

# HOLLIS SCHOOL DISTRICT

## FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015

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

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

### **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 Hollis School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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

### ***Change in Accounting Principles***

As discussed in Note I.B.5. to the financial statements, in fiscal year 2015, the School District adopted new accounting guidance regarding the accounting and reporting for pensions. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefits schedule of funding progress, schedule of the School District's proportionate

share of the net pension liability, and the schedule of School District contributions on pages 3-8 and pages 34-36 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 and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

May 12, 2016

*Roberts & Greene, PLLC*

**HOLLIS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

This section of the Hollis School District annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended June 30, 2015. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material performance as a whole. With this in mind, please also refer to the district's financial statements, which immediately follow this section. The MDA is an element of required supplementary information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

The District administration is responsible for establishing and accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurance that these objectives are attained.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

1. The first two basic financial statements provide both short-term and long-term information about the district's overall financial status.
2. The remaining basic financial statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

#### **DISTRICT-WIDE STATEMENTS**

The district-wide statements report information about the district as a whole. The statement of net position includes all of the district's assets and liabilities, except for capital assets. All of the current year's revenues and expense are accounted for in the statement of activities regardless of when cash is received or paid. Net position – the difference between the district's assets and liabilities – is one way to measure the district's financial health or position. The district-wide statements present and aggregate view of the finances of the school district by answering the question, "How did the school

**HOLLIS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

district do financially during the 2014-15 school year?" These statements report all assets and liabilities using the accrual basis of accounting used by most private-sector enterprises. The accrual basis takes into account all of the district's current-year revenues and expenses regardless of when they were paid or received.

In the district-wide financial statements the district's activities are listed as governmental activities, which includes most of the district's basic service, such as regular and special education, transportation, and administration. Property taxes and state revenue finance most of the activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the district's most significant funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The district establishes other funds to control and manage money for particular purposes (like repaying long-term debts) or to show that it is properly using certain revenues (like federal grants).

The district has two types of funds:

- Governmental funds – Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash (and other financial assets that can be readily converted to cash) flows in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. This information does not encompass the additional long-term focus of the district-wide statements. We provide additional information with the governmental funds statements that explain the relationship (or differences) between them. An annual appropriation budget is adopted for governmental funds. A budgetary comparison has been provided for the General and Grant funds to demonstrate compliance with this budget.
- Fiduciary Funds – The district is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the district's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in the fiduciary net position. These activities are not included in the district-wide financial statements because the district cannot use these assets to finance its operations.

**HOLLIS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

**Notes to the Basic Financial Statements**

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

**Government-Wide Financial Analysis**

The School District implemented GASB Statement No. 68 this year. With the new reporting change, the School District is allocated its proportionate share of the New Hampshire Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$6,408,507. Decisions regarding the allocations are made by the administrators of the NHRS, not by the School District's management, and are audited by the plan auditors.

**Hollis School District  
Statement of Net Position**

Change in net position for fiscal year 2015 compared to fiscal year 2014:

	2014	2015	Increase (Decrease)	% Increase (Decrease)
Current and other assets	664,507	749,027	84,520	12.7%
Capital assets	1,356,059	1,254,691	(101,368)	-7.5%
<b>Total Assets</b>	<b>2,020,566</b>	<b>2,003,718</b>	<b>(16,848)</b>	<b>-0.8%</b>
Deferred outflows of resources	-	892,354	892,354	892354%
Long-term liabilities outstanding	315,530	6,849,867	6,534,337	2070.9%
Other liabilities	480,444	130,457	(349,987)	-72.8%
<b>Total liabilities</b>	<b>795,974</b>	<b>6,980,324</b>	<b>6,184,350</b>	<b>777.0%</b>
Deferred inflows of resources	14,053	822,971	808,918	5756.2%
<b>Net Position:</b>				
Net Investment in Capital Costs	1,196,004	1,254,691	58,687	4.9%
Restricted	8,232	8,237	5	0.1%
Unrestricted	6,303	(6,170,151)	(6,176,454)	-97992.3%
<b>Total Net Position</b>	<b>1,210,539</b>	<b>(4,907,223)</b>	<b>(6,117,762)</b>	<b>-505.4%</b>

**HOLLIS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

**Statement of Activities**

Change in fund revenue and expense for fiscal year 2015 compared to fiscal year 2014:

<b>Revenues:</b>	2014	2015	Change	% Change
<b>Program Revenues:</b>				
Charges for Services	215,370	211,703	3,667	2%
Operating Grants and Contributions	301,469	341,784	(40,315)	-12%
Capital Grants and Contributions	51,272	49,851	1,421	3%
<b>General Revenues:</b>				
Assessment	7,596,279	7,991,854	(395,575)	-5%
Grants and Contributions	2,252,835	2,270,568	(17,733)	-1%
Miscellaneous	82,358	77,356	5,002	6%
<b>Total Revenues</b>	<b>10,499,583</b>	<b>10,943,116</b>	<b>(443,533)</b>	<b>-4%</b>
<b>Program Expenses:</b>				
Instruction	4,840,741	4,872,993	(32,252)	-1%
Student Support	775,462	807,823	(32,361)	-4%
Instructional Staff	329,986	298,549	31,437	11%
General Administration	142,331	282,061	(139,730)	-50%
Executive Administration	363,832	395,096	(31,264)	-8%
School Administration	532,560	519,219	13,341	3%
Operation and Maintenance of Plant	878,871	874,082	4,789	1%
Student Transportation	418,234	388,739	29,495	8%
Other	1,995,530	1,961,212	34,318	2%
Non-instructional Services	217,398	207,911	9,487	5%
Facilities Acquisition and Construction	70	18,745	(18,675)	-100%
Interest on Long-term Debt	205,904	25,941	179,963	694%
<b>Total Expenses</b>	<b>10,700,919</b>	<b>10,652,371</b>	<b>48,548</b>	<b>0%</b>
Change in Net Position	(201,336)	290,745	(492,081)	-169%
Net Position - Beginning	1,411,875	(5,197,968)	6,609,843	-127%
Net Position - Ending	1,210,539	(4,907,223)	6,117,762	-125%

