

LITCHFIELD SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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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, 2015, 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, 2015, and the respective changes in financial position, and the respective budgetary comparison for the general fund and grants fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1-L to the financial statements, in 2015, the School District changed its method of accounting for pension reporting with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting, and Financial Reporting for Pensions* and as amended GASB Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

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

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 11), the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 36), the Schedule of the School District's Proportionate Share of Net Pension Liability (page 37), and the Schedule of District Contributions (page 38) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers 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 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 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 February 3, 2016, 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.

February 3, 2016


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, 2015

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, 2015. 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, 2015 was (\$2,451,928). Net position decreased \$30,700 or -1.3% between July 1, 2014 (as restated) and June 30, 2015.
- The School District's negative net position is due to the following: As of June 30, 2015, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the School District to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.
 - Implementation of GASB 68 resulted in an \$11,782,044 net pension liability for the district.
- The District did not initiate any new construction projects nor issue any bonds in fiscal year 2015.
- General Fund budgetary expenditures and transfers of \$19,462,162 were \$444,666 less than the final adjusted budget. General Fund budgetary revenues of \$ 19,178,326 were \$10,117 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 a decrease of \$283,836, and a \$50,000 decrease of committed fund balance, resulting in \$518,594 as the ending unassigned fund balance.
- District retired its bond obligation on Campbell High School.

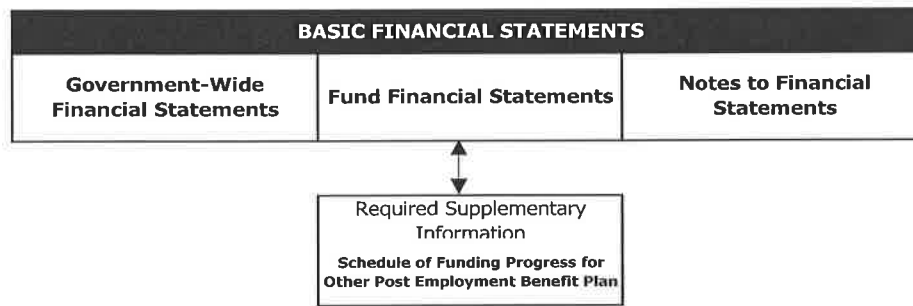
OVERVIEW OF FINANCIAL STATEMENTS

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 fund statements tell how the District's services were financed in the short term as well as what remains for future spending. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015



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 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

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 or replacement value.

Statement of Net Position

As previously noted, net position may serve over time as a useful indicator of the district's financial position. Net position totaled (\$2,451,928) as of June 30, 2015, a decrease of \$30,700 over the previous fiscal year as restated.

The largest portion of the District's net position, \$ 10.7 million, represents capital assets such as land, buildings, and equipment, less any related debt used to acquire those assets. Although the District's investment in 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 resources, since the capital assets themselves generally cannot be used to liquidate these liabilities. A condensed version of the District's Statement of Net Position is shown below.

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 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 the District asset, as reflected in these reports, does not reflect the 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, 2015

	FY 2015	FY 2014 (As restated)	\$ Change	% Change
Current Assets	\$ 1,615,988	\$ 1,817,761	\$ (201,773)	-11.1%
Non-Current Assets	\$ 10,764,344	\$ 11,202,620	\$ (438,276)	-3.9%
Total Assets	\$ 12,380,332	\$ 13,020,381	\$ (640,049)	-4.9%
Deferred Outflows of Resources	\$ 1,023,505	\$ 1,018,324	\$ 5,181	0.5%
Current Liabilities	\$ 702,774	\$ 665,841	\$ 36,933	5.5%
Non-Current Liabilities	\$ 13,240,412	\$ 15,735,619	\$ (2,495,207)	-15.9%
Total Liabilities	\$ 13,943,186	\$ 16,401,460	\$ (2,458,274)	-15.0%
Deferred Inflows of Resources	\$ 1,912,579	\$ 58,473	\$ 1,854,106	3170.9%
Net Investment in Capital Assets	\$ 10,764,344	\$ 10,710,025	\$ 54,319	0.5%
Restricted	\$ 112,920	\$ 70,660	\$ 42,260	59.8%
Unrestricted (deficit)	\$ (13,329,192)	\$ (13,201,913)	\$ (127,279)	1.0%
Total Net Position	\$ (2,451,928)	\$ (2,421,228)		

- Total net position at year end is \$ -2,451,928, or a 1.3% decrease from previous fiscal year as restated due, as of June 30, 2015, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the School District to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039. This required the district to recognize \$ 11,782,044 as a net pension liability for the fiscal year ended June 30, 2015.

Statement of Activities

Total revenue of \$20,145,802, representing \$616,598 less than previous fiscal year. The largest reduction of revenue was Miscellaneous. Nearly 55% of the District's total revenues come from the school district assessment while a little over 37% is derived from grants not restricted to specific programs.

