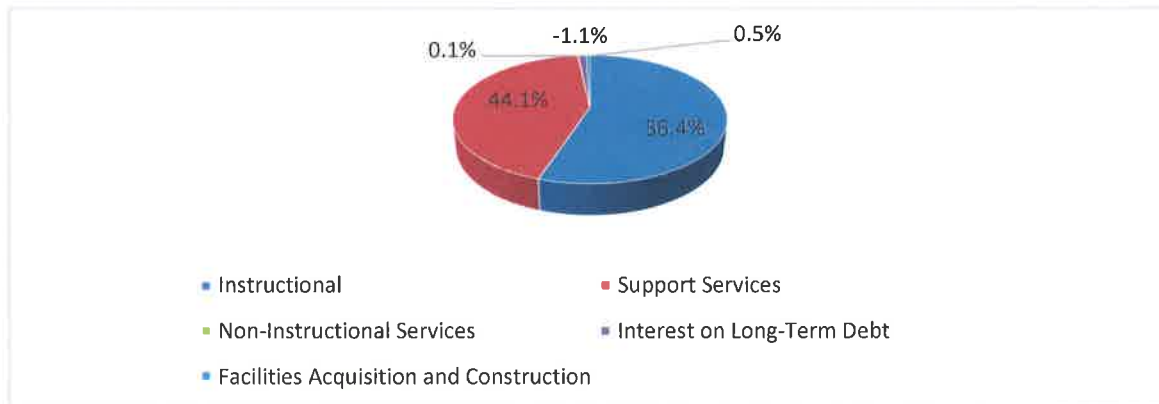


MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

Summary of Net Expenses

The Litchfield School District used its budgetary resources as depicted in the following chart. 56.4% of all expenses were on instruction. Federal revenues were expended mostly on special needs instruction and support, teacher professional development, and instructional equipment. This expense statement includes expenses paid from local, state and federal appropriations. For purposes of this accrual reporting, the State Building Aid revenues of \$260,787 were applied as an offset to the interest on long-term debt.

<u>Net Expenses</u>	<u>2014</u>	<u>% Total</u>	<u>2013</u>	<u>% Total</u>
Instructional	10,406,111	56.4%	10,912,017	60.6%
Support Services:				
Student	1,692,703	9.2%	1,457,150	8.1%
Instructional Staff	1,021,846	5.5%	492,122	2.7%
General Administration	114,903	0.6%	71,442	0.4%
Executive Administration	468,438	2.5%	450,923	2.5%
School Administration	1,181,757	6.4%	1,255,287	7.0%
Business	289,272	1.6%	286,905	1.6%
Operation and Maintenance of Plant	2,039,883	11.1%	1,731,201	9.6%
Student Transportation	765,329	4.1%	767,338	4.3%
Other	571,429	3.1%	528,123	2.9%
Non-Instructional Services	16,856	0.1%	26,349	0.1%
Interest on Long-Term Debt	-210,519	-1.1%	-169,382	-0.9%
Facilities Acquisition and Construction	98,151	0.5%	194,366	1.1%



Highlighted changes in total net expenses include:

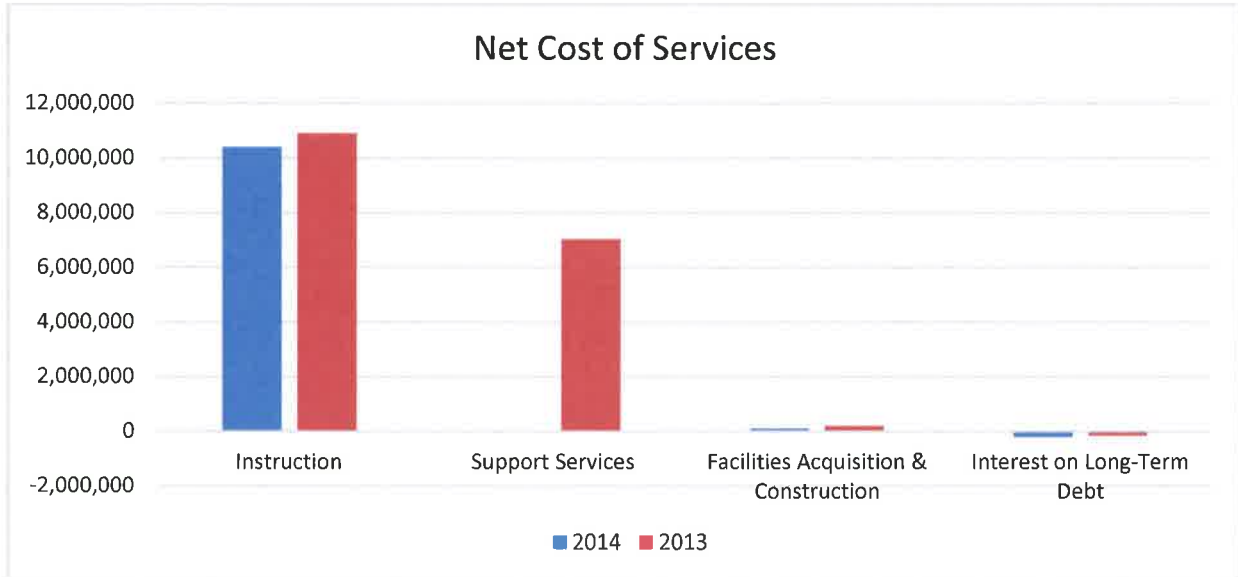
- A decrease in Instruction spending of \$505,906 or -4.6% over the prior year.
- An increase in total Support Services of \$1,105,069 or 15.7% over the prior year with the largest increase in Instructional Staff and Operation and Maintenance of Plant.