**HOLLIS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

**School District Activities**

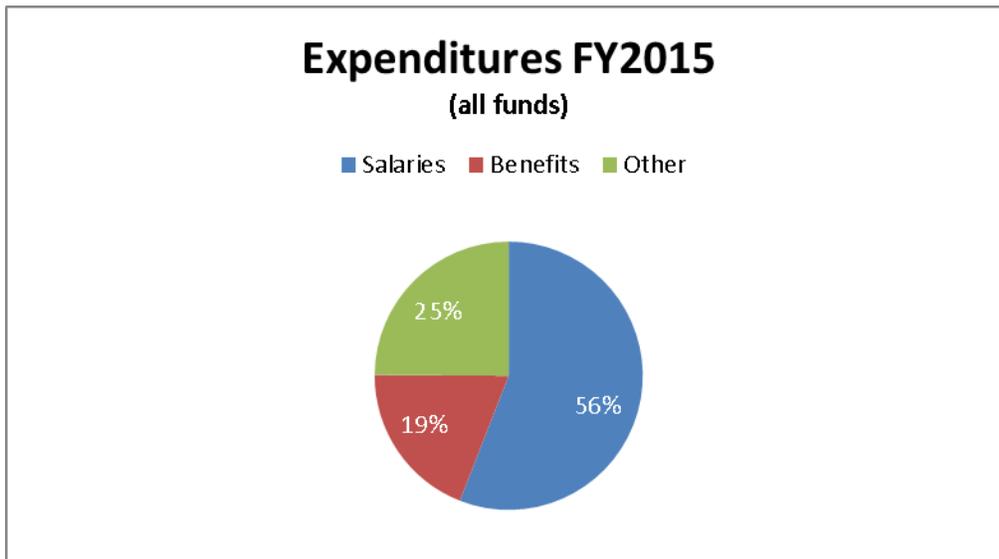
Specific areas of variance are evidenced above in the change in net position. Some of the larger variances are due to the following:

Revenues: An increase in Catastrophic Aid in fiscal year 2015 accounts for the variance in "Operating Grants and Contributions".

Program Expenses: "General Administration" saw an increase in legal costs associated with personnel issues and the replacement of a boiler at Hollis Primary School caused an increase in "Facilities" but these were mostly offset by a reduction in "Interest on Long-Term Debt" with the retirement of a bond.

**Break-down of Costs**

The district's expenses are predominately salaries and benefits which are illustrated below. "Other" expenses account for contracted services, transportation, operation & maintenance of plant, debt service, and general operational materials. The disbursement of cost has remained fairly consistent with prior fiscal year expenditures (55% salary, 26% other, 19% benefits).



**DEBT ADMINISTRATION**

The debt on the renovation of the Hollis Primary School was retired in this fiscal year.

**OTHER DISCUSSION**

The district's financial status is sound. Being that the majority of cost is associated to salary and benefits the budget is rather predictable from year to year. The district adopted for the FY14 fiscal year the

**HOLLIS SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

ability to retain fund balance for emergency expenditures and over-expenditures. This tool has greatly improved the financial position of the district to deal with unexpected costs that may arise during the course of operations. Were a situation to arise prior to the adoption of this mechanism, the district would have to rely on excess revenues or additional taxation.

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator at SAU #41, 4 Lund Lane, Hollis, NH 03049, by telephone at 603-324-5999, or via email at [kelly.seeley@sau41.org](mailto:kelly.seeley@sau41.org).

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**HOLLIS SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 347,394
Investments	469
Intergovernmental receivables	372,433
Other receivables	4,677
Inventory	7,534
Prepaid items	16,520
Capital assets, net of accumulated depreciation:	
Land improvements	221,079
Buildings and building improvements	948,124
Machinery, equipment and vehicles	85,488
Total assets	2,003,718
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	892,354
 <b>LIABILITIES</b>	
Accounts payable	48,168
Accrued salaries and benefits	68,946
Intergovernmental payable	13,343
Noncurrent obligations:	
Due within one year:	
Termination benefits	73,162
Due in more than one year:	
Compensated absences	12,070
Termination benefits	237,599
Other postemployment benefits payable	217,189
Net pension	6,309,847
Total liabilities	6,980,324
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	15,621
Pensions	807,350
	822,971
 <b>NET POSITION</b>	
Net investment in capital assets	1,254,691
Restricted for endowments:	
Nonexpendable	5,589
Expendable	2,648
Unrestricted	(6,170,151)
Total net position	\$ (4,907,223)

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

**EXHIBIT 2**  
**HOLLIS SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental activities:</b>					
Instruction	\$ 4,872,993	\$ 35,978	\$ 290,735	\$ -	\$ (4,546,280)
Support services:					
Student	807,823	-	-	-	(807,823)
Instructional staff	298,549	-	10,764	-	(287,785)
General administration	282,061	-	-	-	(282,061)
Executive administration	395,096	-	-	-	(395,096)
School administration	519,219	-	-	-	(519,219)
Operation and maintenance of plant	874,082	-	-	-	(874,082)
Student transportation	388,739	-	-	-	(388,739)
Other	1,961,212	-	3,771	-	(1,957,441)
Non-instructional services	207,911	175,725	36,514	-	4,328
Facilities acquisition and construction	18,745	-	-	-	(18,745)
Interest on long-term debt	25,941	-	-	49,851	23,910
<b>Total governmental activities</b>	<b>\$ 10,652,371</b>	<b>\$ 211,703</b>	<b>\$ 341,784</b>	<b>\$ 49,851</b>	<b>(10,049,033)</b>
General revenues:					
School district assessment					7,991,854
Grants and contributions not restricted to specific programs					2,270,568
Miscellaneous					77,356
Total general revenues					<u>10,339,778</u>
Change in net position					290,745
Net position, beginning, as restated (See Note III.D.2.)					<u>(5,197,968)</u>
Net position, ending					<u>\$ (4,907,223)</u>

