

DERRY COOPERATIVE SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2015

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Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the School Board
Derry Cooperative School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Derry Cooperative School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Derry Cooperative School District, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the all budgeted funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress – Other Post-Employment Benefits, the Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited

procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016 on our consideration of the 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 the District's internal control over financial reporting and compliance.

Melanson Heath

February 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Derry Cooperative School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains certain required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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 accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund, food service fund, and grants fund. A budgetary comparison statement has been provided to demonstrate compliance with these budgets.

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of liabilities exceeded assets by \$(14,039,894) (i.e., net position), a change of \$(372,122) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$3,972,870, a change of \$(1,364,168) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,248,635, a change of \$(1,022,715) in comparison to the prior year.
- Total bonds payable, including bond premium, at the close of the current fiscal year was \$12,176,108, a change of \$(1,495,993) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Current assets	\$ 5,256,117	\$ 6,826,851
Noncurrent assets	32,193,390	32,681,098
Deferred outflows	<u>4,160,798</u>	<u>-</u>
Total assets and deferred outflows	41,610,305	39,507,949
Current liabilities	3,160,407	3,403,309
Noncurrent liabilities	48,064,791	14,471,247
Deferred inflows	<u>4,425,001</u>	<u>-</u>
Total liabilities and deferred inflows	55,650,199	17,874,556
Net position:		
Net investment in capital assets	20,017,282	19,008,997
Restricted	244,112	258,256
Unrestricted	<u>(34,301,288)</u>	<u>2,366,140</u>
Total net position	<u>\$ (14,039,894)</u>	<u>\$ 21,633,393</u>

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 729,435	\$ 746,075
Operating grants and contributions	3,192,620	3,224,483
General revenues:		
School assessment	46,049,465	46,805,274
Tuition	513,325	527,170
Grants and contributions not restricted to specific programs	27,053,944	27,762,209
Investment income	1,577	1,338
Miscellaneous	<u>1,341,356</u>	<u>686,370</u>
Total revenues	78,881,722	79,752,919

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental <u>Activities</u>	
	<u>2015</u>	<u>2014</u>
Expenses:		
Regular programs	41,048,215	40,318,082
Special programs	15,420,887	15,128,836
Other instructional programs	301,070	481,893
Adult and community programs	132,438	131,180
Student services	6,590,406	6,220,390
Instructional staff	1,424,128	1,359,105
General administration	876,260	837,011
School administration	3,343,741	3,612,689
Business office	473,743	472,918
Operations and maintenance	4,279,730	3,962,680
Student transportation	2,901,978	2,911,864
Centralized services	40,668	37,563
Other support services	17,467	63,768
Food service operations	1,343,097	1,395,068
Interest	482,157	538,577
Depreciation	<u>577,859</u>	<u>586,768</u>
Total expenses	<u>79,253,844</u>	<u>78,058,392</u>
Change in net position	(372,122)	1,694,527
Net position - beginning of year	<u>(13,667,772)</u> *	<u>19,938,866</u>
Net position - end of year	<u>\$ (14,039,894)</u>	<u>\$ 21,633,393</u>

*Restated – see footnote 18

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net position was \$(14,039,894), a change of \$(372,122) from the prior year.

The largest portion of net position, \$20,017,282, reflects our investment in capital assets (e.g., land, buildings and improvements, and machinery, equipment and furnishings); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$244,112, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is in a deficit of \$(34,301,288), primarily resulting from

the unfunded net OPEB obligation (see Note 14) and unfunded net pension liability (see Note 15).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(372,122). Key elements of this change are as follows:

Operating Results:	
General fund expenditures in excess of revenues	\$ (1,356,665)
Food service fund expenditures in excess of revenues	(7,535)
Grants fund revenues in excess of expenditures	<u>32</u>
Subtotal operating results	(1,364,168)
Purchase of capital assets	90,151
Principal debt service in excess of depreciation expense	918,134
Change in accrued interest liability	23,722
Change in compensated absence liability	(125,495)
Change in net OPEB obligation	(367,822)
Change in net pension liability	3,706,628
Change in deferred outflows of resources	1,171,729
Change in deferred inflows of resources	<u>(4,425,001)</u>
Total	\$ <u><u>(372,122)</u></u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,972,780, a change of \$(1,364,168) in comparison with the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (1,356,665)
Food service fund expenditures in excess of revenues	(7,535)
Grants fund revenues in excess of expenditures	<u>32</u>
Total	\$ <u><u>(1,364,168)</u></u>

