

WINDHAM SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the School Board
Windham 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 Windham School District, as of and for the year ended June 30, 2016, 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.

Auditors' 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 auditors' 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 Windham School District, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for 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 OPEB Funding Progress, the Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Pension 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 December 7, 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

December 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Windham 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, 2016.

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 and sick 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, Grants Fund, Summer Program Fund, Laptop Program Fund, WHS Music Lessons Fund, and Adult Ed 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 assets exceeded liabilities by \$25,148,185 (i.e., net position), a change of \$2,310,968 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,978,205, a change of \$(781,523) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,513,879, a change of \$(1,299,950) in comparison to the prior year.
- Total bonds payable, including bond premiums, at the close of the current fiscal year were \$18,010,196, a change of \$(2,968,527) 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

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 3,806,859	\$ 3,912,257
Noncurrent assets	65,534,668	66,058,087
Deferred outflows	<u>3,247,218</u>	<u>2,898,105</u>
Total assets and deferred outflows	72,588,745	72,868,449
Current liabilities	3,597,641	454,198
Noncurrent liabilities	42,404,706	46,348,355
Deferred inflows	<u>1,438,213</u>	<u>3,228,679</u>
Total liabilities and deferred inflows	47,440,560	50,031,232
Net position:		
Net investment in capital assets	47,136,965	44,712,327
Restricted	305,963	293,611
Unrestricted	<u>(22,294,743)</u>	<u>(22,168,721)</u>
Total net position	<u>\$ 25,148,185</u>	<u>\$ 22,837,217</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 743,169	\$ 767,019
Operating grants and contributions	794,505	777,442
Capital grants and contributions	1,000,824	982,237
General revenues:		
School assessment	38,955,348	39,803,181
Tuition	175,173	96,825
Grants and contributions not restricted to specific programs	3,589,944	3,368,448
Investment income	52	9
Miscellaneous	<u>841,577</u>	<u>801,455</u>
Total revenues	46,100,592	46,596,616

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Expenses:		
Instruction:		
Regular programs	11,812,605	11,577,176
Special programs	5,525,592	5,487,151
Vocational programs	103,787	52,945
Other instructional programs	820,757	782,602
Adult and community programs	-	2,960
Support services:		
Student services	2,450,684	2,313,582
Instructional staff	1,725,380	1,610,628
General administration	168,393	194,860
Executive administration	992,746	770,614
School administration	1,198,562	1,172,561
Business office	437,371	437,776
Operations and maintenance	3,059,029	3,014,081
Student transportation	2,342,626	2,377,418
Other support services	10,426,175	9,480,706
Food service operations	906,323	814,621
Interest	577,227	407,719
Depreciation	1,242,367	1,203,214
Total expenses	<u>43,789,624</u>	<u>41,700,614</u>
Change in net position	2,310,968	4,896,002
Net position - beginning of year	<u>22,837,217</u>	<u>17,941,215</u>
Net position - end of year	<u>\$ 25,148,185</u>	<u>\$ 22,837,217</u>

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 \$25,148,185, a change of \$2,310,968 from the prior year.

The largest portion of net position, \$47,136,965, reflects our investment in capital assets (e.g., land, buildings and improvements, land improvements, and machinery, equipment and vehicles); 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, \$305,963, 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 \$(22,294,743), 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 \$2,310,968. Key elements of this change are as follows:

Operating Results:	
General fund	\$ (742,583)
Food service fund	(35,335)
Summer program fund	3,503
Nonmajor governmental funds	<u>(7,108)</u>
Subtotal operating results	(781,523)
Purchase of capital assets, net of disposals	718,948
Principal debt service in excess of depreciation expense	1,728,872
Change in accrued interest liability	39,930
Change in compensated absence liability	144,707
Change in net OPEB obligation	(109,997)
Change in net pension liability	(1,546,366)
Change in deferred outflows of resources	349,113
Change in deferred inflows of resources	<u>1,767,284</u>
Total	<u>\$ 2,310,968</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 \$2,978,205, a change of \$(781,523) in comparison with the prior year. Key elements of this change are as follows:

General fund expenditures and other financing uses in excess of revenues and other financing sources	\$ (742,583)
Food service fund expenditures in excess of revenues	(35,335)
Summer program fund revenues and other financing sources in excess of expenditures	3,503
Nonmajor governmental funds expenditures in excess of revenues	<u>(7,108)</u>
Total	<u>\$ (781,523)</u>