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

**EXHIBIT 3**  
**HOLLIS SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 298,228	\$ -	\$ 49,166	\$ 347,394
Investments	469	-	-	469
Receivables, net of allowance for uncollectibles:				
Accounts	3,928	-	749	4,677
Intergovernmental	232,971	126,524	12,938	372,433
Interfund receivable	124,485	-	-	124,485
Inventory	-	-	7,534	7,534
Prepaid items	14,789	1,731	-	16,520
Total assets	<u>\$ 674,870</u>	<u>\$ 128,255</u>	<u>\$ 70,387</u>	<u>\$ 873,512</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 44,814	\$ -	\$ 3,354	\$ 48,168
Accrued salaries and benefits	68,946	-	-	68,946
Intergovernmental payable	9,215	3,770	358	13,343
Interfund payable	-	124,485	-	124,485
Total liabilities	<u>122,975</u>	<u>128,255</u>	<u>3,712</u>	<u>254,942</u>
Deferred inflows of resources:				
Deferred revenue	<u>240</u>	<u>-</u>	<u>15,381</u>	<u>15,621</u>
Fund balances:				
Nonspendable	13,289	-	13,123	26,412
Restricted	-	-	2,648	2,648
Committed	146,000	-	35,523	181,523
Assigned	23,033	-	-	23,033
Unassigned	369,333	-	-	369,333
Total fund balances	<u>551,655</u>	<u>-</u>	<u>51,294</u>	<u>602,949</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 674,870</u>	<u>\$ 128,255</u>	<u>\$ 70,387</u>	<u>\$ 873,512</u>

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

**EXHIBIT 4**  
**HOLLIS SCHOOL DISTRICT**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Position**  
**June 30, 2015**

Total fund balances of governmental funds (Exhibit 3)	\$	602,949
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$	6,358,792
Less accumulated depreciation		<u>(5,104,101)</u>
		1,254,691
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(124,485)
Payables		<u>124,485</u>
		-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	12,070
Termination benefits		310,761
Other postemployment benefits payable		217,189
Net pension liability		<u>6,309,847</u>
		(6,849,867)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$	892,354
Deferred inflows of resources related to pensions		<u>(807,350)</u>
		85,004
Net position of governmental activities (Exhibit 1)	\$	<u><u>(4,907,223)</u></u>

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

**EXHIBIT 5**  
**HOLLIS SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
School district assessment	\$ 7,991,854	\$ -	\$ -	\$ 7,991,854
Other local	96,390	-	192,669	289,059
State	2,418,155	-	2,588	2,420,743
Federal	46,644	160,890	33,926	241,460
Total revenues	<u>10,553,043</u>	<u>160,890</u>	<u>229,183</u>	<u>10,943,116</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	4,487,909	146,355	14,808	4,649,072
Support services:				
Student	807,823	-	-	807,823
Instructional staff	287,785	10,764	-	298,549
General administration	282,061	-	-	282,061
Executive administration	394,099	-	-	394,099
School administration	518,416	-	-	518,416
Operation and maintenance of plant	886,202	-	-	886,202
Student transportation	388,739	-	-	388,739
Other	2,039,713	3,771	-	2,043,484
Non-instructional services	-	-	206,745	206,745
Debt service:				
Principal	160,058	-	-	160,058
Interest	202,852	-	-	202,852
Facilities acquisition and construction	18,745	-	-	18,745
Total expenditures	<u>10,474,402</u>	<u>160,890</u>	<u>221,553</u>	<u>10,856,845</u>
Excess of revenues over expenditures	<u>78,641</u>	<u>-</u>	<u>7,630</u>	<u>86,271</u>
Other financing sources (uses):				
Transfers in	192	-	-	192
Transfers out	-	-	(192)	(192)
Total other financing sources and uses	<u>192</u>	<u>-</u>	<u>(192)</u>	<u>-</u>
Net change in fund balances	78,833	-	7,438	86,271
Fund balances, beginning	472,822	-	43,856	516,678
Fund balances, ending	<u>\$ 551,655</u>	<u>\$ -</u>	<u>\$ 51,294</u>	<u>\$ 602,949</u>

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

**EXHIBIT 6**  
**HOLLIS SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

Net change in fund balances of total governmental funds (Exhibit 5)	\$	86,271
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.</p>		
Capitalized capital outlay	\$	38,620
Depreciation expense		<u>(139,988)</u>
		(101,368)
<p>Transfers in and out between governmental funds are eliminated on the operating statement.</p>		
Transfers in	\$	(192)
Transfers out		<u>192</u>
		-
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.</p>		
Principal repayment of bonds		160,055
<p>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 governmental funds.</p>		
Decrease in accrued interest expense	\$	176,914
Increase in compensated absences payable		(2,411)
Increase in termination benefits payable		(110,988)
Increase in other postemployment benefits payable		<u>(101,392)</u>
		(37,877)
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.</p>		
School District pension contributions	\$	661,569
Cost of benefits, net of employee contributions		<u>(477,905)</u>
		183,664
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>290,745</u></u>