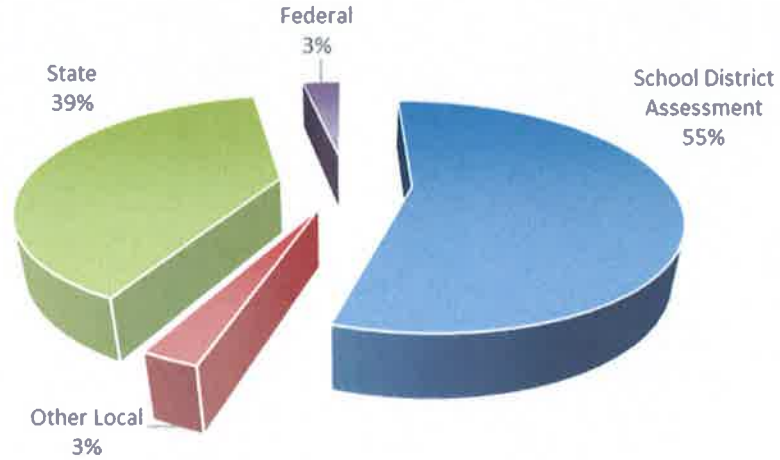
District's expenses cover a range of services, the largest of which are the category of school instruction, 54.2% of total expenses. Below is a condensed version of the District's Statement of Activities followed by charts showing the breakdown of the District's total revenue and expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

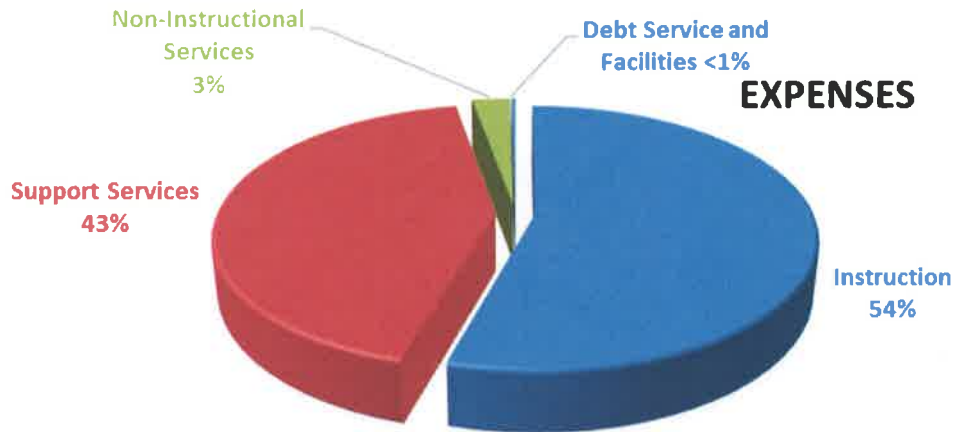
	FY 2015	FY 2014 (As restated)	\$ Change	% Change
<i>Revenues</i>				
Program Revenues:				
Charges for Services	\$ 504,733	\$ 521,283	\$ (16,550)	-3.2%
Operating Grants	\$ 902,272	\$ 973,321	\$ (71,049)	-7.3%
Capital Grants	\$ 260,787	\$ 260,787	\$ -	0.0%
General Revenues:				
School District Assessment	\$ 11,052,650	\$ 11,033,655	\$ 18,995	0.2%
Unrestricted Grants	\$ 7,381,945	\$ 7,725,780	\$ (343,835)	-4.5%
Miscellaneous	\$ 43,415	\$ 247,574	\$ (204,159)	-82.5%
Total Revenue	\$ 20,145,802	\$ 20,762,400	\$ (616,598)	-3.0%
<i>Program Expenses</i>				
Instruction	\$ 10,982,924	\$ 11,634,153	\$ (651,229)	-5.6%
Support Services:				
Student	\$ 1,608,293	\$ 1,732,821	\$ (124,528)	-7.2%
Instructional Staff	\$ 1,181,312	\$ 648,048	\$ 533,264	82.3%
General Administration	\$ 108,488	\$ 116,018	\$ (7,530)	-6.5%
Executive Administration	\$ 601,094	\$ 490,934	\$ 110,160	22.4%
School Administration	\$ 1,153,311	\$ 1,261,471	\$ (108,160)	-8.6%
Business	\$ 305,650	\$ 293,620	\$ 12,030	4.1%
Operation and Maintenance of Plant	\$ 2,086,329	\$ 2,055,100	\$ 31,229	1.5%
Student Transportation	\$ 964,561	\$ 774,529	\$ 190,032	24.5%
Other	\$ 607,851	\$ 556,322	\$ 51,529	9.3%
Non-Instructional Services	\$ 524,435	\$ 551,829	\$ (27,394)	-5.0%
Debt Service				
Interest	\$ 15,032	\$ 50,268	\$ (35,236)	-70.1%
Facilities Acquisition & Construction	\$ 37,222	\$ 98,151	\$ (60,929)	-62.1%
Total Expenditures	\$ 20,176,502	\$ 20,263,264	\$ (86,762)	-0.4%
Change in Net Position	\$ (30,700)	\$ 499,136	\$ (529,836)	-106.2%
Beginning Net Position	\$ (2,421,228)	\$ (2,920,364)	\$ 499,136	-17.1%
Ending Net Position	\$ (2,451,928)	\$ (2,421,228)	\$ (30,700)	1.3%

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

Revenue



EXPENSES



**Federal Grants and Food Service Funds
 (In Thousands)**



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

INDIVIDUAL FUND FINANCIAL ANALYSIS

General Fund

The General Fund is what most people think of as "the budget" since it is the focal point of the first session at annual meeting (Deliberative) and largely supported by locally raised taxes. The General Fund ended the fiscal year with an unassigned fund balance of \$518,594.

The General Fund is supported by \$ 11.1 million from local assessment, \$ 7.9 million from State sources, \$ 114 thousand from Federal sources, and \$ 99 thousand from other local sources. General Fund expenditures are primarily for instruction of \$ 10.8 million followed by support services of \$ 8.3 million.