The fund balance of all governmental funds changed by \$(781,523) during the current fiscal year. Key factors related to this change are as follows:

Use of fund balance - reduce taxes	\$ (2,816,910)
Use of fund balance - prior year reserves	(508,296)
Revenues in excess of budget	859,418
Expenditures less than budget	1,687,706
Other GAAP adjustments	<u>(3,441)</u>
Total	<u>\$ (781,523)</u>

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,513,879, while total fund balance was \$2,672,242. 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>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,513,879	\$ 2,813,829	\$ (1,299,950)	3.3%
Total fund balance	\$ 2,672,242	\$ 3,414,825	\$ (742,583)	5.9%

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
Repair and Replace Septic Fund	\$ 1,646	\$ 1,646	\$ -
Paving and Parking Repairs Fund	27,184	27,182	2
Building Roof Repairs and Replacement Fund	42,204	42,199	5
Building and Grounds Maintenance Fund	18,593	18,591	2
Capital Needs and Building and Grounds Maintenance Fund	<u>615,043</u>	<u>-</u>	<u>615,043</u>
Total	<u>\$ 704,670</u>	<u>\$ 89,618</u>	<u>\$ 615,052</u>

E. BUDGETARY HIGHLIGHTS

Differences between the original and the final amended budget resulted in an overall change in appropriations of \$508,296. This change relates to a use of voted reserves (fund balance) for various purposes.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$65,534,668 (net of accumulated depreciation), a change of \$(523,419) from the prior year. This investment in capital assets includes land, buildings and improvements, land improvements, and machinery, equipment and vehicles.

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

Purchase of:		
Buildings and improvements	\$	190,121
Land improvements		25,000
Machinery, equipment, and vehicles		<u>528,331</u>
Subtotal		743,452
Disposal of assets		(24,504)
Current year depreciation		<u>(1,242,367)</u>
Decrease in capital assets	\$	<u><u>(523,419)</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 bonded debt outstanding was \$18,010,196, 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 Windham 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:

Windham School District
19 Haverhill Road
Windham, New Hampshire 03087

WINDHAM SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 2,854,613
Receivables:	
Accounts	10,772
Intergovernmental	909,059
Other assets	6,594
Inventory	25,821
Total current assets	3,806,859
Noncurrent:	
Capital assets:	
Land	3,300,000
Other assets, net of accumulated depreciation	62,234,668
Total noncurrent assets	65,534,668
TOTAL ASSETS	69,341,527
Deferred Outflows of Resources	3,247,218
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	72,588,745
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current:	
Accounts payable	696,711
Intergovernmental payable	1,260
Accrued liabilities	19,800
Other liabilities	110,883
Accrued interest	261,740
Current portion of noncurrent liabilities:	
Bonds payable	2,108,526
Capital leases payable	186,944
Compensated absences	211,777
Total current liabilities	3,597,641
Noncurrent:	
Bonds payable	15,901,670
Capital leases payable	200,563
Compensated absences	388,744
Net OPEB obligation	1,126,571
Net pension liability	24,787,158
Total noncurrent liabilities	42,404,706
TOTAL LIABILITIES	46,002,347
Deferred Inflows of Resources	1,438,213
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	47,440,560
NET POSITION	
Net investment in capital assets	47,136,965
Restricted	305,963
Unrestricted	(22,294,743)
TOTAL NET POSITION	\$ 25,148,185

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

WINDHAM SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular programs	\$ 11,812,605	\$ -	\$ 119,922	\$ -	\$ (11,692,683)
Special programs	5,525,592	-	517,927	-	(5,007,665)
Vocational programs	103,787	-	-	-	(103,787)
Other instructional programs	820,757	-	-	-	(820,757)
Support services:					
Student services	2,450,684	-	-	-	(2,450,684)
Instructional staff	1,725,380	-	-	-	(1,725,380)
General administration	168,393	-	-	-	(168,393)
Executive administration	992,746	-	-	-	(992,746)
School administration	1,198,562	-	-	-	(1,198,562)
Business office	437,371	-	-	-	(437,371)
Operations and maintenance	3,059,029	-	-	-	(3,059,029)
Student transportation	2,342,626	-	-	-	(2,342,626)
Other support services	10,426,175	-	-	-	(10,426,175)
Food service operations	906,323	743,169	156,656	-	(6,498)
Interest	577,227	-	-	1,000,824	423,597
Depreciation	1,242,367	-	-	-	(1,242,367)
Total Governmental Activities	\$ 43,789,624	\$ 743,169	\$ 794,505	\$ 1,000,824	(41,251,126)
General Revenues:					
					38,955,348
					175,173
					3,589,944
					52
					841,577
					43,562,094
					2,310,968
Net Position:					
					22,837,217
					\$ 25,148,185