Governmental Activities

The following exhibit presents the net cost of the District's largest functions based upon the total expense, less charges for services and operating grants and contributions, of each function. The net cost reflects the amount that was funded by general revenues, principally the school district assessment, which is derived by local and statewide property taxes and general state aid.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014**

<u>Functions and Programs</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2013</u>
Instruction	10,406,111	-505,906	-4.6%	10,912,017
Support Services	8,145,560	1,105,069	15.7%	7,040,491
Facilities Acquisition & Construction	98,151	-96,215	-49.5%	194,366
Interest on Long-Term Debt	-210,519	-41,137	24.3%	-169,382



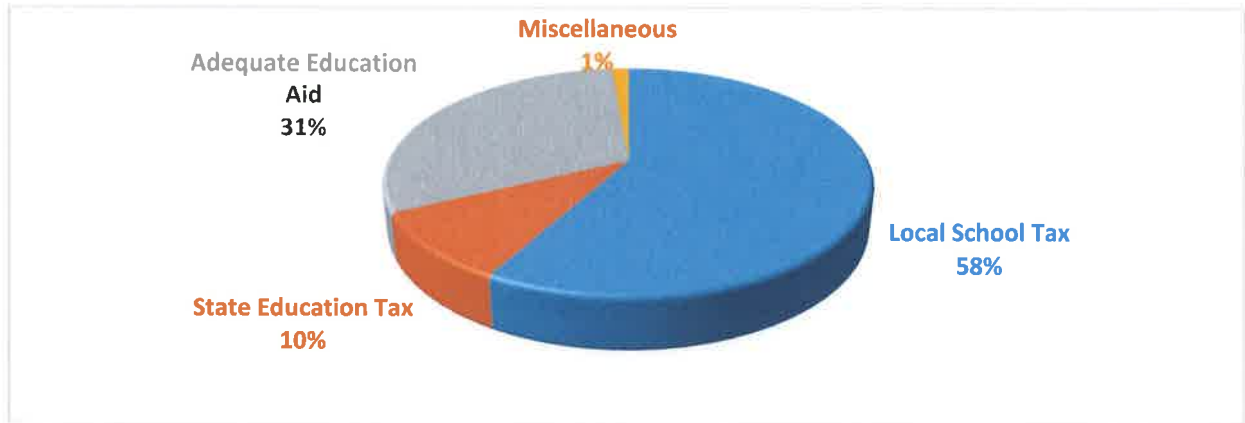
The total cost of all governmental activities in 2014 was \$20,211,550; the total net cost was \$18,456,159.

The primary financing for these activities of the District was as follows:

Property taxes

- The amount that was paid by taxpayers through property taxes was \$12,883,812; which consisted of \$11,033,655 paid in the form of local property taxes and \$1,850,157 paid in the form of property taxes under the State of New Hampshire state-wide education tax system raised locally for the annual school district assessment.
- An additional amount of \$5,875,623 was received from the State of New Hampshire under the “adequacy grant” provisions of the State’s educational funding system, which in addition to other State funding sources includes statewide property taxes collected from other local governments.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014**



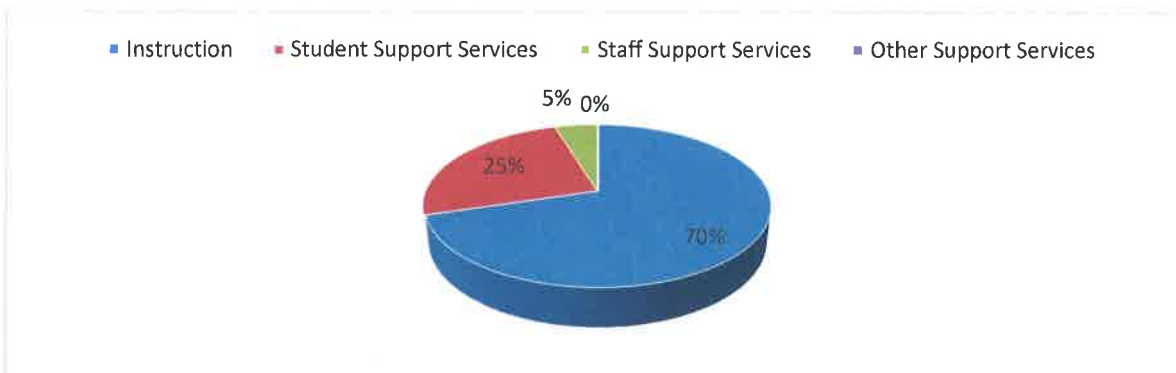
Charges for Services

- Tuition and self-funded program revenues were received in the amount of \$63,637.
- Total food service revenues of \$546,168 consisted of food service sales and local miscellaneous revenues in the amount of \$449,455 and federal and state food nutrition program operating contributions (free and reduced lunch reimbursements and commodities) of \$96,713.

Operating Grants

- Federal grants for instruction, student and staff support services totaled \$438,887.