Comments on General Fund Budget Comparisons

- General Fund actual revenues totaling \$ 19,178,326 exceeded budgeted revenues by \$ 10,177.
 - Other local sources of revenue resulted for the most part from numerous premium refunds from Health Trust
 - State and Federal Revenue actuals marginally exceeded projected due to higher than anticipated reimbursement for Catastrophic Aid (State) and Medicaid eligible expenditures (Federal).

- General Fund expenditures totaling \$19,462,162 were less than appropriated by \$444,666.
 - Total expenditures, including encumbrances to the subsequent fiscal year, were under appropriation by 2.3%
 - Executive Administration was overspent \$122,714 due to the district's contractual obligation to the former Superintendent of Schools.
 - Special education functional areas of the budget were underspent by \$451,379 representing 10.7 of appropriation. Primary areas underspent include Handicapped Tuition (\$135,579), Professional Services (\$ 114,558), and Special Education Transportation (\$86,631).
 - All functional areas of the General Fund, excluding Special Education, underspent the budget by less than one half of one percent (0.5%) of appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

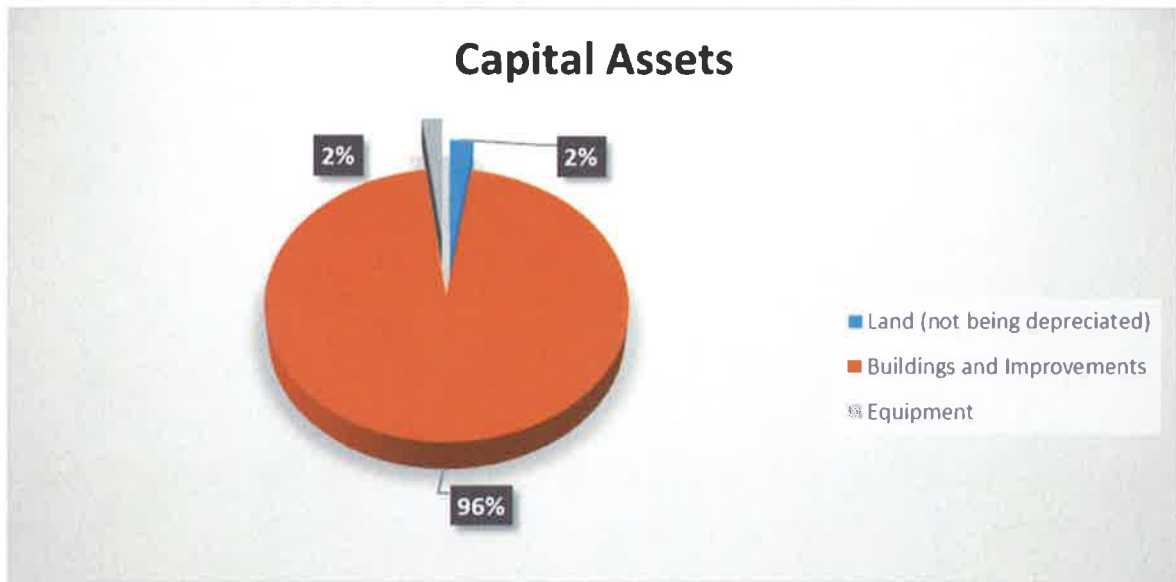
Capital Assets

On June 30, 2015, the District reported capital assets of \$ 10,764,344, net of accumulated depreciation. These consist of a broad range of capital assets including land, buildings, improvements, machinery, and equipment. Additions in depreciable capital assets totaled \$62,787. The total for additional and replacement furniture and equipment was under the District's capital asset threshold of \$10,000. Included in this total:

- GMS computer lab \$52,067 furniture and computer equipment
- LMS computer lab \$14,156 replacing computer equipment
- District wide ground \$15,445 replacing lawn equipment
- GMS technology services \$40,782 in computer equipment
- LMS technology services \$17,752 in computer equipment
- CHS technology services \$13,800 in computer equipment

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014	\$ Change	% Change
Land (not being depreciated)	460,792	460,792	-	0.0%
Buildings and Improvements	19,227,912	19,227,819	93	0.0%
Equipment	397,162	347,293	49,869	14.4%
Total Historical Costs	<u>20,085,866</u>	<u>20,035,904</u>	49,962	0.2%
Total Accumulated Depreciation	<u>(9,321,522)</u>	<u>(8,833,284)</u>	<u>(488,238)</u>	<u>5.5%</u>
Net Capital Assets	<u>10,764,344</u>	<u>11,202,620</u>	<u>(438,276)</u>	<u>-3.9%</u>



Long-Term Debt

The table below illustrates the long-term debt of the District as of June 30, 2015, retiring the Bond obligation from which the proceeds were used to construct Campbell High School.

	2015	2014	\$ Change	% Change
General Obligation Bond	-	485,000	(485,000)	-100.0%
Capital Lease	-	7,595	(7,595)	-100.0%
Compensated Absences	733,376	713,916	19,460	2.7%
Postemployment Benefits	<u>724,992</u>	<u>624,966</u>	<u>100,026</u>	<u>16.0%</u>
Total Long Term Liabilities	1,458,368	1,831,477	(373,109)	-20.4%

FUTURE BUDGETARY IMPLICATIONS

Significant activities or events which will have an impact on future district finances include:

- Attracting and retaining highly qualified teachers and staff
- Developing long-term information technology plan
- Changes in State level school funding mechanisms for local education may impact tax calculations