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

WINDHAM SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	General Fund	Food Service Fund	Grants Fund	Summer Program Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short-term investments	\$ 2,458,431	\$ 196,977	\$ -	\$ 98,037	\$ 101,168	\$ 2,854,613
Receivables:						
Accounts	9,862	210	-	-	700	10,772
Intergovernmental	746,684	7,180	155,195	-	-	909,059
Due from other funds	155,195	-	-	-	-	155,195
Other assets	3,641	2,289	-	664	-	6,594
Inventory	-	25,821	-	-	-	25,821
TOTAL ASSETS	\$ 3,373,813	\$ 232,477	\$ 155,195	\$ 98,701	\$ 101,868	\$ 3,962,054
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 696,711	\$ -	\$ -	\$ -	\$ -	\$ 696,711
Intergovernmental payable	1,260	-	-	-	-	1,260
Accrued liabilities	-	-	-	19,800	-	19,800
Due to other funds	-	-	155,195	-	-	155,195
Other liabilities	3,600	35,953	-	71,330	-	110,883
TOTAL LIABILITIES	701,571	35,953	155,195	91,130	-	983,849
Fund Balances:						
Nonspendable	-	25,821	-	-	-	25,821
Restricted	-	170,703	-	7,571	104,835	283,109
Committed	704,670	-	-	-	-	704,670
Assigned	453,693	-	-	-	-	453,693
Unassigned	1,513,879	-	-	-	(2,967)	1,510,912
TOTAL FUND BALANCES	2,672,242	196,524	-	7,571	101,868	2,978,205
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,373,813	\$ 232,477	\$ 155,195	\$ 98,701	\$ 101,868	\$ 3,962,054

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

WINDHAM SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total governmental fund balances	\$ 2,978,205
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	65,534,668
• Deferred outflows of resources from net pension liability	3,247,218
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(261,740)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(18,010,196)
Compensated absences	(387,507)
Compensated absences	(600,521)
Net OPEB obligation	(1,126,571)
Net pension liability	(24,787,158)
• Deferred inflows of resources from net pension liability	(1,206,395)
• Reduction in principal of long-term debt is deferred and amortized over the remaining life of the reissued debt.	<u>(231,818)</u>
Net position of governmental activities	\$ <u>25,148,185</u>

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

WINDHAM SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Food Service Fund	Grants Fund	Summer Program Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
School assessment	\$ 38,955,348	\$ -	\$ -	\$ -	\$ -	\$ 38,955,348
Tuition	72,661	-	-	91,849	10,663	175,173
Charges for services	-	743,169	-	-	-	743,169
Intergovernmental	4,590,768	156,656	637,849	-	-	5,385,273
Investment income	52	-	-	-	-	52
Miscellaneous	742,481	10,080	-	-	56,813	809,374
Total Revenues	44,361,310	909,905	637,849	91,849	67,476	46,068,389
Expenditures:						
Instruction:						
Regular programs	11,730,091	-	139,627	-	19,805	11,889,523
Special programs	5,197,433	-	348,699	-	24	5,546,156
Vocational programs	69,072	-	34,715	-	-	103,787
Other instructional programs	737,127	-	-	79,569	15,905	832,601
Support services:						
Student services	2,412,391	-	46,986	-	1,176	2,460,553
Instructional staff	2,183,598	-	67,822	-	36,924	2,288,344
General administration	186,300	-	-	-	-	186,300
Executive administration	992,746	-	-	-	-	992,746
School administration	1,267,156	-	-	-	-	1,267,156
Business office	442,422	-	-	-	-	442,422
Operations and maintenance	3,086,998	-	-	-	-	3,086,998
Student transportation	2,342,626	-	-	-	-	2,342,626
Other support services	10,875,582	-	-	9,878	750	10,886,210
Food service operations	-	945,240	-	-	-	945,240
Capital improvements and acquisitions	294,880	-	-	-	-	294,880
Debt service:						
Principal	2,935,000	-	-	-	-	2,935,000
Interest	617,157	-	-	-	-	617,157
Total Expenditures	45,370,579	945,240	637,849	89,447	74,584	47,117,699
Excess (deficiency) of revenues over expenditures	(1,009,269)	(35,335)	-	2,402	(7,108)	(1,049,310)
Other Financing Sources (Uses):						
Proceeds of capital lease	267,787	-	-	-	-	267,787
Transfers in	615,000	-	-	1,101	-	616,101
Transfers out	(616,101)	-	-	-	-	(616,101)
Total Other Financing Sources (Uses)	266,686	-	-	1,101	-	267,787
Change in fund balance	(742,583)	(35,335)	-	3,503	(7,108)	(781,523)
Fund Equity, at Beginning of Year, as restated	3,414,825	231,859	-	4,068	108,976	3,759,728
Fund Equity, at End of Year	\$ 2,672,242	\$ 196,524	\$ -	\$ 7,571	\$ 101,868	\$ 2,978,205