	2014	2013	\$ Change	% Change
Instruction	308,135	353,484	-45,349	-13%
Student Support Services	110,066	103,009	7,057	7%
Staff Support Services	20,586	300	20,286	6762%
Other Support Services	100	399	-299	-75%



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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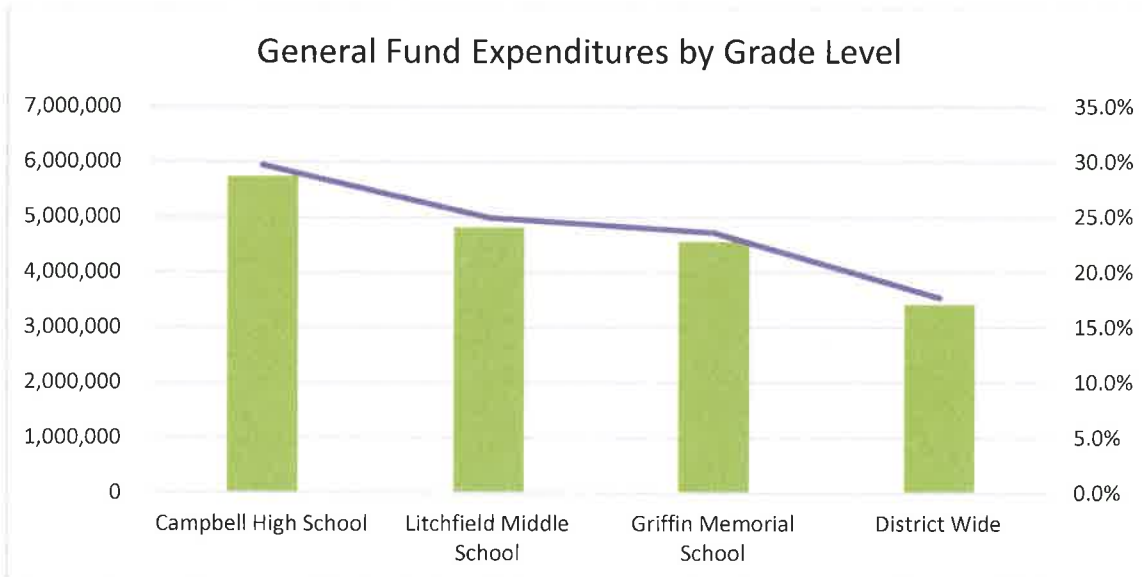
INDIVIDUAL FUND ANALYSIS

General Fund

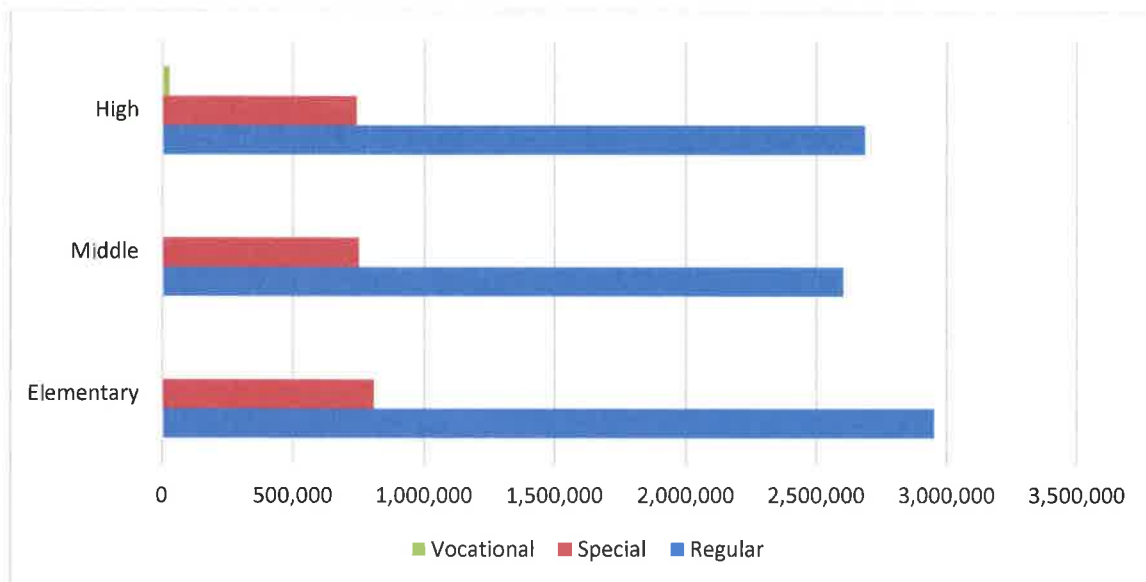
The General Fund is what most people think of as “the budget” since it is the focal point of the Annual Deliberative Session and largely supported by locally raised taxes. The local appropriation and the state property tax are raised locally and make up 65% of general fund revenues. Together, the revenues raised locally and the state adequacy grant comprises 95% of the District’s General Fund Budgetary Revenues.

Depicted below are expenditures and percentages by grade level and district wide including all facilities acquisition and construction expenditures, but excluding debt service and inter-fund transfers.

In 2014 instructional expenditures made up 56% of all general fund expenditures, a decrease of -.07% from the prior year, while Instructional Support and Services, including transportation, operation of plant, and administration make up 39% of all General Fund expenditures, a decrease of -.02% from the prior year. The remaining 5% includes debt service, principal and interest, and facilities construction. The following charts provide a more detailed depiction of the makeup and proportions of the expenditures in these broad categories.



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

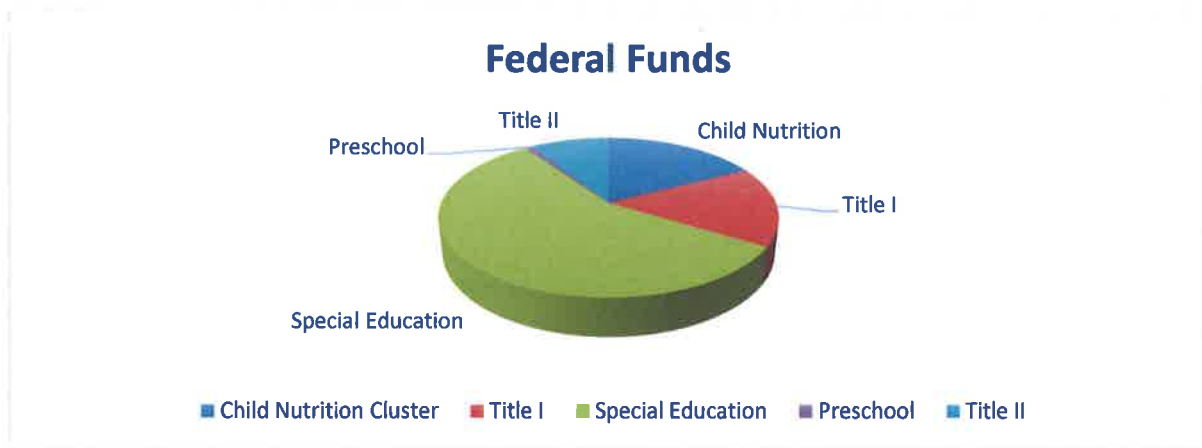


SUMMARY OF FEDERAL SUPPORT OF THE DISTRICT

During fiscal year 2014 the Litchfield School District applied for and received the following significant federal grants:

- Special Education, Individuals with Disabilities Education Improvement Act (IDEA) revenues for the current period were \$296,187. These grants funded special needs services and supplies for students throughout the District.
- Title I, Student Achievement and School Accountability Programs revenues for the current period were \$84,770. These grants funded: the services of part-time reading and math tutors for all three buildings; a summer reading program for middle school students; professional development; school improvement programs; and required supplemental educational services (out-of-school tutoring).
- Title IIA, Improving Teacher Quality State Grants was awarded for the current period in the amount of \$46,524. This grant funded teacher professional development and a teacher mentoring program.
- A Preschool Grant was awarded for the current period in the amount of \$4,606. The grant was used to provide supplies to support special needs students.
- U. S. Department of Agriculture National School Lunch Program revenues for the current period were \$91,373. These revenues were used to offset the expenses of the school lunch program.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014



CAPITAL RESERVE ACCOUNTS

The district has two expendable capital reserve funds (established by voters at an annual school district meeting as trust funds in accordance with statutory requirements) classified as a “Committed” fund balance in the general fund for the basic financial statements. The District’s Special Education capital reserve fund and the School Capital Improvement capital reserve fund balances increased \$50,261 during the year from \$104,236 at June 30, 2013, to \$154,497 at June 30, 2014. In accordance with statutory requirements, they are held in custody by the Trustees of Trust Funds of the Town of Litchfield and are only released for the restricted specific purposes of the individual funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District reported capital assets of \$11,202,620 (net of accumulated depreciation), which consist of a broad range of capital assets, including land, buildings & improvements, and machinery and equipment.

There were no additions of land assets during the year. District annually invests in new furnishings, computers and peripherals, printed media and other equipment, as needed.

Governmental Activities	2013	2014	\$ Variance
Land & Improvements	460,792	460,792	0
Buildings & Improvements	19,227,819	19,227,819	0
Equipment	321,375	347,293	25,918
Less: Accumulated Depreciation	-8,336,512	-8,833,284	-496,772
NET CAPITAL ASSETS	11,673,474	11,202,620	(470,854)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

Long-Term Liabilities

On June 30, 2014 the District had \$485,000 of outstanding long-term debt, \$713,916 in compensated absences payable, and \$7,595 in capital leases payable long term liabilities.

The District has implemented the provisions of the Governmental Accounting Standards Board Statement 45 (GASB-45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, which requires that the long-term cost of retiree health care and obligations for other OPEB benefits be determined on an actuarial basis and reported in the District's annual financial report. The District does not explicitly subsidize health care benefits of its retirees. All retirees pay 100% of their benefit costs. However, the State of New Hampshire requires that the District include its retirees in the same insurance pool as active employees, which may result in an implicit cost to the District as the rates the District pays for its active employees may be higher due to this pooling. This higher rate cost to the District creates a GASB-45 liability to the District. The District has historically funded these higher OPEB costs on a pay-as-you-go basis.

For the fiscal year ending June 30, 2014, the annual required contribution to cover OPEB obligations was \$158,017 which was offset by District pay-as-you-go contributions of \$64,609. The net OPEB obligation as of June 30, 2014 is \$624,966. As of July 1, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability for these OPEB benefits was \$1,355,366 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability of \$1,355,366.

Questions regarding this report should be directed to Brian Cochrane, Ph. D., Superintendent of Schools or to Mr. Frank Markiewicz, Business Administrator, at (603-578-3570), or by mail at:

Litchfield School District
SAU #27
1 Highlander Court
Litchfield, NH 03052

BASIC FINANCIAL STATEMENTS

EXHIBIT A
LITCHFIELD SCHOOL DISTRICT
Statement of Net Position
For the Fiscal Year Ended June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,604,515
Accounts receivable	17,694
Intergovernmental receivable	195,552
Capital assets, not being depreciated	460,792
Capital assets, net of accumulated depreciation	10,741,828
Total assets	13,020,381
LIABILITIES	
Accounts payable	58,384
Accrued salaries and benefits	597,027
Accrued interest payable	10,430
Noncurrent obligations:	
Due within one year	495,003
Due in more than one year	1,336,474
Total liabilities	2,497,318
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - grants	58,473
NET POSITION	
Net investment in capital assets	10,710,025
Restricted	70,660
Unrestricted	(316,095)
Total net position	\$ 10,464,590

