

**WILTON- LYNDEBOROUGH  
COOPERATIVE SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2013**

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## **PLODZIK & SANDERSON**

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### ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the School Board  
Wilton-Lyndeborough Cooperative School District  
Wilton, 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 Wilton-Lyndeborough Cooperative School District as of and for the year ended June 30, 2013, 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 of material misstatement.

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

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

#### ***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 1-B to the financial statements, management has not recorded the capital assets and related accumulated depreciation in the governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including infrastructure, be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

#### ***Adverse Opinion***

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Wilton-Lyndeborough Cooperative School District, as of June 30, 2013, or the changes in financial position thereof for the year then ended.

***Wilton-Lyndeborough Cooperative School District  
Independent Auditor's Report***

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Wilton-Lyndeborough Cooperative School District as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund and food service fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter – Management's Discussion and Analysis***

Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

***Emphasis of Matter – Supplementary Information***

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

The individual fund financial 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 individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

February 7, 2014

*Plodzik & Sanderson  
Professional Association*

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
*Statement of Net Position*  
*June 30, 2013*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 404,027
Intergovernmental receivable	362,467
Inventory and prepaid items	14,836
Total assets	<u>781,330</u>
<b>LIABILITIES</b>	
Accounts payable	65,583
Accrued interest payable	44,150
Noncurrent obligations:	
Due within one year:	
Bonds	325,000
Compensated absences	2,741
Due in more than one year:	
Bonds	1,930,000
Compensated absences	81,096
Other post employment benefits	72,635
Total liabilities	<u>2,521,205</u>
<b>NET POSITION (DEFICIT)</b>	
Net investment in capital assets	(2,255,000)
Restricted for food service	4,337
Restricted for donations	1,899
Unrestricted	508,889
Total net position (deficit)	<u><u>\$ (1,739,875)</u></u>

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

**EXHIBIT B**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
		for	Grants and	Grants and	Change In
	Expenses	Services	Contributions	Contributions	Net Position
Governmental activities:					
Instruction	\$ 6,254,442	\$ 4,675	\$ 393,350	\$ -	\$ (5,856,417)
Support services:					
Student	1,174,457	-	110,293	-	(1,064,164)
Instructional staff	311,170	-	131,598	-	(179,572)
General administration	46,250	-	428	-	(45,822)
Executive administration	365,808	-	-	-	(365,808)
School administration	684,760	-	-	-	(684,760)
Business	257,593	-	-	-	(257,593)
Operation and maintenance of plant	920,048	-	-	-	(920,048)
Student transportation	424,639	-	-	-	(424,639)
Other	159,619	-	7,002	-	(152,617)
Noninstructional services	219,519	104,789	105,783	-	(8,947)
Interest on long-term debt	120,461	-	13,800	170,993	64,332
Facilities acquisition and construction	146,233	-	-	-	(146,233)
Total governmental activities	<u>\$ 11,084,999</u>	<u>\$ 109,464</u>	<u>\$ 762,254</u>	<u>\$ 170,993</u>	<u>(10,042,288)</u>
General revenues:					
School district assessment					7,291,839
Grants and contributions not restricted to specific programs					2,981,712
Miscellaneous					5,387
Total general revenues					<u>10,278,938</u>
Change in net position					236,650
Net position (deficit), beginning					<u>(1,976,525)</u>
Net position (deficit), ending					<u>\$ (1,739,875)</u>

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

**EXHIBIT C-1**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2013**

	General	Food Service	Capital Project	Other Governmental Fund (Grants)	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 402,030	\$ 1,997	\$ -	\$ -	\$ 404,027
Intergovernmental receivable	278,011	10,554	-	73,902	362,467
Interfund receivable	93,877	-	-	-	93,877
Inventory	-	14,836	-	-	14,836
Total assets	<u>\$ 773,918</u>	<u>\$ 27,387</u>	<u>\$ -</u>	<u>\$ 73,902</u>	<u>\$ 875,207</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 62,508	\$ 1,997	\$ -	\$ 1,078	\$ 65,583
Interfund payable	-	21,053	-	72,824	93,877
Total liabilities	<u>62,508</u>	<u>23,050</u>	<u>-</u>	<u>73,902</u>	<u>159,460</u>
<b>FUND BALANCES</b>					
Nonspendable	-	14,836	-	-	14,836
Restricted	1,899	-	-	-	1,899
Committed	278,011	-	-	-	278,011
Assigned	46,800	-	-	-	46,800
Unassigned	384,700	(10,499)	-	-	374,201
Total fund balances	<u>711,410</u>	<u>4,337</u>	<u>-</u>	<u>-</u>	<u>715,747</u>
Total liabilities and fund balances	<u>\$ 773,918</u>	<u>\$ 27,387</u>	<u>\$ -</u>	<u>\$ 73,902</u>	<u>\$ 875,207</u>