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

WINDHAM 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, 2016

Net changes in fund balances - total governmental funds	\$ (781,523)												
<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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital asset purchases, net</td> <td style="text-align: right;">718,948</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,242,367)</td> </tr> </table> 		Capital asset purchases, net	718,948	Depreciation	(1,242,367)								
Capital asset purchases, net	718,948												
Depreciation	(1,242,367)												
<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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Repayment of bonds</td> <td style="text-align: right;">2,935,000</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">33,526</td> </tr> <tr> <td>Amortization of gain on refunding</td> <td style="text-align: right;">23,183</td> </tr> <tr> <td>Proceeds of capital leases</td> <td style="text-align: right;">(267,787)</td> </tr> <tr> <td>Repayments of capital leases</td> <td style="text-align: right;">247,317</td> </tr> </table> 		Repayment of bonds	2,935,000	Amortization of bond premium	33,526	Amortization of gain on refunding	23,183	Proceeds of capital leases	(267,787)	Repayments of capital leases	247,317		
Repayment of bonds	2,935,000												
Amortization of bond premium	33,526												
Amortization of gain on refunding	23,183												
Proceeds of capital leases	(267,787)												
Repayments of capital leases	247,317												
<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. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">39,930</td> </tr> </table> 			39,930										
	39,930												
<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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Compensated absences</td> <td style="text-align: right;">144,707</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;">(109,997)</td> </tr> <tr> <td colspan="2">GASB 68 net pension liability changes:</td> </tr> <tr> <td>Net pension liability</td> <td style="text-align: right;">(1,546,366)</td> </tr> <tr> <td>Deferred outflows of resources</td> <td style="text-align: right;">349,113</td> </tr> <tr> <td>Deferred inflows of resources</td> <td style="text-align: right;"><u>1,767,284</u></td> </tr> </table> 		Compensated absences	144,707	Net OPEB obligation	(109,997)	GASB 68 net pension liability changes:		Net pension liability	(1,546,366)	Deferred outflows of resources	349,113	Deferred inflows of resources	<u>1,767,284</u>
Compensated absences	144,707												
Net OPEB obligation	(109,997)												
GASB 68 net pension liability changes:													
Net pension liability	(1,546,366)												
Deferred outflows of resources	349,113												
Deferred inflows of resources	<u>1,767,284</u>												
Change in net position of governmental activities	\$ <u><u>2,310,968</u></u>												