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

EXHIBIT B
LITCHFIELD SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 11,346,354	\$ 63,637	\$ 876,606	\$ -	\$ (10,406,111)
Support services:					
Student	1,692,703	-	-	-	(1,692,703)
Instructional staff	1,021,846	-	-	-	(1,021,846)
General administration	114,903	-	-	-	(114,903)
Executive administration	468,438	-	-	-	(468,438)
School administration	1,181,757	-	-	-	(1,181,757)
Business	289,272	-	-	-	(289,272)
Operation and maintenance of plant	2,040,683	800	-	-	(2,039,883)
Student transportation	774,529	9,200	-	-	(765,329)
Other	571,429	-	-	-	(571,429)
Noninstructional services	561,217	447,646	96,715	-	(16,856)
Interest on long-term debt	50,268	-	-	260,787	210,519
Facilities acquisition and construction	98,151	-	-	-	(98,151)
Total governmental activities	<u>\$ 20,211,550</u>	<u>\$ 521,283</u>	<u>\$ 973,321</u>	<u>\$ 260,787</u>	<u>(18,456,159)</u>
General revenues:					
School district assessment					11,033,655
Grants and contributions not restricted to specific programs					7,725,780
Unrestricted investment income					631
Miscellaneous					246,943
Total general revenues					<u>19,007,009</u>
Change in net position					550,850
Net position, beginning					9,913,740
Net position, ending					<u>\$ 10,464,590</u>

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

EXHIBIT C-1
LITCHFIELD SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2014

	General	Grants	Other Governmental Fund (Food Service)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,528,689	\$ -	\$ 75,826	\$ 1,604,515
Receivables:				
Accounts	17,694	-	-	17,694
Intergovernmental	112,175	77,726	5,651	195,552
Interfund receivable	19,253	-	-	19,253
Total assets	<u>\$ 1,677,811</u>	<u>\$ 77,726</u>	<u>\$ 81,477</u>	<u>\$ 1,837,014</u>
LIABILITIES				
Accounts payable	\$ 47,567	\$ -	\$ 10,817	\$ 58,384
Accrued salaries and benefits	597,027	-	-	597,027
Interfund payable	-	19,253	-	19,253
Total liabilities	<u>644,594</u>	<u>19,253</u>	<u>10,817</u>	<u>674,664</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	-	58,473	-	58,473
FUND BALANCES				
Restricted	-	-	70,660	70,660
Committed	154,497	-	-	154,497
Assigned	76,290	-	-	76,290
Unassigned	802,430	-	-	802,430
Total fund balances	<u>1,033,217</u>	<u>-</u>	<u>70,660</u>	<u>1,103,877</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,677,811</u>	<u>\$ 77,726</u>	<u>\$ 81,477</u>	<u>\$ 1,837,014</u>

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

EXHIBIT C-2
LITCHFIELD SCHOOL DISTRICT
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,103,877
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 20,035,904	
Less accumulated depreciation	<u>(8,833,284)</u>	
		11,202,620
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (19,253)	
Payables	<u>19,253</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(10,430)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ (485,000)	
Capital leases	(7,595)	
Compensated absences	(713,916)	
Other postemployment benefits	<u>(624,966)</u>	
		<u>(1,831,477)</u>
Net Position of governmental activities (Exhibit A)		<u><u>\$ 10,464,590</u></u>

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

EXHIBIT C-3
LITCHFIELD SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	General	Grants	Other Governmental Fund (Food Service)	Total Governmental Funds
REVENUES				
School district assessment	\$ 11,033,655	\$ -	\$ -	\$ 11,033,655
Other local	319,406	6,800	449,455	775,661
State	8,262,405	-	5,340	8,267,745
Federal	161,879	432,087	91,373	685,339
Total revenues	<u>19,777,345</u>	<u>438,887</u>	<u>546,168</u>	<u>20,762,400</u>
EXPENDITURES				
Current:				
Instruction	10,850,527	308,135	-	11,158,662
Support services:				
Student	1,535,626	110,066	-	1,645,692
Instructional staff	609,065	20,586	-	629,651
General administration	114,574	-	-	114,574
Executive administration	468,438	-	-	468,438
School administration	1,195,927	-	-	1,195,927
Business	281,965	-	-	281,965
Operation and maintenance of plant	2,024,413	-	-	2,024,413
Student transportation	774,529	-	-	774,529
Other	546,150	100	-	546,250
Noninstructional services	-	-	546,360	546,360
Debt service:				
Principal	800,000	-	-	800,000
Interest	67,463	-	-	67,463
Facilities acquisition and construction	98,151	-	-	98,151
Total expenditures	<u>19,366,828</u>	<u>438,887</u>	<u>546,360</u>	<u>20,352,075</u>
Net change in fund balances	410,517	-	(192)	410,325
Fund balances, beginning	622,700	-	70,852	693,552
Fund balances, ending	<u>\$ 1,033,217</u>	<u>\$ -</u>	<u>\$ 70,660</u>	<u>\$ 1,103,877</u>

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

EXHIBIT C-4
LITCHFIELD SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 410,325
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 25,918	
Depreciation expense	<u>(496,772)</u>	(470,854)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal repayment of bond	\$ 800,000	
Principal repayment of capital leases	<u>28,660</u>	828,660
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 17,195	
Increase in compensated absences payable	(139,808)	
Increase in other postemployment benefits	<u>(94,668)</u>	(217,281)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 550,850</u></u>