At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,248,635, while total fund balance was \$3,660,827. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,248,635	\$ 4,271,350	\$ (1,022,715)	4.3%
Total fund balance	\$ 3,660,827	\$ 5,017,492	\$ (1,356,665)	4.8%

The fund balance of the general fund changed by \$(1,356,665) during the current fiscal year. Key factors related to this change are as follows:

Use of fund balance	\$ (4,259,149)
Revenues in excess of budget	1,160,399
Expenditures less than budget	1,698,059
Change in capital reserve	313
Other GAAP adjustments	<u>43,713</u>
Total	\$ <u>(1,356,665)</u>

Included in the total general fund balance are the District's capital reserve accounts with the following balances:

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
Buildings/Grounds Maintenance Fund	\$ <u>183,127</u>	\$ <u>182,814</u>	\$ <u>313</u>
Total	\$ <u>183,127</u>	\$ <u>182,814</u>	\$ <u>313</u>

E. BUDGETARY HIGHLIGHTS

There were no increases to the original budget during fiscal year 2015.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$32,193,390 (net of accumulated depreciation), a change of \$(487,708) from the prior year. This investment in capital assets includes land, buildings and improvements, and machinery, equipment and furnishings.

Major capital asset events during the current fiscal year included the following:

Purchase of:	
Buildings and improvements	\$ 35,335
Machinery, equipment, and furnishings	<u>54,816</u>
Subtotal	90,151
Current year depreciation	<u>(577,859)</u>
Decrease in capital assets	\$ <u><u>(487,708)</u></u>

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current fiscal year, total long-term debt outstanding was \$12,176,108, all of which was backed by the full faith and credit of the District.

Additional information on long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Derry Cooperative School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Derry Cooperative School District
Business Administrator
18 South Main Street
Derry, New Hampshire 03038

DERRY COOPERATIVE SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 4,264,898
Receivables:	
Accounts	55,618
Intergovernmental	828,598
Inventory	<u>107,003</u>
Total current assets	5,256,117
Noncurrent:	
Capital assets:	
Land	1,798,255
Other assets, net of accumulated depreciation	<u>30,395,135</u>
Total noncurrent assets	<u>32,193,390</u>
TOTAL ASSETS	37,449,507
Deferred Outflows of Resources	<u>4,160,798</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	41,610,305
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current:	
Accounts payable	688,154
Accrued liabilities	511,549
Accrued interest	220,000
Other liabilities	83,544
Current portion of noncurrent liabilities:	
Bonds payable	1,485,607
Compensated absences	<u>171,553</u>
Total current liabilities	3,160,407
Noncurrent:	
Bonds payable	10,690,501
Compensated absences	1,533,283
Net OPEB obligation	1,257,402
Net pension liability	<u>34,583,605</u>
Total noncurrent liabilities	<u>48,064,791</u>
TOTAL LIABILITIES	51,225,198
Deferred Inflows of Resources	<u>4,425,001</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	55,650,199
NET POSITION	
Net investment in capital assets	20,017,282
Restricted	244,112
Unrestricted	<u>(34,301,288)</u>
TOTAL NET POSITION	<u>\$ (14,039,894)</u>

The accompanying notes are an integral part of these financial statements.

DERRY COOPERATIVE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular programs	\$ 41,048,215	\$ -	\$ 1,017,488	\$ (40,030,727)
Special programs	15,420,887	-	1,406,317	(14,014,570)
Other instructional programs	301,070	-	-	(301,070)
Adult and community programs	132,438	-	79,397	(53,041)
Support services:				
Student services	6,590,406	-	3,675	(6,586,731)
Instructional staff	1,424,128	-	62,386	(1,361,742)
General administration	876,260	-	-	(876,260)
School administration	3,343,741	-	-	(3,343,741)
Business office	473,743	-	-	(473,743)
Operations and maintenance	4,279,730	-	-	(4,279,730)
Student transportation	2,901,978	-	-	(2,901,978)
Centralized services	40,668	-	-	(40,668)
Other support services	17,467	-	-	(17,467)
Food service operations	1,343,097	729,435	623,357	9,695
Interest	482,157	-	-	(482,157)
Depreciation	577,859	-	-	(577,859)
Total Governmental Activities	<u>\$ 79,253,844</u>	<u>\$ 729,435</u>	<u>\$ 3,192,620</u>	(75,331,789)
General Revenues:				
School assessment				46,049,465
Tuition				513,325
Grants and contributions not restricted to specific programs				27,053,944
Investment income				1,577
Miscellaneous				<u>1,341,356</u>
Total general revenues				<u>74,959,667</u>
Change in Net Position				(372,122)
Net Position:				
Beginning of year, as restated				<u>(13,667,772)</u>
End of year				<u>\$ (14,039,894)</u>