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

WINDHAM 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, 2016

	Budgeted Amounts			Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	From Prior Years' Budget	Transfers			
Revenues:						
General Fund:						
School assessment	\$ 38,955,348	\$ -	\$ -	\$ 38,955,348	\$ 38,955,348	\$ -
Tuition	14,500	-	-	14,500	72,661	58,161
Intergovernmental	4,468,173	-	-	4,468,173	4,590,768	122,595
Miscellaneous	161,961	-	-	161,961	742,481	580,520
Total General Fund	43,599,982	-	-	43,599,982	44,361,258	761,276
Food Service Fund	915,786	-	-	915,786	909,905	(5,881)
Grants Fund	561,098	-	-	561,098	637,849	76,751
Summer Program Fund	78,117	-	-	78,117	91,849	13,732
Nonmajor Governmental Funds:						
Laptop Program	17,400	-	-	17,400	33,196	15,796
WHS Music Lessons	11,842	-	-	11,842	10,663	(1,179)
Adult Ed	1,077	-	-	1,077	-	(1,077)
Total Revenues	45,185,302	-	-	45,185,302	46,044,720	859,418
Expenditures:						
General Fund:						
Instruction:						
Regular programs	11,794,092	-	(29,126)	11,764,966	11,730,091	34,875
Special programs	5,686,298	823	(150,033)	5,537,088	5,197,433	339,655
Vocational programs	47,048	-	22,034	69,082	69,072	10
Other instructional programs	762,757	-	1,944	764,701	737,127	27,574
Support services:						
Student services	2,471,749	-	105,275	2,577,024	2,412,391	164,633
Instructional staff	2,150,715	13	21,060	2,171,788	1,915,811	255,977
General administration	171,082	-	(6,100)	164,982	186,300	(21,318)
Executive administration	916,782	-	14,985	931,767	992,746	(60,979)
School administration	1,208,096	2,386	(2,579)	1,207,903	1,267,156	(59,253)
Business office	339,656	-	36,642	376,298	442,422	(66,124)
Operations and maintenance	3,306,904	84,193	(2,595)	3,388,502	3,086,998	301,504
Student transportation	2,488,467	-	(45,128)	2,443,339	2,342,626	100,713
Other support services	10,803,089	1,881	(48,687)	10,756,283	10,875,582	(119,299)
Other - contingency	-	-	82,308	82,308	-	82,308
Capital improvements and acquisitions	715,000	419,000	-	1,134,000	294,880	839,120
Debt service:						
Principal	2,935,000	-	-	2,935,000	2,935,000	-
Interest	617,157	-	-	617,157	617,157	-
Total General Fund	46,413,892	508,296	-	46,922,188	45,102,792	1,819,396
Food Service Fund	918,786	-	-	918,786	945,240	(26,454)
Grants Fund	561,098	-	-	561,098	637,849	(76,751)
Summer Program Fund	78,117	-	-	78,117	89,447	(11,330)
Nonmajor Governmental Funds:						
Laptop Program	17,400	-	-	17,400	36,924	(19,524)
WHS Music Lessons	11,842	-	-	11,842	10,550	1,292
Adult Ed	1,077	-	-	1,077	-	1,077
Total Expenditures	48,002,212	508,296	-	48,510,508	46,822,802	1,687,706
Excess (deficiency) of revenues over expenditures before other financing sources	(2,816,910)	(508,296)	-	(3,325,206)	(778,082)	2,547,124
Other Financing Sources:						
Use of fund balance - reduce taxes	2,816,910	-	-	2,816,910	2,816,910	-
Use of fund balance - prior year reserves	-	508,296	-	508,296	508,296	-
Total Other Financing Sources	2,816,910	508,296	-	3,325,206	3,325,206	-
Excess (deficiency) of revenues and other sources over expenditures	\$ -	\$ -	\$ -	\$ -	\$ 2,547,124	\$ 2,547,124

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

WINDHAM SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ -	\$ 303,298
Due from Trustee of Trust Funds	<u>1,500</u>	<u>-</u>
Total Assets	1,500	303,298
 <u>LIABILITIES</u>		
Due to student groups	<u>-</u>	<u>303,298</u>
Total Liabilities	<u>-</u>	<u>303,298</u>
 <u>NET POSITION</u>		
Net position	<u>\$ 1,500</u>	<u>\$ -</u>

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

WINDHAM SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions:	\$ <u>1,500</u>
Total additions	1,500
Deductions:	
Scholarships	<u>-</u>
Total deductions	<u>-</u>
Net increase (decrease)	1,500
Net position:	
Beginning of year	<u>-</u>
End of year	\$ <u><u>1,500</u></u>

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

WINDHAM SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Windham 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 2016, 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 *Summer Program Fund* accounts for the District's educational and recreational summer program.

The *Private-Purpose Trust Fund* is used to account for trust arrangements under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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 deposit 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, land improvements, and machinery, equipment and vehicles, 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 acquisition 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	25-100
Land improvements	25
Machinery, equipment, and vehicles	5-25

H. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits based on the employee's length of service. 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 prepaid items) 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.

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, Grants Fund, Laptop Program Fund, WHS Music Lessons Fund, and Adult Ed 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.