EXHIBIT D-1
LITCHFIELD SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
School district assessment	\$ 11,033,655	\$ 11,033,655	\$ 11,033,655	\$ -
Other local	100,307	100,307	319,145	218,838
State	8,255,557	8,255,557	8,262,405	6,848
Federal	60,000	60,000	161,879	101,879
Total revenues	<u>19,449,519</u>	<u>19,449,519</u>	<u>19,777,084</u>	<u>327,565</u>
EXPENDITURES				
Current:				
Instruction	11,185,198	11,147,549	10,850,719	296,830
Support services:				
Student	1,566,623	1,577,519	1,536,770	40,749
Instructional staff	662,008	661,961	619,425	42,536
General administration	110,682	110,682	114,574	(3,892)
Executive administration	497,397	496,977	468,438	28,539
School administration	1,221,817	1,217,318	1,195,927	21,391
Business	301,335	290,674	272,185	18,489
Operation and maintenance of plant	2,028,754	2,030,944	2,020,513	10,431
Student transportation	877,931	880,791	774,529	106,262
Other	461,653	498,983	546,823	(47,840)
Debt service:				
Principal	800,000	800,000	800,000	-
Interest	67,463	67,462	67,463	(1)
Facilities acquisition and construction	36,253	36,254	35,651	603
Total expenditures	<u>19,817,114</u>	<u>19,817,114</u>	<u>19,303,017</u>	<u>514,097</u>
Net change in fund balance	<u>\$ (367,595)</u>	<u>\$ (367,595)</u>	474,067	<u>\$ 841,662</u>
Increase in committed fund balance			(50,000)	
Unassigned fund balance, beginning			378,363	
Unassigned fund balance, ending			<u>\$ 802,430</u>	

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

EXHIBIT D-2
LITCHFIELD SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Local	\$ 5,000	\$ 6,100	\$ 6,800	\$ 700
Federal	570,000	583,100	432,087	(151,013)
Total revenues	<u>575,000</u>	<u>589,200</u>	<u>438,887</u>	<u>(150,313)</u>
EXPENDITURES				
Current:				
Instruction	450,000	422,306	308,135	114,171
Support services:				
Student	100,000	123,128	110,066	13,062
Instructional staff	25,000	43,766	20,586	23,180
Other	-	-	100	(100)
Total expenditures	<u>575,000</u>	<u>589,200</u>	<u>438,887</u>	<u>150,313</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ -</u>	

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

EXHIBIT E
LITCHFIELD SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 169,862
LIABILITIES	
Due to student groups	<u>169,862</u>
NET POSITION	<u><u>\$ -</u></u>

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

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A Reporting Entity

The Litchfield School District, in Litchfield, New Hampshire (the School District) is a municipal corporation governed by an elected 5-member School Board. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals in the United States.

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

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

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

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

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

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

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

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

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Fiduciary Net Position. The School District’s fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Major Funds – The School District reports the following major governmental funds:

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

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

Nonmajor Fund – The School District also reports one nonmajor governmental fund, the food service fund. All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

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

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

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

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

1-C Cash and Cash Equivalents

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

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

1-D Receivables

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

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

1-E Interfund Balances

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

1-F Capital Assets

General capital assets are those assets of a capital nature which the School District owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$10,000 and more than one year of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset’s life are expensed.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and building improvements	20 - 30
Equipment	5 - 15

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-G Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises under both an accrual and a modified accrual basis of accounting, which qualifies for reporting in this category. The governmental activities and governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1-H Compensated Absences

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

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

1-I Long-Term Obligations

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

1-J Claims and Judgments

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

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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1-K Net Position/Fund Balances

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

Net Investment in Capital Assets – This classification includes the School District’s capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Position – This classification typically includes unrestricted liquid net position.

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

1-L Interfund Activities

Interfund activities are reported as follows:

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

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

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2014, \$367,595 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 19,777,084
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Miscellaneous revenue of blended funds	261
Per Exhibit C-3 (GAAP basis)	<u>\$ 19,777,345</u>
Expenditures:	
Per Exhibit D-1 (budgetary basis)	\$ 19,303,017
Adjustments:	
Basis difference:	
Encumbrances, beginning	140,101
Encumbrances, ending	(76,290)
Per Exhibit C-3 (GAAP basis)	<u>\$ 19,366,828</u>

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the School District's deposits was \$1,774,377 and the bank balances totaled \$2,568,863.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 1,604,515
Cash per Statement of Fiduciary Net Position (Exhibit E)	<u>169,862</u>
Total cash and cash equivalents	<u><u>\$ 1,774,377</u></u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2014, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, restricted grants, and trust funds in the custody of the Town of Litchfield. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Balance, ending</u>
At cost:			
Not being depreciated:			
Land	\$ 460,792	\$ -	\$ 460,792
Being depreciated:			
Buildings and building improvements	19,227,819	-	19,227,819
Equipment	321,375	25,918	347,293
Total capital assets being depreciated	<u>19,549,194</u>	<u>25,918</u>	<u>19,575,112</u>
Total capital assets	<u>20,009,986</u>	<u>25,918</u>	<u>20,035,904</u>
Less accumulated depreciation:			
Buildings and building improvements	(8,194,830)	(465,940)	(8,660,770)
Equipment	(141,682)	(30,832)	(172,514)
Total accumulated depreciation	<u>(8,336,512)</u>	<u>(496,772)</u>	<u>(8,833,284)</u>
Net book value, capital assets being depreciated	<u>11,212,682</u>	<u>(470,854)</u>	<u>10,741,828</u>
Net book value, all capital assets	<u><u>\$ 11,673,474</u></u>	<u><u>\$ (470,854)</u></u>	<u><u>\$ 11,202,620</u></u>

Depreciation expense was charged to functions of the School District based on their usage of the related assets. The amounts allocated to each function are as follows:

Instruction	\$ 415,262
Support services:	
Instructional staff	41,293
Operation and maintenance of plant	25,360
Noninstructional services	14,857
Total depreciation expense	<u><u>\$ 496,772</u></u>

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 – INTERFUND BALANCES

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2014, are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 19,253

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources reported in the financial statements for unavailable revenues are as follows:

	Grants
Federal grant revenue collected in advance of eligible expenditures being made	\$ 51,613
Local grant revenue collected in advance of eligible expenditures being made	6,860
Total deferred inflows of resources	\$ 58,473

NOTE 8 – CAPITAL LEASE OBLIGATIONS

The School District has entered into a certain capital lease agreement under which the related equipment will become the property of the School District when all the terms of the lease agreement are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2014
Capital lease obligations:		
Music equipment	15.15%	\$ 7,595