The accompanying notes are an integral part of these financial statements.

DERRY COOPERATIVE SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General Fund	Food Service Fund	Grants Fund	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 4,263,973	\$ 925	\$ -	\$ 4,264,898
Receivables:				
Accounts	41,793	2,513	11,312	55,618
Intergovernmental	353,306	38,121	437,171	828,598
Due from other funds	211,464	227,610	-	439,074
Inventory	<u>39,072</u>	<u>67,931</u>	<u>-</u>	<u>107,003</u>
TOTAL ASSETS	<u>\$ 4,909,608</u>	<u>\$ 337,100</u>	<u>\$ 448,483</u>	<u>\$ 5,695,191</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 686,896	\$ 323	\$ 935	\$ 688,154
Accrued liabilities	507,985	3,564	-	511,549
Due to other funds	-	-	439,074	439,074
Other liabilities	<u>53,900</u>	<u>29,644</u>	<u>-</u>	<u>83,544</u>
TOTAL LIABILITIES	1,248,781	33,531	440,009	1,722,321
Fund Balances:				
Nonspendable	39,072	67,931	-	107,003
Restricted	-	235,638	8,474	244,112
Committed	183,127	-	-	183,127
Assigned	189,993	-	-	189,993
Unassigned	<u>3,248,635</u>	<u>-</u>	<u>-</u>	<u>3,248,635</u>
TOTAL FUND BALANCES	<u>3,660,827</u>	<u>303,569</u>	<u>8,474</u>	<u>3,972,870</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,909,608</u>	<u>\$ 337,100</u>	<u>\$ 448,483</u>	<u>\$ 5,695,191</u>

The accompanying notes are an integral part of these financial statements.

DERRY COOPERATIVE SCHOOL DISTRICT
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND
 BALANCES TO NET POSITION OF GOVERNMENTAL
 ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total governmental fund balances	\$	3,972,870
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		32,193,390
• Deferred outflows of resources from net pension liability		4,160,798
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(220,000)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable		(12,176,108)
Compensated absences		(1,704,836)
Net OPEB obligation		(1,257,402)
Net pension liability		(34,583,605)
• Deferred inflows of resources from net pension liability		<u>(4,425,001)</u>
Net position of governmental activities	\$	<u><u>(14,039,894)</u></u>

The accompanying notes are an integral part of these financial statements.

DERRY COOPERATIVE SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Food Service Fund	Grants Fund	Total Governmental Funds
Revenues:				
School assessment	\$ 46,049,465	\$ -	\$ -	\$ 46,049,465
Tuition	513,325	-	-	513,325
Charges for services	-	729,435	-	729,435
Intergovernmental	27,053,944	623,357	2,569,263	30,246,564
Investment income	1,577	-	-	1,577
Miscellaneous	<u>1,323,148</u>	<u>-</u>	<u>7,215</u>	<u>1,330,363</u>
Total Revenues	74,941,459	1,352,792	2,576,478	78,870,729
Expenditures:				
Instruction:				
Regular programs	40,296,508	-	755,786	41,052,294
Special programs	14,291,268	-	1,092,556	15,383,824
Other instructional programs	300,591	-	2,191	302,782
Adult and community programs	92,375	-	39,722	132,097
Support services:				
Student services	5,998,175	-	575,042	6,573,217
Instructional staff	1,388,708	-	59,964	1,448,672
General administration	870,551	-	-	870,551
School administration	3,304,877	-	-	3,304,877
Business office	475,707	-	-	475,707
Operations and maintenance	4,375,012	-	4,540	4,379,552
Student transportation	2,860,193	-	41,785	2,901,978
Centralized services	35,808	-	4,860	40,668
Other support services	17,467	-	-	17,467
Food service operations	-	1,360,327	-	1,360,327
Debt service:				
Principal	1,485,000	-	-	1,485,000
Interest	<u>505,884</u>	<u>-</u>	<u>-</u>	<u>505,884</u>
Total Expenditures	<u>76,298,124</u>	<u>1,360,327</u>	<u>2,576,446</u>	<u>80,234,897</u>
Change in fund balance	(1,356,665)	(7,535)	32	(1,364,168)
Fund Equity, at Beginning of Year	<u>5,017,492</u>	<u>311,104</u>	<u>8,442</u>	<u>5,337,038</u>
Fund Equity, at End of Year	<u>\$ 3,660,827</u>	<u>\$ 303,569</u>	<u>\$ 8,474</u>	<u>\$ 3,972,870</u>