	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 46,068,389	\$ 47,117,699
Other financing sources/uses (GAAP basis)	<u>267,787</u>	<u>-</u>
Subtotal (GAAP Basis)	46,336,176	47,117,699
To reverse capital lease proceeds	(267,787)	(267,787)
To reverse capital reserve fund activity	(52)	-
To reverse donations fund activity	<u>(23,617)</u>	<u>(27,110)</u>
Budgetary basis	<u>\$ 46,044,720</u>	<u>\$ 46,822,802</u>

D. Deficit Fund Equity

The following fund had a deficit as of June 30, 2016:

Music lessons fund	\$ <u>(2,967)</u>
Total	\$ <u><u>(2,967)</u></u>

The deficit will be eliminated through future departmental revenues and/or transfers from other funds.

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, 2016, \$82,276 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 2016, and amounts due from the Town of Windham Trustee of Trust Funds.

5. Interfund Fund Accounts

Receivables/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, 2016 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 155,195	\$ -
Grants Fund	<u>-</u>	<u>155,195</u>
Total	<u>\$ 155,195</u>	<u>\$ 155,195</u>

Transfers

The District reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
General Fund	\$ -	\$ 616,101
Capital Needs and Building and Grounds Maintenance Fund	615,000	-
Summer Program Fund	<u>1,101</u>	<u>-</u>
Total	<u>\$ 616,101</u>	<u>\$ 616,101</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	\$ 66,287,244	\$ 190,121	\$ -	\$ 66,477,365
Land improvements	421,127	25,000	-	446,127
Machinery, equipment, and vehicles	<u>2,684,118</u>	<u>528,331</u>	<u>(80,284)</u>	<u>3,132,165</u>
Total capital assets, being depreciated	69,392,489	743,452	(80,284)	70,055,657
Less accumulated depreciation for:				
Buildings and improvements	(5,449,953)	(713,251)	-	(6,163,204)
Land improvements	(83,178)	(17,787)	-	(100,965)
Machinery, equipment, and vehicles	<u>(1,101,271)</u>	<u>(511,329)</u>	<u>55,780</u>	<u>(1,556,820)</u>
Total accumulated depreciation	<u>(6,634,402)</u>	<u>(1,242,367)</u>	<u>55,780</u>	<u>(7,820,989)</u>
Total capital assets, being depreciated, net	62,758,087	(498,915)	(24,504)	62,234,668
Capital assets, not being depreciated:				
Land	<u>3,300,000</u>	<u>-</u>	<u>-</u>	<u>3,300,000</u>
Total capital assets, not being depreciated	<u>3,300,000</u>	<u>-</u>	<u>-</u>	<u>3,300,000</u>
Governmental activities capital assets, net	<u>\$ 66,058,087</u>	<u>\$ (498,915)</u>	<u>\$ (24,504)</u>	<u>\$ 65,534,668</u>

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, 2016.

	<u>Governmental Activities</u>
Pension related:	
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 858,490
Contributions subsequent to the measurement date	<u>2,388,728</u>
Total	<u>\$ 3,247,218</u>

8. Accounts Payable

Accounts payable represent fiscal year 2016 expenditures paid in the next fiscal year.

9. Capital Lease Obligations

The District is the lessee of certain equipment under capital leases expiring in various years through 2019. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2016:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 198,061
2018	138,342
2019	<u>70,221</u>
Total minimum lease payments	406,624
Less amounts representing interest	<u>(19,117)</u>
Present Value of Minimum Lease Payments	<u>\$ 387,507</u>

Equipment financed by capital leases totaling \$975,232 are reported in capital assets, net of \$463,845 accumulated depreciation.

10. 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>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/16</u>
New school	2025	3.5 - 4.25%	\$ 16,745,000
Additional high school bond	2018	4 - 5.25%	<u>1,115,000</u>
Total Governmental Activities			<u>\$ 17,860,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,075,000	\$ 554,870	\$ 2,629,870
2018	1,815,000	507,476	2,322,476
2019	2,070,000	451,713	2,521,713
2020	1,700,000	391,000	2,091,000
2021	1,700,000	340,000	2,040,000
2022-2026	<u>8,500,000</u>	<u>896,750</u>	<u>9,396,750</u>
Total	<u>\$ 17,860,000</u>	<u>\$ 3,141,809</u>	<u>\$ 21,001,809</u>