The annual requirements to amortize the capital lease payable as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30, 2015	Governmental Activities
	\$ 7,714
Less: interest	(119)
Present value of remaining payments	\$ 7,595

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 9 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2014:

	Balance, July 1, 2013	Additions	Reductions	Balance, June 30, 2014	Due Within One Year
General obligation bond payable	\$ 1,285,000	\$ -	\$ (800,000)	\$ 485,000	\$ 485,000
Capital leases	36,255	-	(28,660)	7,595	7,595
Compensated absences	574,108	139,808	-	713,916	2,408
Net other postemployment benefits	530,298	94,668	-	624,966	-
Total long-term liabilities	\$ 2,425,661	\$ 234,476	\$ (828,660)	\$ 1,831,477	\$ 495,003

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2014
General obligation bond payable:					
High school construction	\$ 11,685,000	2000	2015	4.50-5.25%	<u>\$ 485,000</u>

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	<u>\$ 485,000</u>	<u>\$ 25,463</u>	<u>\$ 510,463</u>

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

NOTE 10 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2014 are as follows:

Current:	
Instruction:	
Regular programs	<u>\$ 792</u>
Support services:	
Student	3,343
Instructional staff	11,466
Operation and maintenance of plant	60,016
Other	673
Total support services	<u>75,498</u>
Total encumbrances	<u>\$ 76,290</u>

NOTE 11 – GOVERNMENTAL ACTIVITIES NET POSITION

The government-wide Statement of Net Position at June 30, 2014 consisted of the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 11,202,620
Less:	
General obligation bonds payable	(485,000)
Capital leases payable	<u>(7,595)</u>
Total net investment in capital assets	10,710,025
Restricted for:	
Food service	70,660
Unrestricted	<u>(316,095)</u>
Total net position	<u>\$ 10,464,590</u>

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2014 consist of the following:

Restricted:		
Nonmajor fund:		
Food service	\$	70,660
Committed:		
Major fund:		
General:		
Expendable trust	\$	104,497
Voted appropriation - March 2014		<u>50,000</u>
Total committed fund balance		154,497
Assigned:		
Major fund:		
General:		
Encumbrances		76,290
Unassigned:		
Major fund:		
General		
		<u>802,430</u>
Total governmental fund balances	\$	<u><u>1,103,877</u></u>

NOTE 13 – EMPLOYEE RETIREMENT PLAN

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

The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2014, the School District contributed 14.16% for teachers and 10.77% for other employees. The contribution requirements for the fiscal years 2012, 2013, and 2014 were \$973,009, \$979,329, and \$1,175,929, respectively, which were paid in full in each year.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB Statement No. 45, as amended by GASB Statement No. 57, was implemented by the School District during the 2008-2009 fiscal year, and requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. Nevertheless, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2014:

Annual required contribution/OPEB cost	\$ 158,017
Interest on net OPEB obligation	23,863
Adjustment to annual required contribution	(22,603)
Annual OPEB cost (expense)	159,277
Contributions made	(64,609)
Increase in net OPEB obligation	94,668
Net OPEB obligation - beginning of year	530,298
Net OPEB obligation - end of year	\$ 624,966

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2012	\$ 180,285	35.35%	\$ 420,590
June 30, 2013	\$ 168,982	35.08%	\$ 530,298
June 30, 2014	\$ 158,017	40.89%	\$ 624,966

As of July 1, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,355,366, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,355,366. The covered payroll (annual payroll of active employees covered by the plan) was \$8,071,770 during fiscal year 2014, and the ratio of the UAAL to the covered payroll was 16.79%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return per annum. The projected annual health care cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2014 was 29 years.

NOTE 15 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2014, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance program for member School Districts and cities.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2014 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Litchfield School District billed and paid for the year ended June 30, 2014 was \$49,019 for workers' compensation. The School District paid \$20,752 and received a premium holiday in the amount of \$28,267. The School District was billed and paid \$54,103 for property/liability insurance. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 16 – CONTINGENT LIABILITIES

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

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the School District for the fiscal year ended June 30, 2014. These pronouncements had no impact on the current financial statements:

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

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

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

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, issued in November 2013, should be implemented simultaneously with the provision of Statement No. 68, beginning with the fiscal year ending June 30, 2015. This Statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2014

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through March 10, 2015, the date the June 30, 2014 financial statements were available to be issued, and noted the following:

In September 2014 the School District received funds from HealthTrust (LGC) for a return of surplus from the 2011-12 and 2012-2013 fiscal years. A total of \$112,708 related to health premiums and \$8,686 related to dental was received. The School District has not yet determined the portion of these funds which will be returned to active and retired employees. These funds will be reported in the FY 2014-2015 financial statements of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
LITCHFIELD SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ -	\$ 1,383,635	\$ 1,383,635	0.00%	\$ 8,501,171	16.28%
July 1, 2012	\$ -	\$ 1,419,265	\$ 1,419,264	0.00%	\$ 7,836,670	18.11%
July 1, 2013	\$ -	\$ 1,355,366	\$ 1,355,366	0.00%	\$ 8,071,770	16.79%