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

**EXHIBIT 7**  
**HOLLIS SCHOOL DISTRICT**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School district assessment	\$ 7,991,854	\$ 7,991,854	\$ -
Other local	80,000	96,367	16,367
State	2,386,055	2,418,155	32,100
Federal	50,000	46,644	(3,356)
Total revenues	<u>10,507,909</u>	<u>10,553,020</u>	<u>45,111</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	4,694,805	4,486,914	207,891
Support services:			
Student	790,641	807,823	(17,182)
Instructional staff	378,820	276,555	102,265
General administration	142,450	232,061	(89,611)
Executive administration	394,099	394,099	-
School administration	555,962	518,416	37,546
Operation and maintenance of plant	835,515	888,074	(52,559)
Student transportation	444,437	388,739	55,698
Other	2,027,372	2,039,713	(12,341)
Debt service:			
Principal	160,058	160,058	-
Interest	202,852	202,852	-
Facilities acquisition and construction	18,745	18,745	-
Total expenditures	<u>10,645,756</u>	<u>10,414,049</u>	<u>231,707</u>
Excess (deficiency) of revenues over (under) expenditures	(137,847)	138,971	276,818
Other financing sources (uses):			
Transfers in	-	192	192
Transfers out	(20,000)	(20,000)	-
Total other financing sources and uses	<u>(20,000)</u>	<u>(19,808)</u>	<u>192</u>
Net change in fund balance	<u>\$ (157,847)</u>	119,163	<u>\$ 277,010</u>
Increase in nonspendable fund balance		(11,783)	
Unassigned fund balance, beginning		<u>261,953</u>	
Unassigned fund balance, ending		<u>\$ 369,333</u>	

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

**EXHIBIT 8**  
**HOLLIS SCHOOL DISTRICT**  
**Grants Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**For the Fiscal Year Ended June 30, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Federal	\$ 230,000	\$ 160,890	\$ (69,110)
<b>EXPENDITURES</b>			
Current:			
Instruction	230,000	146,355	83,645
Support services:			
Instructional staff	-	10,764	(10,764)
Other	-	3,771	(3,771)
Total expenditures	<u>230,000</u>	<u>160,890</u>	<u>69,110</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ -</u>	

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

**EXHIBIT 9**  
**HOLLIS SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2015**

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,361
<b>LIABILITIES</b>	
Due to student groups	<u>6,361</u>
<b>NET POSITION</b>	<u>\$ -</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the Hollis School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2015.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. Entity Defined**

The Hollis School District is a municipal corporation governed by a school board consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the School District's financial statements do not include any component units.

**I.B.2. Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the School District as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report tuition, fees, and other charges for the School District's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. The school district assessment from the town, unrestricted state aid, and revenue from other sources not properly included with program revenues are reported as general revenues.

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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*Fund Financial Statements*

Fund financial statements are provided for governmental and fiduciary funds. Major individual, governmental funds are reported in separate columns with composite columns for nonmajor funds.

**I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants are recognized when grantor eligibility requirements are met. Fiduciary fund financial statements also report using this same basis of accounting. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are the school district assessment from the town, tuition, investment income and federal and state grants. In general, other revenues are recognized when cash is received.

**I.B.4. *Fund Types and Major Funds***

*Governmental Funds*

The School District reports the following major governmental funds:

*General Fund* – Reports as the primary fund of the School District. This fund is used to account for all financial resources not reported in other funds.

*Grants Fund* – Reports as a special revenue fund and accounts for federal grant programs.

**HOLLIS SCHOOL DISTRICT  
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The school district also reports three nonmajor funds: food service, miscellaneous special revenue and permanent.

*Fiduciary Funds*

The School District reports the following type of fiduciary fund:

*Agency Funds* – Account for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others. The School District’s agency funds are used to account for student activities in the schools.

**I.B.5. *Change in Accounting Principle***

The School District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the year ended June 30, 2015. This resulted in the inclusion of pension related liability and deferred inflows and outflows of resources in governmental activities. The prior year’s net position was restated as shown in Note III.D.2.

**I.C. *Assets, Liabilities, and Net Position or Fund Equity***

**I.C.1. *Cash and Investments***

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

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the School District to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers’ acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

**HOLLIS SCHOOL DISTRICT  
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Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the School District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

**I.C.2. *Inventory and Prepaid Items***

Inventory is valued at cost using the first-in/first-out (FIFO) method. The inventory of governmental funds is recorded as expenditures when consumed rather than when purchased.

Prepaid items are payments to vendors that benefit future reporting periods and are reported on the consumption basis. Such items are similarly reported in government-wide and fund financial statements.

**I.C.3. *Capital Assets and Depreciation***

The School District's capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The School District capitalizes assets with cost of \$10,000 or more and an estimated useful life of one year or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	50-115
Machinery, equipment and vehicles	15-20

**I.C.4. *Deferred Outflows/Inflows of Resources***

Although certain revenues and expenditures are measurable, they are not available or recognized, because the activity represents a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow or inflow of resources until then.

Deferred inflows of resources in the governmental fund financial statements represent donated commodities that are held in inventory to be used in the subsequent year. Deferred outflows and

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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inflows of resources in the Statement of Net Position consist of resources related to pensions that will be recognized in a subsequent period.

**I.C.5. *Long-Term Debt***

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

**I.C.6. *Compensated Absences***

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums. Sick leave accrues to full-time, permanent employees to specified maximums. Support staff employees are entitled to a portion of their sick and vacation leave upon termination.

Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

**I.C.7. *Termination Benefits***

Teachers who are over the age of 55 and who have taught in the School District for a minimum of fifteen years are eligible for early retirement, which is considered voluntary termination. Teachers who elect to retire early receive an early retirement benefit, consisting of a payment of 25% of the teacher's last annual salary. Termination benefits are reported as accrued in the government-wide financial statements. Governmental funds report only matured termination benefits payable to currently terminated employees which are included in wages and benefits expenditures.