The accompanying notes are an integral part of these financial statements.

DERRY COOPERATIVE SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances - total governmental funds	\$ (1,364,168)
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital asset purchases	90,151
Depreciation	(577,859)
<ul style="list-style-type: none"> • 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 financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Repayment of bonds	1,485,000
Amortization of bond premium	10,993
<ul style="list-style-type: none"> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	23,722
<ul style="list-style-type: none"> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: 	
Compensated absences	(125,495)
Net OPEB obligation	(367,822)
GASB 68 net pension liability changes:	
Net pension liability	3,706,628
Deferred outflows of resources	1,171,729
Deferred inflows of resources	<u>(4,425,001)</u>
Change in net position of governmental activities	\$ <u>(372,122)</u>

The accompanying notes are an integral part of these financial statements.

DERRY COOPERATIVE SCHOOL DISTRICT

ALL BUDGETED FUNDS

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
General Fund:				
School assessment	\$ 49,308,614	\$ 46,049,465	\$ 46,049,465	\$ -
Tuition	549,831	549,831	513,325	(36,506)
Intergovernmental	26,685,818	26,685,818	27,053,944	368,126
Investment income	1,000	1,000	1,264	264
Miscellaneous	494,633	494,633	1,323,148	828,515
Total General Fund	77,039,896	73,780,747	74,941,146	1,160,399
Food Service Fund	1,200,000	1,200,000	1,352,792	152,792
Grants Fund	1,300,000	1,300,000	2,576,478	1,276,478
Total Revenues	79,539,896	76,280,747	78,870,416	2,589,669
Expenditures:				
General Fund:				
Instruction:				
Regular programs	40,820,711	40,820,711	40,296,836	523,875
Special programs	15,011,568	15,011,568	14,279,563	732,005
Other instructional programs	357,681	357,681	300,591	57,090
Adult and community programs	96,231	96,231	92,375	3,856
Support services:				
Student services	6,020,393	6,020,393	6,056,073	(35,680)
Instructional staff	1,496,782	1,496,782	1,437,705	59,077
General administration	853,472	853,472	865,374	(11,902)
School administration	3,433,139	3,433,139	3,305,050	128,089
Business office	473,210	473,210	475,707	(2,497)
Operations and maintenance	4,302,610	4,302,610	4,306,110	(3,500)
Student transportation	3,057,590	3,057,590	2,884,243	173,347
Centralized services	35,625	35,625	35,808	(183)
Other support services	90,000	90,000	15,518	74,482
Debt service:				
Principal	1,485,000	1,485,000	1,485,000	-
Interest	505,884	505,884	505,884	-
Total General Fund	78,039,896	78,039,896	76,341,837	1,698,059
Food Service Fund	1,200,000	1,200,000	1,360,327	(160,327)
Grants Fund	1,300,000	1,300,000	2,576,446	(1,276,446)
Total Expenditures	80,539,896	80,539,896	80,278,610	261,286
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,000,000)	(4,259,149)	(1,408,194)	2,850,955
Other Financing Sources (Uses):				
Use of fund balance - reduce taxes	1,000,000	4,259,149	4,259,149	-
Total Other Financing Sources (Uses)	1,000,000	4,259,149	4,259,149	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,850,955	\$ 2,850,955

The accompanying notes are an integral part of these financial statements.