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

Questions regarding this report should be directed to Mr. James O'Neill, 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, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,373,003
Accounts receivable	2,099
Intergovernmental receivable	240,886
Capital assets, not being depreciated	460,792
Capital assets, net of accumulated depreciation	10,303,552
Total assets	12,380,332
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	1,023,505
LIABILITIES	
Accounts payable	94,281
Accrued salaries and benefits	608,493
Noncurrent obligations:	
Due in more than one year	1,458,368
Net pension liability	11,782,044
Total liabilities	13,943,186
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - grants	80,422
Related to pensions	1,832,157
Total deferred inflows of resources	1,912,579
NET POSITION	
Net investment in capital assets	10,764,344
Restricted	112,920
Unrestricted	(13,329,192)
Total net position	\$ (2,451,928)

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, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 10,982,924	\$ 46,043	\$ 637,951	\$ -	\$ (10,298,930)
Support services:					
Student	1,608,293	-	113,328	-	(1,494,965)
Instructional staff	1,181,312	-	42,747	-	(1,138,565)
General administration	108,488	-	-	-	(108,488)
Executive administration	601,094	-	-	-	(601,094)
School administration	1,153,311	-	-	-	(1,153,311)
Business	305,650	-	-	-	(305,650)
Operation and maintenance of plant	2,086,329	215	-	-	(2,086,114)
Student transportation	964,561	9,269	2,617	-	(952,675)
Other	607,851	-	353	-	(607,498)
Noninstructional services	524,435	449,206	105,276	-	30,047
Interest on long-term debt	15,032	-	-	260,787	245,755
Facilities acquisition and construction	37,222	-	-	-	(37,222)
Total governmental activities	<u>\$ 20,176,502</u>	<u>\$ 504,733</u>	<u>\$ 902,272</u>	<u>\$ 260,787</u>	<u>(18,508,710)</u>

General revenues:	
School district assessment	11,052,650
Grants and contributions not restricted to specific programs	7,381,945
Unrestricted investment income	793
Miscellaneous	42,622
Total general revenues	<u>18,478,010</u>
Change in net position	(30,700)
Net position, beginning, as restated (see Note 11)	(2,421,228)
Net position, ending	<u>\$ (2,451,928)</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, 2015

	General	Grants	Other Governmental Fund (Food Service)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,245,660	\$ 6,964	\$ 120,379	\$ 1,373,003
Receivables:				
Accounts	2,081	-	18	2,099
Intergovernmental	160,300	73,458	7,128	240,886
Total assets	<u>\$ 1,408,041</u>	<u>\$ 80,422</u>	<u>\$ 127,525</u>	<u>\$ 1,615,988</u>
LIABILITIES				
Accounts payable	\$ 79,676	\$ -	\$ 14,605	\$ 94,281
Accrued salaries and benefits	608,493	-	-	608,493
Total liabilities	<u>688,169</u>	<u>-</u>	<u>14,605</u>	<u>702,774</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	-	80,422	-	80,422
FUND BALANCES				
Restricted	-	-	112,920	112,920
Committed	154,859	-	-	154,859
Assigned	46,419	-	-	46,419
Unassigned	518,594	-	-	518,594
Total fund balances	<u>719,872</u>	<u>-</u>	<u>112,920</u>	<u>832,792</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,408,041</u>	<u>\$ 80,422</u>	<u>\$ 127,525</u>	<u>\$ 1,615,988</u>

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

EXHIBIT C-2
LITCHFIELD SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balances of governmental funds (Exhibit C-1)		\$ 832,792
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	\$ 20,085,866	
Less accumulated depreciation	<u>(9,321,522)</u>	10,764,344
Certain assets are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions		1,023,505
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Compensated absences	\$ 733,376	
Other postemployment benefits	724,992	
Deferred inflows of resources related to pensions	1,832,157	
Net pension liability	<u>11,782,044</u>	<u>(15,072,569)</u>
Net position of governmental activities (Exhibit A)		<u>\$ (2,451,928)</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, 2015

	General	Grants	Other Governmental Fund (Food Service)	Total Governmental Funds
REVENUES				
School district assessment	\$ 11,052,650	\$ -	\$ -	\$ 11,052,650
Other local	98,934	355	449,213	548,502
State	7,912,916	-	4,896	7,917,812
Federal	114,188	412,271	100,379	626,838
Total revenues	<u>19,178,688</u>	<u>412,626</u>	<u>554,488</u>	<u>20,145,802</u>
EXPENDITURES				
Current:				
Instruction	10,819,563	256,198	-	11,075,761
Support services:				
Student	1,534,751	113,328	-	1,648,079
Instructional staff	732,652	42,747	-	775,399
General administration	114,356	-	-	114,356
Executive administration	611,435	-	-	611,435
School administration	1,181,644	-	-	1,181,644
Business	315,124	-	-	315,124
Operation and maintenance of plant	2,060,549	-	-	2,060,549
Student transportation	964,561	-	-	964,561
Other	609,714	353	-	610,067
Noninstructional services	-	-	512,228	512,228
Debt service:				
Principal	485,000	-	-	485,000
Interest	25,462	-	-	25,462
Facilities acquisition and construction	37,222	-	-	37,222
Total expenditures	<u>19,492,033</u>	<u>412,626</u>	<u>512,228</u>	<u>20,416,887</u>
Net change in fund balances	(313,345)	-	42,260	(271,085)
Fund balances, beginning	1,033,217	-	70,660	1,103,877
Fund balances, ending	<u>\$ 719,872</u>	<u>\$ -</u>	<u>\$ 112,920</u>	<u>\$ 832,792</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, 2015