**I.C.8. *Equity***

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of any outstanding debt used to acquire those assets.
- Restricted for special purposes, which consists of the expendable and nonexpendable portions of endowments held by the Town of Hollis Trustees of Trust Funds for school district purposes.
- Unrestricted, which consists of the remaining balance of net position.

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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The governmental funds report the following components of fund balance:

- Nonspendable, which consists of the prepaid items and the balance of inventory, which cannot be spent because of their form; and the principal amount of endowment held by the Town of Hollis Trustees of Trust Funds, which is not spendable in accordance with legal requirements.
- Restricted, which represents the expendable portion of the endowment for school purposes held by the Town of Hollis Trustees of Trust Funds. This amount can only be spent for instruction in accordance with the legal restrictions established by the donors.
- Committed, which represents the balance of the Expendable Trust Fund established by the School District Meeting to be used for building maintenance; an amount voted at the 2014 School District Meeting to be transferred to the Expendable Trust Fund; balances of revenues from grants to be used for instruction; and balances of revenues from charges for services to be used for non-instructional services (food service).
- Assigned, which represents encumbrances for support services assigned by a vote of the school board or by management through the use of approved purchase orders.
- Unassigned, which represents the remaining General Fund balance not reported as nonspendable, restricted, committed or assigned.

**I.C.9 Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**II. Stewardship, Compliance and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for both major governmental funds. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unassigned fund balance to balance the budget. In the fiscal year 2015, \$157,847 of the fund balance from the fiscal year 2014 was so used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assigned fund balances and do not

**HOLLIS SCHOOL DISTRICT  
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constitute expenditures or liabilities because the amounts will be added to the appropriations voted for the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: instruction, student support, instructional staff, general administration, executive administration, school administration, operation and maintenance of plant, student transportation, other support services, non-instructional services, debt service and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Education.

**Reconciliation of Budgetary Basis to GAAP**

**General Fund**

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 10,553,212
Adjustment:	
Perspective difference:	
Expendable trust fund revenue	23
Per Exhibit 5 (GAAP basis)	<u>\$ 10,553,235</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 10,434,049
Adjustments:	
Basis difference:	
Encumbrances, beginning	74,143
Encumbrances, ending	(23,033)
Perspective difference:	
Transfer to expendable trust fund	(20,000)
Expendable trust fund expenditures	9,243
Per Exhibit 5 (GAAP basis)	<u>\$ 10,474,402</u>

For the Grants Fund, there is no difference between the budgetary basis and GAAP.

**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. Receivables**

Significant receivables consist of reimbursements and intergovernmental amounts arising from medicaid, grants, refunds, and reimbursements from other school districts for shared services.

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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Receivables are recorded on the School District’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectability.

**III.A.2. Capital Assets**

*Changes in Capital Assets*

The table on the following page provides a summary of changes in capital assets:

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
At cost:			
Being depreciated:			
Land improvements	\$ 282,905	\$ -	\$ 282,905
Buildings and building improvements	5,891,604	-	5,891,604
Machinery, equipment and vehicles	145,663	38,620	184,283
Total all capital assets	6,320,172	38,620	6,358,792
Less accumulated depreciation:			
Land improvements	(47,680)	(14,146)	(61,826)
Buildings and building improvements	(4,832,045)	(111,435)	(4,943,480)
Machinery, equipment and vehicles	(84,388)	(14,407)	(98,795)
Total accumulated depreciation	(4,964,113)	(139,988)	(5,104,101)
Net book value, capital assets being depreciated	1,356,059	(101,368)	1,254,691
Net book value, all capital assets	\$ 1,356,059	\$ (101,368)	\$ 1,254,691

*Depreciation Expense*

Depreciation expense was charged to functions of the School District as follows:

Governmental activities:	
Instruction	\$ 111,497
Support services:	
Executive administration	997
Operation and maintenance of plant	26,327
Non-instructional services	1,167
Total depreciation expense	\$ 139,988

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**III.B. Long-Term Liabilities**

Long-term liabilities currently outstanding is as follows:

	Outstanding at June 30, 2015	Current Portion
Compensated absences payable:		
Vested sick leave	\$ 7,999	\$ -
Accrued vacation leave	4,071	-
	12,070	-
Termination benefits payable	310,761	73,162
Other postemployment benefits payable	217,189	
Net pension liability	6,309,847	-
	\$ 6,849,867	\$ 73,162

*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2015:

	General Obligation Bonds Payable	Compensated Absences Payable	Termination Benefits Payable	Other Postemployment Benefits Payable	Net Pension Liability	Total
Balance, beginning	\$ 160,055	\$ 9,659	\$ 199,773	\$ 115,797	\$ -	\$ 485,284
Additions	-	2,411	110,988	101,392	6,309,847	6,524,638
Reductions	(160,055)	-	-	-	-	(160,055)
Balance, ending	\$ -	\$ 12,070	\$ 310,761	\$ 217,189	\$ 6,309,847	\$ 6,849,867

**III.C. Balances and Transfers – Payments Within the Reporting Entity**

**III.C.1. Receivables and Payables**

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The \$124,485 due to the General Fund represents an overdraft of pooled cash from the Grants Fund.