DERRY COOPERATIVE SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>60,043</u>
Total Assets	\$ <u><u>60,043</u></u>
<u>LIABILITIES</u>	
Due to student groups	\$ <u>60,043</u>
Total Liabilities	\$ <u><u>60,043</u></u>

The accompanying notes are an integral part of these financial statements.

DERRY COOPERATIVE SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Derry Cooperative School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District is a municipal corporation governed by an elected School Board. As required by generally accepted accounting principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. School assessments and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include school assessments.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Typically, revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.
- The *Food Service Fund* accounts for the District's food service program.
- The *Grants Fund* accounts for the District's state and federal grant programs.

The *Agency Fund* is used to account for money held by the District on behalf of others (e.g., student activity funds).

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash and investment 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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

F. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method.

G. Capital Assets

Capital assets, which include land, buildings and improvements, and machinery, equipment and furnishings, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-75
Machinery, equipment, and furnishings	10

H. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The District's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the District (i.e., the School District Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

The District voted to accept RSA 198: 4-b II that allows the District to retain year-end unassigned general funds in an amount not to exceed, in any fiscal year, 2.5% of the current fiscal year's net assessment, to be used as a revenue source for emergency expenditures and over-expenditures or to be used as a revenue source to reduce the tax rate. As of June 30, 2015, the District did not vote to retain 2.5% of unassigned general funds.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At its annual meeting, the District adopts a budget for the next fiscal year. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, overexpenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end.

B. Budgetary Basis

The final appropriations appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund, food service fund, and grants fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 78,870,729	\$ 80,234,897
Reverse beginning of year appropriation carryforwards from expenditures	-	(146,280)
Add end-of-year appropriation carryforwards to expenditures	-	189,993
To reverse capital reserve fund activity	<u>(313)</u>	<u>-</u>
Budgetary basis	<u>\$ 78,870,416</u>	<u>\$ 80,278,610</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. RSA 197:23-a limits “deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus”. The District does not have a deposit policy for custodial credit risk.

As of June 30, 2015, none of the District’s bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Receivables

Receivables consist primarily of reimbursements requested from Federal, State, and local agencies for expenditures incurred in fiscal year 2015, and amounts due from the Town of Derry Trustee of Trust Funds.

5. Interfund Receivables and Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2015 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 211,464	\$ -
Food Service Fund	227,610	-
Grants Fund	<u>-</u>	<u>439,074</u>
Total	<u>\$ 439,074</u>	<u>\$ 439,074</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 38,839,406	\$ 35,335	\$ -	\$ 38,874,741
Machinery, equipment, and furnishings	<u>1,028,699</u>	<u>54,816</u>	<u>-</u>	<u>1,083,515</u>
Total capital assets, being depreciated	39,868,105	90,151	-	39,958,256
Less accumulated depreciation for:				
Buildings and improvements	(8,199,506)	(538,976)	-	(8,738,482)
Machinery, equipment, and furnishings	<u>(785,756)</u>	<u>(38,883)</u>	<u>-</u>	<u>(824,639)</u>
Total accumulated depreciation	<u>(8,985,262)</u>	<u>(577,859)</u>	<u>-</u>	<u>(9,563,121)</u>
Total capital assets, being depreciated, net	30,882,843	(487,708)	-	30,395,135
Capital assets, not being depreciated:				
Land	<u>1,798,255</u>	<u>-</u>	<u>-</u>	<u>1,798,255</u>
Total capital assets, not being depreciated	<u>1,798,255</u>	<u>-</u>	<u>-</u>	<u>1,798,255</u>
Governmental activities capital assets, net	<u>\$ 32,681,098</u>	<u>\$ (487,708)</u>	<u>\$ -</u>	<u>\$ 32,193,390</u>

Depreciation expense was charged to the District totaling \$577,859.

7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of assets that are applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of the deferred outflows of resources balance as of June 30, 2015.

	Governmental <u>Activities</u>
Changes in pension proportion and differences between contributions and proportionate share of contributions	\$ 1,119,625
Pension contributions subsequent to the measurement date	<u>3,041,173</u>
Total	<u>\$ 4,160,798</u>

8. Accounts Payable

Accounts payable represent fiscal year 2015 expenditures paid in the next fiscal year.