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

LITCHFIELD SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit F represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2014, and the two preceding years.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
LITCHFIELD SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 11,033,655	\$ 11,033,655	\$ -
Other local sources:			
Tuition	14,000	63,637	49,637
Transportation	8,000	9,200	1,200
Investment income	1,200	363	(837)
Rentals	-	800	800
Miscellaneous	77,107	245,145	168,038
Total from other local sources	<u>100,307</u>	<u>319,145</u>	<u>218,838</u>
State sources:			
Adequacy aid (grant)	5,875,623	5,875,623	-
Adequacy aid (tax)	1,850,157	1,850,157	-
School building aid	260,787	260,787	-
Catastrophic aid	266,990	275,838	8,848
Vocational aid	2,000	-	(2,000)
Total from state sources	<u>8,255,557</u>	<u>8,262,405</u>	<u>6,848</u>
Federal sources:			
Medicaid	<u>60,000</u>	<u>161,879</u>	<u>101,879</u>
Total revenues	19,449,519	<u>\$ 19,777,084</u>	<u>\$ 327,565</u>
Fund balance used to reduce school district assessment	367,595		
Total revenues and use of fund balance	<u>\$ 19,817,114</u>		

SCHEDULE 2
LITCHFIELD SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 7,746,815	\$ 7,673,321	\$ 792	\$ 72,702
Special programs	600	2,836,545	2,661,467	-	175,678
Vocational programs	-	29,000	26,789	-	2,211
Adult and community programs	-	1	265	-	(264)
Non-public programs	-	67,107	29,776	-	37,331
Other	-	468,081	458,909	-	9,172
Total instruction	<u>600</u>	<u>11,147,549</u>	<u>10,850,527</u>	<u>792</u>	<u>296,830</u>
Support services:					
Student	2,199	1,577,519	1,535,626	3,343	40,749
Instructional staff	1,106	661,961	609,065	11,466	42,536
General administration	-	110,682	114,574	-	(3,892)
Executive administration	-	496,977	468,438	-	28,539
School administration	-	1,217,318	1,195,927	-	21,391
Business	9,780	290,674	281,965	-	18,489
Operation and maintenance of plant	63,916	2,030,944	2,024,413	60,016	10,431
Student transportation	-	880,791	774,529	-	106,262
Other	-	498,983	546,150	673	(47,840)
Total support services	<u>77,001</u>	<u>7,765,849</u>	<u>7,550,687</u>	<u>75,498</u>	<u>216,665</u>
Debt service:					
Principal of long-term debt	-	800,000	800,000	-	-
Interest on long-term debt	-	67,462	67,463	-	(1)
Total debt service	<u>-</u>	<u>867,462</u>	<u>867,463</u>	<u>-</u>	<u>(1)</u>
Facilities acquisition and construction	62,500	36,254	98,151	-	603
Total appropriations, expenditures, and encumbrances	<u>\$ 140,101</u>	<u>\$ 19,817,114</u>	<u>\$ 19,366,828</u>	<u>\$ 76,290</u>	<u>\$ 514,097</u>

SCHEDULE 3
LITCHFIELD SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

Unassigned fund balance, beginning		\$ 378,363
Changes:		
Fund balance used to reduce school district assessment		(367,595)
2013-2014 Budget summary:		
Revenue surplus (Schedule 1)	\$ 327,565	
Unexpended balance of appropriations (Schedule 2)	<u>514,097</u>	
2013-2014 Budget surplus		841,662
Increase in committed fund balance		<u>(50,000)</u>
Unassigned fund balance, ending		<u><u>\$ 802,430</u></u>

SCHEDULE 4
LITCHFIELD SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2014

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Schools:				
Campbell High	\$ 109,411	\$ 283,747	\$ 276,179	\$ 116,979
Litchfield Middle	33,296	194,223	187,689	39,830
Griffin Memorial	11,996	39,149	38,092	13,053
Totals	<u>\$ 154,703</u>	<u>\$ 517,119</u>	<u>\$ 501,960</u>	<u>\$ 169,862</u>

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

To the Members of the School Board
Litchfield School District
Litchfield, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Litchfield School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Litchfield School District's basic financial statements, and have issued our report thereon dated March 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Litchfield 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 Litchfield School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Litchfield School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Sheryl A. Pratt, CPA

March 10, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Members of the School Board
Litchfield School District
Litchfield, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Litchfield 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 the Litchfield School District's major federal program for the year ended June 30, 2014. The Litchfield School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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 the Litchfield School District's major federal program 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 Litchfield 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 the major federal program. However, our audit does not provide a legal determination of the Litchfield School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Litchfield School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Litchfield 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 Litchfield School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Litchfield School District's internal control over compliance.

*Litchfield School District
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control
Over Compliance Required by OMB Circular A-133*

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

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

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



PLODZIK & SANDERSON
Professional Association

March 10, 2015

SCHEDULE I
LITCHFIELD SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
LITCHFIELD SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of New Hampshire Department of Education			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	N/A	\$ 5,392
National School Lunch Program <i>(note 3)</i>	10.555	N/A	85,625
Special Milk Program for Children	10.556	N/A	356
<i>CLUSTER TOTAL</i>			<u>91,373</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through the State of New Hampshire Department of Education			
Title I Grants to Local Educational Agencies:			
Title I - SINI / DINI LMS	84.010	20242	60
Title I - Part A	84.010	30079	8,596
Title I - SINI / DINI LMS	84.010	30242	3,096
Title I - Part A	84.010	40079	73,018
<i>PROGRAM TOTAL</i>			<u>84,770</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States	84.027	42535	296,187
Special Education - Preschool Grants	84.173	42535	4,606
<i>CLUSTER TOTAL</i>			<u>300,793</u>
Improving Teacher Quality State Grants:			
Title II - Part A	84.367	24872	5,588
Title II - Part A	84.367	38854	9,995
Title II - Part A	84.367	34872	28,453
Title II - Part A	84.367	44872	2,488
<i>PROGRAM TOTAL</i>			<u>46,524</u>
Total Expenditures of Federal Awards			<u><u>\$ 523,460</u></u>

The accompanying notes are an integral part of this schedule.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the Litchfield School District under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Litchfield School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Litchfield School District.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2014 the value of food donations received was \$18,352.