**HOLLIS SCHOOL DISTRICT  
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**III.C.2. Transfers**

Transfers within the reporting entity are for the purpose of distribution of income earned on Permanent Funds in the amount of \$192 to the General Fund. There was also a transfer of \$20,000 to the Expendable Trust Fund from the General Fund that is netted out when the funds are combined. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

**III.D. Fund Equity**

**III.D.1. Components of Fund Equity**

The components of fund balance, as described in Note I.C.8, are classified for the following purposes:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Endowment	\$ -	\$ 5,589	\$ 5,589
Inventory	-	7,534	7,534
Prepaid items	13,289	-	13,289
Total nonspendable	<u>13,289</u>	<u>13,123</u>	<u>26,412</u>
Restricted for instruction	-	2,648	2,648
Committed for:			
Support services	146,000	15,979	161,979
Non-instructional services	-	19,544	19,544
Total committed	<u>146,000</u>	<u>35,523</u>	<u>181,523</u>
Assigned to support services	23,033	-	23,033
Unassigned	369,333	-	369,333
Total fund balances	<u><u>\$ 551,655</u></u>	<u><u>\$ 51,294</u></u>	<u><u>\$ 602,949</u></u>

**III.D.2. Restatement of Beginning Equity Balance**

Net position of the Governmental Activities at July 1, 2014 was restated to reflect the following adjustment:

To record the net pension liability for implementation of GASB Statement No. 68	<u>\$ (6,408,507)</u>
Net position, as previously reported	1,210,539
Net position, as restated	<u><u>\$ (5,197,968)</u></u>

**HOLLIS SCHOOL DISTRICT  
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**IV. Other Information**

**IV.A. Risk Management**

The School District's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School District was a member of the Local Government Center Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

***Property-Liability Trust, Inc. (the Trust)*** – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the School District shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The Trust maintains a self-insured retention above which it purchases reinsurance and excess insurance.

Contributions paid for fiscal year 2015 to be recorded as an insurance expenditure/expense totaled \$27,174. There were no unpaid contributions for the year ended June 30, 2015. The School District also paid \$48,700 for workers' compensation and \$15,054 for unemployment compensation for the fiscal year. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

**IV.B. Retirement Pensions**

*General Information about the Pension Plan*

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at [www.nhrs.org](http://www.nhrs.org) or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 7% of gross earnings for all employees. The rates of contribution from the School District were 14.16% for teachers and 10.77% for other employees, which are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the School District

**HOLLIS SCHOOL DISTRICT  
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during the fiscal years 2013, 2014 and 2015 were \$496,441, \$638,417 and \$656,122, respectively. The amounts are paid on a monthly basis as due.

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

At June 30, 2015, the School District reported a liability of \$6,309,847 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2014, the School District's proportion was 0.1681%, which was a decrease of 0.0065% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$477,905. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 230,785	\$ -
Net differences between projected and actual earnings on pension plan investments	-	807,350
School District contributions subsequent to the measurement date	661,569	-
	<u>\$ 892,354</u>	<u>\$ 807,350</u>

The School District reported \$661,569 as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ended June 30,	
2015	\$ (151,750)
2016	(151,750)
2017	(151,750)
2018	(151,750)
2019	30,435
	<u>\$ (576,565)</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	3.75%
Salary increases	5.8% average, including inflation
Investment rate of return	7.75% per year

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.

*Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of net pension liability	\$ 8,311,095	\$ 6,309,847	\$ 4,621,494

Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, is available in the separately issued NHRS report.

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**IV.C. Contingent Liabilities**

The School District has received federal and state grants for specific purposes that are subject to review and possible audit by the grantor or pass-through agencies. Any such audit may result in a requirement to reimburse the grantor agency for costs disallowed. The School District feels that the chance of disallowance is unlikely, and if it should occur, that the amount would not be material.

**IV.D. Other Post-employment Benefits**

*Plan Description*

Benefits provided to retirees follow New Hampshire Revised Statutes Annotated 100-A:50 (Medical Insurance Coverage). This statute states that the School District “shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees . . .” In addition, the statute states “Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees, or may require each retiree to pay any part or all of the cost of the retiree’s participation.”

Since the same premiums are charged to active employees and retirees, and the School District is unable to obtain age-adjusted premium information for the retirees, GASB 45 requires the School District to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

The Hollis School District offers postemployment medical benefits to District retirees and their covered dependents. The District offers coverage as follows:

- Employees hired before July 1, 2011: retire after (1) attaining age 60 or (2) attaining age 50 with 10 or more years of service or (3) age plus service is at least 70 with 20 or more years of service
- Employees hired on or after July 1, 2011: retire after (1) attaining age 65 or (2) attaining age 60 with 30 or more years of service

Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions.

Currently, there are 139 active and retired employees that receive health benefits from the School District. The School District recognizes the cost of providing health insurance annually as expenditures in the General Fund as payments are made. For the year ended June 30, 2015, the School District recognized nothing for its share of insurance premiums for currently enrolled retirees.

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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The School District has obtained a valuation report as of July 1, 2013, which indicated that the total liability for other postemployment benefits is \$1,412,553.

The School District's annual other postemployment benefit (OPEB) cost (expense) for its plan is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

The following is a brief description of the retiree medical plan:

Participant Contributions: Retired employees contribute 100% of the total premium cost.

Continuation of Coverage to Spouse After Death of Retiree: Surviving spouse may continue coverage for lifetime by paying the required medical premium rates.

Life Insurance Benefit: None.

Medical Premiums Rates: The total monthly costs by plan are shown below:

<u>Non-Medicare Plans</u>	<u>Single</u>	<u>2-Person</u>
BC3T5RDR(07) –R\$2/15M\$1	928.01	1,856.02
BC3T10(07)-RX10/20/30	892.63	1,785.26
BC3T15IPDED(07)-RX10/20/45	834.44	1,668.88
MTB05(07)-R\$3/5M\$1	865.31	1,730.62
MTB05(07)-RX10/20/30	828.80	1,657.60
MTB10IPDED(07)-RX10/20/45	789.23	1,578.46
MTBSOS20/40/1KDED(07)- RX10/20/45	608.22	1,216.44
LUMENOS25000(07)	621.11	1,242.22
 <u>Medicare Plans</u>		
MC3(07)-R\$100M\$1	565.35	
MC3(07)-RX10/20/30	552.29	
MC3(07)-RX10/20/45	537.06	
MCNRX(07)	214.78	

The following methods and assumptions were used:

Valuation Date: July 1, 2013

**HOLLIS SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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Discount Rate: 4.00% pay-as-you-go.