9. Long-Term Debt

A. General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/15</u>
South Range/Derry Village additions refinancing	2020	2.0 - 4.0%	\$ 1,325,000
Elementary & Middle Schools	2024	3.75 - 4.25%	<u>10,800,000</u>
Total Governmental Activities			<u>\$ 12,125,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>Governmental Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,475,000	\$ 454,063	\$ 1,929,063
2017	1,470,000	401,088	1,871,088
2018	1,465,000	344,750	1,809,750
2019	1,460,000	287,550	1,747,550
2020	1,455,000	230,325	1,685,325
2021-2025	<u>4,800,000</u>	<u>406,500</u>	<u>5,206,500</u>
Total	\$ <u>12,125,000</u>	\$ <u>2,124,276</u>	\$ <u>14,249,276</u>

The general fund has been designated as the source to repay the long-term debt outstanding as of June 30, 2015.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/15</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u> <u>6/30/15</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 13,610	\$ -	\$ (1,485)	\$ 12,125	\$ (1,475)	\$ 10,650
Bond premium	<u>62</u>	<u>-</u>	<u>(11)</u>	<u>51</u>	<u>(11)</u>	<u>40</u>
Subtotal	13,672	-	(1,496)	12,176	(1,486)	10,690
Other:						
Compensated absences	1,580	125	-	1,705	(172)	1,533
Net OPEB obligation	889	812	(444)	1,257	-	1,257
Net pension liability	<u>38,290</u>	<u>-</u>	<u>(3,706)</u>	<u>34,584</u>	<u>-</u>	<u>34,584</u>
Totals	\$ <u>54,431</u>	\$ <u>937</u>	\$ <u>(5,646)</u>	\$ <u>49,722</u>	\$ <u>(1,658)</u>	\$ <u>48,064</u>

10. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of the deferred inflows of resources balance as of June 30, 2015:

	<u>Governmental Activities</u>
Net difference between pension projected and actual investment earnings	\$ <u>4,425,001</u>
Total	\$ <u>4,425,001</u>

11. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

12. Fund Balances

The following is a summary of fund balances at June 30, 2015:

	General Fund	Food Service Fund	Grants Fund	Total Governmental Funds
Nonspendable:				
Inventory	\$ 39,072	\$ 67,931	\$ -	\$ 107,003
Total Nonspendable	39,072	67,931	-	107,003
Restricted:				
Unexpended grant funds	-	-	8,474	8,474
Remaining fund balance	-	235,638	-	235,638
Total Restricted	-	235,638	8,474	244,112
Committed:				
Building/grounds maintenance fund	183,127	-	-	183,127
Total Committed	183,127	-	-	183,127
Assigned:				
Encumbrances	189,993	-	-	189,993
Total Assigned	189,993	-	-	189,993
Unassigned:				
Remaining fund balance	3,248,635	-	-	3,248,635
Total Unassigned	3,248,635	-	-	3,248,635
Total Fund Balances	\$ 3,660,827	\$ 303,569	\$ 8,474	\$ 3,972,870

13. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the District is involved. The District's management is of the opinion that the potential future settlement of such claims would not affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

14. Post-Employment Healthcare Benefits

Other Post-Employment Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the District provides post-employment health care benefits for retired employees through the District's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2014, the actuarial valuation date, 65 retirees and 462 active employees meet the eligibility requirements. The plan does not issue a separate report.

B. Benefits Provided

The District provides medical benefits to its eligible retirees and covered spouses.

C. Funding Policy

Retirees contribute 100% of the premium rates for medical coverage, as determined by the District.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal year 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Annual Required Contribution (ARC)	\$ 826,473
Interest on net OPEB obligation	35,583
Adjustment to ARC	<u>(50,445)</u>
Annual OPEB cost	811,611
Contributions made	<u>(443,789)</u>
Increase in net OPEB obligation	367,822
Net OPEB obligation - beginning of year	<u>889,580</u>
Net OPEB obligation - end of year	<u><u>\$ 1,257,402</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 811,611	54.7%	\$ 1,257,402
2014	\$ 697,252	43.7%	\$ 889,580
2013	\$ 662,474	46.4%	\$ 496,750
2012	\$ 484,188	100.5%	\$ 141,735
2011	\$ 474,076	100.5%	\$ 144,143
2010	\$ 271,480	74.3%	\$ 146,592

E. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 7,969,182
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 7,969,182</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>\$ 28,232,560</u></u>
UAAL as a percentage of covered payroll	<u><u>28.23%</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are

compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress – Other Post-Employment Benefits, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the District and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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 projected unit credit method was used. The actuarial value of assets was not determined, as the District has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of (2.28)% which increases to a 5.0% long-term rate for all healthcare benefits after five years. The UAAL is being amortized as a level dollar amount over an open basis.