Net change in fund balances of total governmental funds (Exhibit C-3)	\$ (271,085)	
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	\$ 62,787	
Depreciation expense	<u>(501,063)</u>	(438,276)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
Contributions subsequent to the measurement date	\$ 1,023,505	
Net pension expense	<u>(728,383)</u>	295,122
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	\$ 485,000	
Principal repayment of capital leases	<u>7,595</u>	492,595
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	\$ 10,430	
Increase in compensated absences payable	(19,460)	
Increase in other postemployment benefits	<u>(100,026)</u>	(109,056)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (30,700)</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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
School district assessment	\$ 11,052,650	\$ 11,052,650	\$ 11,052,650	\$ -
Other local	121,056	121,056	98,572	(22,484)
State	7,897,935	7,897,935	7,912,916	14,981
Federal	96,568	96,568	114,188	17,620
Total revenues	<u>19,168,209</u>	<u>19,168,209</u>	<u>19,178,326</u>	<u>10,117</u>
EXPENDITURES				
Current:				
Instruction	11,372,986	11,387,478	10,818,771	568,707
Support services:				
Student	1,634,923	1,569,221	1,531,853	37,368
Instructional staff	690,000	687,979	724,688	(36,709)
General administration	106,253	101,319	114,356	(13,037)
Executive administration	482,609	488,997	611,711	(122,714)
School administration	1,183,151	1,188,077	1,182,748	5,329
Business	305,776	299,619	315,124	(15,505)
Operation and maintenance of plant	2,078,514	2,070,140	2,030,373	39,767
Student transportation	967,312	967,919	964,561	3,358
Other	525,986	588,391	620,293	(31,902)
Debt service:				
Principal	485,000	485,000	485,000	-
Interest	25,463	25,463	25,462	1
Facilities acquisition and construction	48,855	47,225	37,222	10,003
Total expenditures	<u>19,906,828</u>	<u>19,906,828</u>	<u>19,462,162</u>	<u>444,666</u>
Excess (deficiency) of revenues over (under) expenditures	(738,619)	(738,619)	(283,836)	454,783
OTHER FINANCING USES				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (788,619)</u>	<u>\$ (788,619)</u>	(333,836)	<u>\$ 454,783</u>
Decrease in committed fund balance			50,000	
Unassigned fund balance, beginning			802,430	
Unassigned fund balance, ending			<u>\$ 518,594</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, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Local	\$ 5,000	\$ -	\$ 355	\$ 355
Federal	570,000	840,993	412,271	(428,722)
Total revenues	<u>575,000</u>	<u>840,993</u>	<u>412,626</u>	<u>(428,367)</u>
EXPENDITURES				
Current:				
Instruction	450,000	554,436	256,198	298,238
Support services:				
Student	100,000	246,960	113,328	133,632
Instructional staff	25,000	39,597	42,747	(3,150)
Other	-	-	353	(353)
Total expenditures	<u>575,000</u>	<u>840,993</u>	<u>412,626</u>	<u>428,367</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 Net Position
For the Fiscal Year Ended June 30, 2015

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 173,286
LIABILITIES	
Due to student groups	<u>173,286</u>
NET POSITION	<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, 2015

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LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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, deferred outflows of resources, 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, deferred outflows of resources, 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. The School District has presented all major funds that met those qualifications.

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 assets. 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 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, 2015

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 Funds – The School District also reports one nonmajor governmental fund, the food service fund.

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 assets 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 reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 of demand deposit. 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, 2015

1-E 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-F Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

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.

1-G 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-H 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-I 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
JUNE 30, 2015

1-J 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, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitation on their use. The School District typically uses restricted assets 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-K 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.

1-L Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and as amended GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

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 2015, \$788,619 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)	\$ 19,178,326
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Miscellaneous revenue of blended funds	
	362
Per Exhibit C-3 (GAAP basis)	<u>\$ 19,178,688</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 19,512,162
Adjustments:	
Basis difference:	
Encumbrances, beginning	
	76,290
Encumbrances, ending	
	(46,419)
GASB Statement No. 54:	
Net effect of transfers between blended funds	
	<u>(50,000)</u>
Per Exhibit C-3 (GAAP basis)	<u>\$ 19,492,033</u>

LITCHFIELD SCHOOL DISTRICT
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2-C Change in Accounting Principle

Effective July 1, 2014, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the School District calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the School District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$12,885,818 (see Note 11). The reduction accounts for the associated net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

Also, the School District adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement addresses an issue in GASB 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.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits 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 \$1,546,289 and the bank balances totaled \$2,312,671.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 1,373,003
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E)	<u>173,286</u>
Total cash and cash equivalents	<u><u>\$ 1,546,289</u></u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2015, 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, 2015 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, ending</u>
At cost:				
Not being depreciated:				
Land	\$ 460,792	\$ -	\$ -	\$ 460,792
Being depreciated:				
Buildings and building improvements	19,227,819	12,918	(12,825)	19,227,912
Equipment	347,293	49,869	-	397,162
Total capital assets being depreciated	<u>19,575,112</u>	<u>62,787</u>	<u>(12,825)</u>	<u>19,625,074</u>
Total capital assets	<u>20,035,904</u>	<u>62,787</u>	<u>(12,825)</u>	<u>20,085,866</u>

(Continued)

LITCHFIELD SCHOOL DISTRICT
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Capital assets continued:

	Balance, beginning	Additions	Retirements	Balance, ending
Less accumulated depreciation:				
Buildings and building improvements	(8,660,770)	(466,586)	12,825	(9,114,531)
Equipment	(172,514)	(34,477)	-	(206,991)
Total accumulated depreciation	(8,833,284)	(501,063)	12,825	(9,321,522)
Net book value, capital assets being depreciated	10,741,828	(438,276)	-	10,303,552
Net book value, all capital assets	<u>\$ 11,202,620</u>	<u>\$ (438,276)</u>	<u>\$ -</u>	<u>\$ 10,764,344</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:

Support services:		
Instructional staff	\$	415,262
Operation and maintenance of plant		42,927
Other		28,017
Noninstructional services		14,857
Total depreciation expense	<u>\$</u>	<u>501,063</u>

NOTE 6 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	Grants
Fiscal year 2015 School District assessment received in advance	
Federal grant revenue collected in advance of eligible expenditures being made	\$ 73,915
Local grant revenue collected in advance of eligible expenditures being made	6,507
Total deferred inflows of resources	<u>\$ 80,422</u>

See Note 12 for discussion of deferred outflows of resources and deferred inflows of resources related to pensions.

NOTE 7 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2015:

	Balance, July 1, 2014	Additions	Reductions	Balance, June 30, 2015	Due Within One Year
General obligation bond payable	\$ 485,000	\$ -	\$ (485,000)	\$ -	\$ -
Capital lease	7,595	-	(7,595)	-	-
Compensated absences	713,916	19,460	-	733,376	-
Net other postemployment benefits	624,966	100,026	-	724,992	-
Total long-term liabilities	<u>\$ 1,831,477</u>	<u>\$ 119,486</u>	<u>\$ (492,595)</u>	<u>\$ 1,458,368</u>	<u>\$ -</u>

LITCHFIELD SCHOOL DISTRICT
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NOTE 8 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2015 are as follows:

Current:	
Support services:	
Student	\$ 445
Instructional staff	3,502
Executive administration	276
School administration	1,104
Operation and maintenance of plant	29,840
Other	<u>11,252</u>
Total encumbrances	<u>\$ 46,419</u>

NOTE 9 – GOVERNMENTAL ACTIVITIES NET POSITION

The governmental activities net position at June 30, 2015 consisted of the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 10,764,344
Restricted for:	
Food service	112,920
Unrestricted	<u>(13,329,192)</u>
Total net position	<u>\$ (2,451,928)</u>

NOTE 10 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2015 consist of the following:

	General Fund	Other Governmental Fund (Food Service)	Total Governmental Funds
Restricted:			
Food service	\$ -	\$ 112,920	\$ 112,920
Committed:			
Expendable trust	<u>154,859</u>	<u>-</u>	<u>154,859</u>
Assigned:			
Encumbrances	<u>46,419</u>	<u>-</u>	<u>46,419</u>
Unassigned	<u>518,594</u>	<u>-</u>	<u>518,594</u>
Total governmental fund balances	<u>\$ 719,872</u>	<u>\$ 112,920</u>	<u>\$ 832,792</u>

NOTE 11 – PRIOR PERIOD ADJUSTMENT

Net position at July 1, 2014 was restated to record the following:

	Government-wide Statements
To record beginning net pension liability and deferred inflows and outflows of resources for implementation of GASB No. 68	\$ (12,885,818)
Net position, as previously reported	<u>10,464,590</u>
Net position, as restated	<u>\$ (2,421,228)</u>

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was 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 Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

Contributions: 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 2015, the School District contributed 14.16% for teachers and 10.77% for other employees. The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$979,329, \$1,175,929, and \$1,188,781, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015 the School District reported a liability of \$11,782,044 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2014, the School District's proportion was 0.31388770% which was a decrease of 0.00918011% from its proportion measured as of June 30, 2013.

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For the year ended June 30, 2015, the School District recognized pension expense of \$728,383. At June 30, 2015 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 324,635
Net difference between projected and actual investment earnings on pension plan investments	-	1,507,522
Contributions subsequent to the measurement date	1,023,505	-
Total	\$ 1,023,505	\$ 1,832,157

The \$1,023,505 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,		
2016	\$	(447,338)
2017		(447,338)
2018		(447,338)
2019		(42,807)
Totals	\$	(1,384,821)

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2013, using the following actuarial assumptions which, accordingly apply to both 2014 and 2013 measurements:

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

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

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Following is a table presenting target allocations and long-term rates of return for 2014 and 2013:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2014	2013
Large Cap Equities	22.50%	3.25%	3.75%
Small/Mid Cap Equities	7.50%	3.25%	4.00%
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.25%	4.75%
Emerging Int'l Equities	7.00%	6.50%	6.75%
Total international equity	20.00%		
Core Bonds	18.00%	(0.47)%	(0.96)%
High-Yield Bonds	1.50%	1.50%	2.00%
Global Bonds (unhedged)	5.00%	(1.75)%	(2.25)%
Emerging Market Debt (external)	0.50%	2.00%	1.00%
Total fixed income	25.00%		
Private equity	5.00%	5.75%	6.00%
Private debt	5.00%	5.00%	5.50%
Real estate	10.00%	3.25%	3.00%
Opportunistic	5.00%	2.50%	2.63%
Total alternative investments	25.00%		
Total	100.00%		

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption	
		7.75%	1% Increase 8.75%
June 30, 2014	\$ 15,518,868	\$ 11,782,044	\$ 8,629,473
June 30, 2013	\$ 17,825,402	\$ 13,904,142	\$ 10,607,954

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separated issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

LITCHFIELD SCHOOL DISTRICT
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NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Annual OPEB Cost – The School District provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provision of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the School District’s contractual agreements.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 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. However, 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. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2015:

Annual required contribution/OPEB cost	\$ 154,203
Interest on net OPEB obligation	28,123
Adjustment to annual required contribution	<u>(26,638)</u>
Annual OPEB cost (expense)	155,688
Contributions made	<u>(55,662)</u>
Increase in net OPEB obligation	100,026
Net OPEB obligation - beginning of year	<u>624,966</u>
Net OPEB obligation - end of year	<u><u>\$ 724,992</u></u>

The School District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2012	\$ 180,285	\$ 60,124	35.35%	\$ 420,590
June 30, 2013	\$ 168,982	\$ 59,274	35.08%	\$ 530,298
June 30, 2014	\$ 158,017	\$ 64,609	40.89%	\$ 624,966
June 30, 2015	\$ 154,203	\$ 55,662	36.10%	\$ 724,992

As of July 1, 2014, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,412,508, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,412,508. The covered payroll (annual payroll of active employees covered by the plan) was \$10,287,128 during fiscal year 2015, and the ratio of the UAAL to the covered payroll was 13.73%.

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 healthcare 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.

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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, 2014 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2015 was 30 years.

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

A brief description of the retiree medical insurance plan:

a. Eligibility Employees are eligible for retiree health coverage upon meeting NHRS eligibility requirements.

Group I:

Hired prior to July 1, 2011 - earlier of:

- a. Age 50 with 10 years of service (early retirement)
- b. Age 60 with no service requirement
- c. Rule of 70 with at least 20 years of service

Group II:

Hired on/after July 1, 2011 - earlier of:

- a. Age 60 with 30 years of service
- b. Age 65 with no service requirement

b. Spouse benefit Retiree health coverage continues to surviving spouse upon death of the retiree provided that the spouse continues to pay the full cost of coverage.

c. School district subsidy None

d. Retiree cost sharing Retirees pay the full cost of coverage.

e. Medical benefit Same benefit options are available to retirees as active employees. All health plans are fully-insured with SchoolCare and partially experience rated.

The monthly premiums by plan effective on July 1, 2015 and July 1, 2014 are as shown below:

Plan	Eff. 7/1/2015		Eff. 7/1/2014	
	1 person	2 person	1 person	2 person
SchoolCare Green Open Access	\$ 708	\$ 1,416	\$ 662	\$ 1,325
SchoolCare Red Open Access	\$ 655	\$ 1,310	\$ 613	\$ 1,226

f. Post Medicare GASB liability There is no post Medicare GASB liability since the retirees pay the full cost of coverage.

g. Dental benefit There is no GASB liability for dental benefit as retirees pay the full cost of coverage.

NOTE 14 – 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 2015, the School District was a member 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
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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, 2015 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, 2015 was \$49,661 for workers' compensation and \$7,890 for property/liability. 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 15 – 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 16 – USDA FOOD COMMODITIES

The food service program received \$21,986 in nonmonetary assistance for the 2014-2015 fiscal year from the Department of Agriculture. This is reported at fair market value on the date received and has been reported as both a revenue and expenditure in the food service fund.

NOTE 17 – 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 February 3, 2016, the date the June 30, 2015 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
LITCHFIELD SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2015

Fiscal Year End	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)
June 30, 2012	July 1, 2011	\$ -	\$ 1,383,635	\$ 1,383,635	0.00%	\$ 8,501,171	16.28%
June 30, 2013	July 1, 2012	\$ -	\$ 1,419,265	\$ 1,419,264	0.00%	\$ 7,836,670	18.11%
June 30, 2014	July 1, 2013	\$ -	\$ 1,355,366	\$ 1,355,366	0.00%	\$ 8,071,770	16.79%
June 30, 2015	July 1, 2014	\$ -	\$ 1,412,508	\$ 1,412,508	0.00%	\$ 10,287,128	13.73%

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

EXHIBIT G
LITCHFIELD SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For The Fiscal Year Ended June 30, 2015

Fiscal Year End	Valuation Date	Districts Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	July 1, 2014	0.31388770%	\$ 11,782,044	\$ 8,661,687	136.02%	59.81%
June 30, 2014	July 1, 2013	0.32306781%	\$ 13,904,142	\$ 8,971,205	154.99%	66.32%

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

EXHIBIT H
LITCHFIELD SCHOOL DISTRICT
Schedule of School District Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For The Fiscal Year Ended June 30, 2015

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	July 1, 2014	\$ 1,018,324	\$ 1,018,324	\$ -	\$ 8,661,687	11.76%
June 30, 2014	July 1, 2013	\$ 803,320	\$ 803,320	\$ -	\$ 8,971,205	8.95%

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

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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, 2015, and the three preceding years.

There are no changes to the plan provisions and actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2013. For the current year GASB valuation, we have updated the per capita costs, mortality table, and health care trend rates. We expect to update health care trend rates and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2017.