Amortization Method: Level dollar amount over thirty (30) years on an open amortization period for pay-as-you-go.

Health Care Costs Trend Rates:	<u>Year</u>	<u>Trend</u>
	1	7.00%
	2	6.50%
	3	6.00%
	4	5.50%
	5	5.00%
	Ultimate	5.00%

Mortality Table: RP-2000 Combined Mortality Table, projected to 2021, using Scale AA.

Actuarial Cost Method: Projected Unit Credit. The costs of each employee's postemployment benefits are allocated on a pro rata basis from the employee's date of hire to the date the employee is fully eligible for benefits.

Annual OPEB Cost and Net OPEB Obligation	<u>7/1/2014- 6/30/2015</u>
1. Annual Required Contribution (ARC)	\$ 164,217
2. Interest on net OPEB Obligation	4,632
3. Adjustment to ARC	<u>(6,697)</u>
4. Annual OPEB Cost (Expense)	\$ 162,152
5. Contribution made	<u>(60,760)</u>
6. Increase in net OPEB Obligation	101,392
7. Net OPEB Obligation - beginning of year	<u>115,797</u>
8. Net OPEB Obligation - end of year	<u><u>\$ 217,189</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 are as follow:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2014	\$ 155,755	25.7%	\$ 115,797	\$ 5,860,326	2.66%
6/30/2015	\$ 162,152	37.5%	\$ 101,392	\$ 5,960,283	2.72%

**REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 10**  
**HOLLIS SCHOOL DISTRICT**  
**Other Postemployment Benefits**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (AAL)
7/1/2013	\$ -	\$ 1,412,553	\$ 1,412,553	0.00%	\$ 5,273,550	26.79%

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

**EXHIBIT 11**  
**HOLLIS SCHOOL DISTRICT**  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*New Hampshire Retirement System*  
*For the Fiscal Year Ended June 30, 2015*

	Fiscal Year 2015	Fiscal Year 2014
School District's proportion of the net pension liability	0.1681%	0.1616%
School District's proportionate share of the net pension liability	\$ 6,309,847	\$ 6,953,868
School District's covered-employee payroll	\$ 4,746,986	\$ 4,617,915
School District's proportionate share of the net pension liability as a percentage of covered-employee payroll	132.92%	150.58%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.82%

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

**EXHIBIT 12**  
**HOLLIS SCHOOL DISTRICT**  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*New Hampshire Retirement System*  
*For the Fiscal Year Ended June 30, 2015*

	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 661,569	\$ 638,417
Contributions in relation to the contractually required contribution	\$ (661,569)	\$ (638,417)
Contribution deficiency	\$ -	\$ -
School District's covered-employee payroll	\$ 4,746,986	\$ 4,617,915
Contributions as a percentage of covered-employee payroll	13.94%	13.82%

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

**HOLLIS SCHOOL DISTRICT  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

The Schedule of Funding Progress, the Schedule of the School District's Proportionate Share of the Net Pension Liability and the Schedule of School District Contributions are meant to present related information for ten years. Because this is the second year that the School District has reported the OPEB schedule, and the first year that the School District has adopted GASB Statement No. 68 and presented this information, only three and two years, respectively, are reported. An additional year's information will be added each year until there are ten years presented.

**INDIVIDUAL AND COMBINING FUND SCHEDULES**

**EXHIBIT 13**  
**HOLLIS SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2015**

	Special Revenue Funds		Permanent Fund	Total
	Food Service	Miscellaneous		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 32,242	\$ 16,924	\$ -	\$ 49,166
Receivables:				
Accounts	-	749	-	749
Intergovernmental	4,403	298	8,237	12,938
Inventory	7,534	-	-	7,534
Total assets	<u>\$ 44,179</u>	<u>\$ 17,971</u>	<u>\$ 8,237</u>	<u>\$ 70,387</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,680	\$ 674	\$ -	\$ 3,354
Intergovernmental payable	-	358	-	358
Total liabilities	<u>2,680</u>	<u>1,032</u>	<u>-</u>	<u>3,712</u>
Deferred inflows of resources:				
Deferred revenue	<u>14,421</u>	<u>960</u>	<u>-</u>	<u>15,381</u>
Fund balances:				
Nonspendable	7,534	-	5,589	13,123
Restricted	-	-	2,648	2,648
Committed	19,544	15,979	-	35,523
Total fund balances	<u>27,078</u>	<u>15,979</u>	<u>8,237</u>	<u>51,294</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 44,179</u>	<u>\$ 17,971</u>	<u>\$ 8,237</u>	<u>\$ 70,387</u>

**EXHIBIT 14**  
**HOLLIS SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2015**

	Special Revenue Funds			Total
	Food Service	Miscellaneous	Permanent Fund	
<b>REVENUES</b>				
Local	\$ 175,724	\$ 16,748	\$ 197	\$ 192,669
State	2,588	-	-	2,588
Federal	33,926	-	-	33,926
Total revenues	<u>212,238</u>	<u>16,748</u>	<u>197</u>	<u>229,183</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	-	14,808	-	14,808
Non-instructional services	206,745	-	-	206,745
Total expenditures	<u>206,745</u>	<u>14,808</u>	<u>-</u>	<u>221,553</u>
Excess of revenues over expenditures	5,493	1,940	197	7,630
Other financing uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(192)</u>	<u>(192)</u>
Net change in fund balances	5,493	1,940	5	7,438
Fund balances, beginning	21,585	14,039	8,232	43,856
Fund balances, ending	<u>\$ 27,078</u>	<u>\$ 15,979</u>	<u>\$ 8,237</u>	<u>\$ 51,294</u>