15. New Hampshire Retirement System

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System, a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are

also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS' annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of 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 a 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 benefit commencement date precedes the month after 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 earned compensation and/or service.

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and 11.55% for sheriff's deputies and correctional officers. The District makes annual contributions to the pension plan equal to the

amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% to 25.30% of covered compensation. The District's contributions to NHRS for the year ended June 30, 2015 were \$3,041,173, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At June 30, 2015, the District reported a liability of \$34,583,605 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 June 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2013, the District's proportion was .88968752 percent.

At the most recent measurement date of June 30, 2014, the District's proportion was .92134850 percent, which was an increase of .03166098 percent from its previous year proportion.

For the year ended June 30, 2015, the District recognized pension expense of \$2,587,816. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 4,425,001
Changes in proportion and differences between contributions and proportionate share of contributions	1,119,625	-
Contributions subsequent to the measurement date (fiscal year 2015)	<u>3,041,173</u>	<u>-</u>
Total	<u>\$ 4,160,798</u>	<u>\$ 4,425,001</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ (2,177,917)
2017	863,255
2018	863,255
2019	863,255
2020	<u>(147,645)</u>
Total	<u>\$ 264,203</u>

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Asset Class	Target Allocation Percentage	Weighted Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.25%
Small/Mid Cap Equities	7.50	3.25%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.25%
Emerging Int'l Equities	7.00	6.50%
Total international equities	20.00	
Core Bonds	18.00	-0.47%
High-Yield Bonds	1.50	1.50%
Global Bonds (unhedged)	5.00	-1.75%
Emerging Market Debt (external)	0.50	2.00%
Total fixed income	25.00	
Private equity	5.00	5.75%
Private debt	5.00	5.00%
Real estate	10.00	3.25%
Opportunistic	5.00	2.50%
Total alternative investments	25.00	
Total	100.00 %	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the 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 and 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75

percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

Fiscal Year Ended	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
June 30, 2014	\$ 45,552,236	\$ 34,583,605	\$ 25,329,924

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

16. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

17. Next Charter School

The District has a memorandum of understanding with Next Charter School ("the School") that establishes the School's intended use of the District's facilities, financial support, and other services to be provided. In addition, several members of the District's management and School Board also serve on the School's Board and as directors of the School.

18. Beginning Net Position Restatement

The beginning (July 1, 2014) net position of the District has been restated as follows:

	<u>Governmental Activities</u>
As previously reported	\$ 21,633,393
GASB 68 implementation	<u>(35,301,165)</u>
Total	<u>\$ (13,667,772)</u>

DERRY COOPERATIVE SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Projected Unit Credit <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
12/31/08	\$ -	\$ 2,571,341	\$ 2,571,341	0.0%	n/a	n/a
07/01/10	\$ -	\$ 4,148,675	\$ 4,148,675	0.0%	\$ 28,046,488	14.8%
07/01/12	\$ -	\$ 5,559,321	\$ 5,559,321	0.0%	\$ 29,179,566	19.05%
07/01/13	\$ -	\$ 5,877,960	\$ 5,877,960	0.0%	\$ 29,763,157	19.75%
07/01/14	\$ -	\$ 7,969,182	\$ 7,969,182	0.0%	\$ 28,232,560	28.23%

See Independent Auditors' Report.

**DERRY COOPERATIVE SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

(Unaudited)

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.9213485%
Proportionate share of the net pension liability for the most recent measurement date	\$ 34,583,605
Covered-employee payroll for the most recent measurement date	\$ 25,520,829
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	135.51%
Plan fiduciary net position as a percentage of the total pension liability	66.32%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

DERRY COOPERATIVE SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
(Unaudited)

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 3,041,173
Contributions in relation to the contractually required contribution	<u>(3,041,173)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	25,892,723
Contributions as a percentage of covered-employee payroll	11.75%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.