Measurement Date	June 30, 2015 with results actuarially rolled-back to July 1, 2014 on a "no gain/no loss" basis
Discount Rate	4.5%
Payroll Growth	3.0% (used for amortization purposes only)
Inflation Rate	3.0% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level % of pay over thirty years based on an open group
Census Data	Census information was provided by the School District as of July 2015. We have reviewed it for reasonableness and no material modifications were made.
Health Care Coverage Election Rate	100% of active employees with current coverage are assumed to continue coverage at retirement. 0% of active employees without current coverage are assumed to elect coverage at retirement.
Spousal Coverage	60% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.
Employer Funding Policy	Pay-as-you-go cash basis
Mortality	SOAR PH-2014 Total Dataset Headcount Weighted Mortality with scale MP-2014 (prior valuation used RP-2000 Combined Mortality Table fully generational using Scale AA)

Schedule of the School District's Proportionate Share of Net Pension Liability & Schedule of School District Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the School District's pension plan at June 30, 2015.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2014:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 years beginning July 1, 2014
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year

LITCHFIELD SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.
Other Information:	
Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

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, 2015

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 11,052,650	\$ 11,052,650	\$ -
Other local sources:			
Tuition	93,063	46,043	(47,020)
Transportation	10,212	9,269	(943)
Investment income	200	425	225
Rentals	-	215	215
Miscellaneous	17,581	42,620	25,039
Total from other local sources	<u>121,056</u>	<u>98,572</u>	<u>(22,484)</u>
State sources:			
Adequacy aid (grant)	5,669,288	5,669,288	-
Adequacy aid (tax)	1,869,085	1,869,085	-
School building aid	260,787	260,787	-
Catastrophic aid	98,775	108,889	10,114
Vocational aid	-	2,617	2,617
Other state aid	-	2,250	2,250
Total from state sources	<u>7,897,935</u>	<u>7,912,916</u>	<u>14,981</u>
Federal sources:			
Medicaid	<u>96,568</u>	<u>114,188</u>	<u>17,620</u>
Total revenues	19,168,209	<u>\$ 19,178,326</u>	<u>\$ 10,117</u>
Fund balance used to reduce school district assessment	788,619		
Total revenues and use of fund balance	<u>\$ 19,956,828</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, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 792	\$ 7,873,787	\$ 7,643,465	\$ -	\$ 231,114
Special programs	-	2,968,376	2,643,609	-	324,767
Vocational programs	-	31,409	26,266	-	5,143
Adult and community programs	-	3	2,513	-	(2,510)
Non-public programs	-	39,233	29,824	-	9,409
Other	-	474,670	473,886	-	784
Total instruction	<u>792</u>	<u>11,387,478</u>	<u>10,819,563</u>	<u>-</u>	<u>568,707</u>
Support services:					
Student	3,343	1,569,221	1,534,751	445	37,368
Instructional staff	11,466	687,979	732,652	3,502	(36,709)
General administration	-	101,319	114,356	-	(13,037)
Executive administration	-	488,997	611,435	276	(122,714)
School administration	-	1,188,077	1,181,644	1,104	5,329
Business	-	299,619	315,124	-	(15,505)
Operation and maintenance of plant	60,016	2,070,140	2,060,549	29,840	39,767
Student transportation	-	967,919	964,561	-	3,358
Other	673	588,391	609,714	11,252	(31,902)
Total support services	<u>75,498</u>	<u>7,961,662</u>	<u>8,124,786</u>	<u>46,419</u>	<u>(134,045)</u>
Debt service:					
Principal of long-term debt	-	485,000	485,000	-	-
Interest on long-term debt	-	25,463	25,462	-	1
Total debt service	<u>-</u>	<u>510,463</u>	<u>510,462</u>	<u>-</u>	<u>1</u>
Facilities acquisition and construction	<u>-</u>	<u>47,225</u>	<u>37,222</u>	<u>-</u>	<u>10,003</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total appropriations, expenditures, and encumbrances	<u>\$ 76,290</u>	<u>\$ 19,956,828</u>	<u>\$ 19,542,033</u>	<u>\$ 46,419</u>	<u>\$ 444,666</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, 2015

Unassigned fund balance, beginning		\$ 802,430
Changes:		
Fund balance used to reduce school district assessment		(788,619)
2014-2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 10,117	
Unexpended balance of appropriations (Schedule 2)	<u>444,666</u>	
2014-2015 Budget surplus		454,783
Decrease in committed fund balance		<u>50,000</u>
Unassigned fund balance, ending		<u><u>\$ 518,594</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, 2015

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Campbell High	\$ 116,979	\$ 302,911	\$ 297,696	\$ 122,194
Litchfield Middle	39,830	200,288	204,594	35,524
Griffin Memorial	13,053	28,461	25,946	15,568
Totals	<u>\$ 169,862</u>	<u>\$ 531,660</u>	<u>\$ 528,236</u>	<u>\$ 173,286</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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Litchfield School District, as of and for the year ended June 30, 2015, 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 February 3, 2016.

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. Platt, CPA

February 3, 2016

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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 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, 2015. 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, 2015.

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 an 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.

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**

Accordingly, we do not express an opinion on the effectiveness of the Litchfield School District's internal control over compliance.

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

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

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

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

February 3, 2016

SCHEDULE I
LITCHFIELD SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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 federal programs:

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

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, 2015

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	\$ 3,220
National School Lunch Program <i>(note 3)</i>	10.555	N/A	96,174
Special Milk Program for Children	10.556	N/A	985
<i>CLUSTER TOTAL</i>			<u>100,379</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 - Part A	84.010	40079	19,123
Title I - Part A	84.010	50079	64,568
<i>PROGRAM TOTAL</i>			<u>83,691</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States	84.027	52586	283,290
Special Education - Preschool Grants	84.173	52586	8,609
<i>CLUSTER TOTAL</i>			<u>291,899</u>
Improving Teacher Quality State Grants:			
Title II - Part A	84.367	34872	844
Title II - Part A	84.367	44872	26,519
Title II - Part A	84.367	54872	9,319
<i>PROGRAM TOTAL</i>			<u>36,682</u>
Total Expenditures of Federal Awards			<u>\$ 512,651</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, 2015

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, 2015. 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 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, 2015 the value of food donations received was \$21,986.