**EXHIBIT 15**  
**HOLLIS SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2015**

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 7,991,854	\$ 7,991,854	\$ -
Other local sources:			
Tuition	25,000	19,230	(5,770)
Investment earnings	5,000	3,344	(1,656)
Rentals	-	8,000	8,000
Refund of prior year expenditures	-	65,758	65,758
Miscellaneous	50,000	35	(49,965)
Total other local sources	<u>80,000</u>	<u>96,367</u>	<u>16,367</u>
State sources:			
Adequacy aid (grant)	879,325	879,325	-
Adequacy aid (tax)	1,391,243	1,391,243	-
School building aid	49,851	49,851	-
Catastrophic aid	65,636	97,736	32,100
Total state sources	<u>2,386,055</u>	<u>2,418,155</u>	<u>32,100</u>
Federal sources:			
Medicaid	50,000	46,644	(3,356)
Other financing sources:			
Transfers in	-	192	192
Total revenues and other financing sources	10,507,909	<u>\$ 10,553,212</u>	<u>\$ 45,303</u>
Use of fund balance to reduce school district assessment	<u>157,847</u>		
Total revenues, other financing sources and use of fund balance	<u>\$ 10,665,756</u>		

**EXHIBIT 16**  
**HOLLIS SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2015**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 995	\$ 3,357,487	\$ 3,221,264	\$ -	\$ 137,218
Special programs	-	1,337,318	1,266,645	-	70,673
Total instruction	<u>995</u>	<u>4,694,805</u>	<u>4,487,909</u>	<u>-</u>	<u>207,891</u>
Support services:					
Student	-	790,641	807,823	-	(17,182)
Instructional staff	12,773	378,820	287,785	1,543	102,265
General administration	50,000	142,450	282,061	-	(89,611)
Executive administration	-	394,099	394,099	-	-
School administration	-	555,962	518,416	-	37,546
Operation and maintenance of plant	10,375	835,515	876,959	21,490	(52,559)
Student transportation	-	444,437	388,739	-	55,698
Other	-	2,027,372	2,039,713	-	(12,341)
Total support services	<u>73,148</u>	<u>5,569,296</u>	<u>5,595,595</u>	<u>23,033</u>	<u>23,816</u>
Debt service:					
Principal	-	160,058	160,058	-	-
Interest	-	202,852	202,852	-	-
Total debt service	<u>-</u>	<u>362,910</u>	<u>362,910</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>-</u>	<u>18,745</u>	<u>18,745</u>	<u>-</u>	<u>-</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 74,143</u>	<u>\$ 10,665,756</u>	<u>\$ 10,485,159</u>	<u>\$ 23,033</u>	<u>\$ 231,707</u>

**EXHIBIT 17**  
**HOLLIS SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2015**

Unassigned fund balance, beginning		\$ 261,953
Changes:		
Fund balance used to reduce school district assessment		(157,847)
Budget summary:		
Revenue surplus (Exhibit 16)	\$ 45,303	
Unexpended balance of appropriations (Exhibit 17)	<u>231,707</u>	
Budget surplus		277,010
Increase in nonspendable fund balance		<u>(11,783)</u>
Unassigned fund balance, ending		<u><u>\$ 369,333</u></u>

**EXHIBIT 18**  
**HOLLIS SCHOOL DISTRICT**  
**Student Activities Funds**  
**Combining Schedule of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2015**

	Balance, beginning	Additions	Deductions	Balance, ending
<b>Assets:</b>				
Cash and cash equivalents:				
Hollis Upper Elementary	\$ 1,733	\$ 30,075	\$ 27,623	\$ 4,185
Hollis Primary	1,744	14,380	13,948	2,176
Total assets	<u>\$ 3,477</u>	<u>\$ 44,455</u>	<u>\$ 41,571</u>	<u>\$ 6,361</u>
<b>Liabilities:</b>				
Due to student groups	<u>\$ 3,477</u>	<u>\$ 44,455</u>	<u>\$ 41,571</u>	<u>\$ 6,361</u>

**EXHIBIT 19**  
**HOLLIS SCHOOL DISTRICT**  
**Student Activities Funds**  
**Summary of Activity - Hollis Upper Elementary School**  
**For the Fiscal Year Ended June 30, 2015**

	Balance, beginning	Additions	Deductions	Balance, ending
Coke	\$ 161	\$ 1,126	\$ 886	\$ 401
Cross Country	112	3,068	3,049	131
Field Trips	944	12,961	12,968	937
Petty Cash	51	-	12	39
Student Council	100	1,316	1,304	112
Yearbook	365	11,604	9,404	2,565
Total	<u>\$ 1,733</u>	<u>\$ 30,075</u>	<u>\$ 27,623</u>	<u>\$ 4,185</u>

**EXHIBIT 20**  
**HOLLIS SCHOOL DISTRICT**  
**Student Activities Funds**  
**Summary of Activity - Hollis Primary School**  
**For the Fiscal Year Ended June 30, 2015**

	Balance, beginning	Additions	Deductions	Balance, ending
Coke	\$ 235	\$ 8,404	\$ 8,201	\$ 438
Field Trip	1,493	5,488	5,317	1,664
3rd Grade Musical	16	488	430	74
Total	<u>\$ 1,744</u>	<u>\$ 14,380</u>	<u>\$ 13,948</u>	<u>\$ 2,176</u>



**INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT**

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hollis School District as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

This communication is intended solely for the information and use of management, the members of the school board, and others within the Hollis School District, and is not intended to be, and should not be, used by anyone other than these specified parties.

May 12, 2016

*Roberts & Greene, PLLC*