The General Fund has been designated as the source to repay the long-term debt outstanding as of June 30, 2016.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 7/1/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/16</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/16</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 20,795	\$ -	\$ (2,935)	\$ 17,860	\$ (2,075)	\$ 15,785
Bond premium	<u>184</u>	<u>-</u>	<u>(34)</u>	<u>150</u>	<u>(33)</u>	<u>117</u>
Subtotal	20,979	-	(2,969)	18,010	(2,108)	15,902
Capital leases payable	367	267	(247)	387	(187)	200
Compensated absences	745	-	(145)	600	(212)	388
Net OPEB obligation	1,017	428	(318)	1,127	-	1,127
Net pension liability	<u>23,241</u>	<u>1,556</u>	<u>-</u>	<u>24,797</u>	<u>-</u>	<u>24,797</u>
Totals	<u>\$ 46,349</u>	<u>\$ 2,251</u>	<u>\$ (3,679)</u>	<u>\$ 44,921</u>	<u>\$ (2,507)</u>	<u>\$ 42,414</u>

D. Advance Refunding

In fiscal year 2015, the District advance refunded the new school bond issue by creating a separate irrevocable trust fund. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2026. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's financial statements. As of June 30, 2016, the amount of defeased debt outstanding, but removed from the governmental activities, was \$17,000,000.

11. 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, 2016:

	<u>Governmental Activities</u>
Gain on advance refunding	\$ 231,818
Pension related:	
Differences between expected and actual experience	543,929
Net difference between projected and actual investment earnings	<u>662,466</u>
Total	<u><u>\$ 1,438,213</u></u>

12. 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.

13. Fund Balances

The following is a summary of fund balances at June 30, 2016:

	General Fund	Food Service Fund	Grants Fund	Summer Program Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ -	\$ 25,821	\$ -	\$ -	\$ -	\$ 25,821
Total Nonspendable	-	25,821	-	-	-	25,821
Restricted:						
GBS summer program	-	-	-	2,284	-	2,284
Summer program	-	-	-	5,287	-	5,287
Donations	-	-	-	-	58,258	58,258
Laptop program	-	-	-	-	46,271	46,271
Adult education	-	-	-	-	306	306
Food service	-	170,703	-	-	-	170,703
Total Restricted	-	170,703	-	7,571	104,835	283,109
Committed:						
Repair and replace septic fund	1,646	-	-	-	-	1,646
Paving and parking repairs fund	27,184	-	-	-	-	27,184
Building roof repairs and replacement fund	42,204	-	-	-	-	42,204
Building and grounds maintenance fund	18,593	-	-	-	-	18,593
Capital needs and building and grounds maintenance fund	615,043	-	-	-	-	615,043
Total Committed	704,670	-	-	-	-	704,670
Assigned:						
Use of fund balance for future projects	344,325	-	-	-	-	344,325
Encumbrances	109,368	-	-	-	-	109,368
Total Assigned	453,693	-	-	-	-	453,693
Unassigned:						
Music lessons	-	-	-	-	(2,967)	(2,967)
Remaining fund balance	1,513,879	-	-	-	-	1,513,879
Total Unassigned	1,513,879	-	-	-	(2,967)	1,510,912
Total Fund Balances	\$ 2,672,242	\$ 196,524	\$ -	\$ 7,571	\$ 101,868	\$ 2,978,205

14. Post-Employment Insurance 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 healthcare and dental 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, 2015, the actuarial valuation date, 52 retirees and 452 active employees meet the eligibility requirements. The plan does not issue a separate report.

B. Benefits Provided

The District provides medical and dental benefits to its eligible retirees and covered spouses. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 94% of the premium rates for medical coverage and 100% for single and 85% for 2-person dental coverage. The District contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal year 2016 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, 2016, 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, 2015.

Annual Required Contribution (ARC)	\$ 425,330
Interest on net OPEB obligation	45,746
Adjustment to ARC	<u>(43,330)</u>
Annual OPEB cost	427,746
Contributions made	<u>(317,749)</u>
Increase in net OPEB obligation	109,997
Net OPEB obligation - beginning of year	<u>1,016,574</u>
Net OPEB obligation - end of year	<u><u>\$ 1,126,571</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>
2016	\$ 427,746	74.3%	\$ 1,126,571
2015	\$ 447,743	65.4%	\$ 1,016,574
2014	\$ 479,249	44.2%	\$ 861,693
2013	\$ 456,237	42.1%	\$ 594,157
2012	\$ 517,164	71.9%	\$ 330,036

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 3,946,458
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,946,458</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 20,811,562</u>
UAAL as a percentage of covered payroll	<u>18.96%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts 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 OPEB Funding Progress, 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, 2015 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 4.5% investment rate of return. Initial annual healthcare and dental cost trend rates are 8.5% and 4.5%, respectively. These decrease to a 5.0% and 3.0% long-term rate for all healthcare and dental benefits, respectively, after seven years. The UAAL is being amortized as a level percentage of pay on 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 teachers and 11.55% for police and 11.80% for fire. The District makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.17% to 15.67% of covered compensation. The District's contributions to NHRS for the year ended June 30, 2016 were \$2,388,728, 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, 2016, the District reported a liability of \$24,787,158 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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, 2014, the District's proportion was .61916242 percent.

At the most recent measurement date of June 30, 2015, the District's proportion was .62569705 percent, which was an increase of .00653463 percent from its previous year proportion.

For the year ended June 30, 2016, the District recognized pension expense of \$1,828,340. 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>
Differences between expected and actual experience	\$ -	\$ 543,929
Net difference between projected and actual earnings on pension plan investments	-	662,466
Changes in proportion and differences between contributions and proportionate share of contributions	858,490	-
Contributions subsequent to the measurement date (fiscal year 2016)	<u>2,388,728</u>	<u>-</u>
Total	<u>\$ 3,247,218</u>	<u>\$ 1,206,395</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>	
2017	\$ (2,138,294)
2018	250,434
2019	250,434
2020	(431,969)
2021	<u>28,572</u>
Total	<u>\$ (2,040,823)</u>

F. 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 women for mortality improvements.

The actuarial assumptions used in the June 30, 2014 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 Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.00%
Small/Mid Cap Equities	7.50	3.00%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.00%
Emerging Int'l Equities	7.00	6.00%
Total international equities	20.00	
Core Bonds	4.50	-0.70%
Short Duration	2.50	-1.00%
Global Multi-Sector Fixed Income	11.00	0.28%
Unconstrained Fixed Income	7.00	0.16%
Total fixed income	25.00	
Private equity	5.00	5.50%
Private debt	5.00	4.50%
Real estate	10.00	3.50%
Opportunistic	5.00	2.75%
Total alternative investments	25.00	
Total	100.00 %	

G. 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.

H. 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:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2016	\$ 32,629,072	\$ 24,787,158	\$ 18,101,881

I. 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. 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.

18. Beginning Fund Balance Reclassification

The beginning (July 1, 2015) fund balance of the District has been reclassified as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Grants Fund</u>	<u>Summer Program Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
As previously reported	\$ 3,475,685	\$ 231,859	\$ -	\$ 2,185	\$ 49,999	\$ 3,759,728
Reclassification of funds	<u>(60,860)</u>	<u>-</u>	<u>-</u>	<u>1,883</u>	<u>58,977</u>	<u>-</u>
As restated	<u>\$ 3,414,825</u>	<u>\$ 231,859</u>	<u>\$ -</u>	<u>\$ 4,068</u>	<u>\$ 108,976</u>	<u>\$ 3,759,728</u>

WINDHAM SCHOOL DISTRICT
SCHEDULE OF OPEB FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation <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>
07/01/11	\$ -	\$ 4,458,310	\$ 4,458,310	0.0%	\$ 17,236,773	25.87%
07/01/12	\$ -	\$ 3,663,807	\$ 3,663,807	0.0%	\$ 18,076,971	20.27%
07/01/13	\$ -	\$ 3,830,904	\$ 3,830,904	0.0%	\$ 18,619,281	20.57%
07/01/14	\$ -	\$ 4,105,556	\$ 4,105,556	0.0%	\$ 20,205,400	20.32%
07/01/15	\$ -	\$ 3,946,458	\$ 3,946,458	0.0%	\$ 20,811,562	18.96%

See Independent Auditors' Report.

WINDHAM SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2015	0.61916242%	\$ 23,240,792	\$ 16,556,572	140.37%	66.32%
June 30, 2016	0.62569705%	\$ 24,787,158	\$ 17,800,388	139.25%	65.47%

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

See Independent Auditors' Report.

WINDHAM SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	Contributions as a Percentage of Covered <u>Payroll</u>
June 30, 2015	\$ 2,089,497	\$ (2,089,497)	\$ -	\$ 17,800,388	11.74%
June 30, 2016	\$ 2,388,728	\$ (2,388,728)	\$ -	\$ 19,185,643	12.45%

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

See Independent Auditors' Report.