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



*EXHIBIT C-2*  
*WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT*  
*Reconciliation of Total Governmental Fund Balances to the Statement of Net Position*  
*For the Fiscal Year Ended June 30, 2013*

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Total fund balances of governmental funds (Exhibit C-1)		\$	715,747
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.			
Receivables	\$	93,877	
Payables		<u>(93,877)</u>	
			-
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable			(44,150)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.			
Bonds	\$	(2,255,000)	
Other postemployment benefits		(72,635)	
Compensated absences		<u>(83,837)</u>	
			<u>(2,411,472)</u>
Net position of governmental activities (Exhibit A)			<u><u>\$ (1,739,875)</u></u>

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

**EXHIBIT C-3**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2013**

	General	Food Service	Capital Project	Other Governmental Fund (Grants)	Total Governmental Funds
<b>REVENUES</b>					
School district assessment	\$ 7,291,839	\$ -	\$ -	\$ -	\$ 7,291,839
Other local	9,286	104,789	-	923	114,998
State	3,308,347	2,767	-	-	3,311,114
Federal	134,267	103,016	-	366,415	603,698
Total revenues	<u>10,743,739</u>	<u>210,572</u>	<u>-</u>	<u>367,338</u>	<u>11,321,649</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	6,062,223	-	-	117,094	6,179,317
Support services:					
Student	1,064,164	-	-	110,293	1,174,457
Instructional staff	179,572	-	-	131,598	311,170
General administration	45,822	-	-	428	46,250
Executive administration	365,808	-	-	-	365,808
School administration	684,760	-	-	-	684,760
Business	257,593	-	-	-	257,593
Operation and maintenance of plant	920,048	-	-	-	920,048
Student transportation	424,639	-	-	-	424,639
Other	151,694	-	-	7,925	159,619
Noninstructional services	266	219,253	-	-	219,519
Debt service:					
Principal	325,000	-	-	-	325,000
Interest	126,919	-	-	-	126,919
Facilities acquisition and construction	110,513	-	35,720	-	146,233
Total expenditures	<u>10,719,021</u>	<u>219,253</u>	<u>35,720</u>	<u>367,338</u>	<u>11,341,332</u>
Net change in fund balances	24,718	(8,681)	(35,720)	-	(19,683)
Fund balances, beginning	686,692	13,018	35,720	-	735,430
Fund balances, ending	<u>\$ 711,410</u>	<u>\$ 4,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 715,747</u>

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

*EXHIBIT C-4*  
*WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT*  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2013*

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Net change in fund balances of total governmental funds (Exhibit C-3)			\$ (19,683)
Amounts reported for governmental activities in the Statement of Activities are different because:			
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Principal repayment of bond			325,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.			
Decrease in accrued interest expense	\$	6,458	
Increase in compensated absences payable		(2,490)	
Increase in other postemployment benefits payable		(72,635)	
			<u>(68,667)</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 236,650</u>

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

**EXHIBIT D-1**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Variance Positive (Negative)
	Original and Final	Actual	
<b>REVENUES</b>			
School district assessment	\$ 7,291,839	\$ 7,291,839	\$ -
Other local	7,000	9,139	2,139
State	3,304,596	3,308,347	3,751
Federal	20,000	134,267	114,267
Total revenues	<u>10,623,435</u>	<u>10,743,592</u>	<u>120,157</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	6,219,171	6,055,309	163,862
Support services:			
Student	1,184,578	1,064,164	120,414
Instructional staff	171,621	179,572	(7,951)
General administration	45,908	45,088	820
Executive administration	400,918	365,808	35,110
School administration	548,415	684,700	(136,285)
Business	281,554	304,393	(22,839)
Operation and maintenance of plant	899,314	858,027	41,287
Student transportation	540,780	424,639	116,141
Other	153,615	151,695	1,920
Debt service:			
Principal	325,000	325,000	-
Interest	126,919	126,919	-
Facilities acquisition and construction	77,000	75,091	1,909
Noninstructional	-	266	(266)
Total expenditures	<u>10,974,793</u>	<u>10,660,671</u>	<u>314,122</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(351,358)</u>	<u>82,921</u>	<u>434,279</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	3,957	3,957
Transfers out	(65,000)	(55,000)	10,000
Total other financing sources (uses)	<u>(65,000)</u>	<u>(51,043)</u>	<u>13,957</u>
Net change in fund balance	<u>\$ (416,358)</u>	31,878	<u>\$ 448,236</u>
Decrease in committed fund balance		55,000	
Unassigned fund balance, beginning		297,822	
Unassigned fund balance, ending		<u>\$ 384,700</u>	

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

**EXHIBIT D-2**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**Food Service Fund**  
**For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts Original and Final	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Local:			
Sales	\$ 136,639	\$ 96,862	(39,777)
Miscellaneous	-	7,927	7,927
State:			
Lunch reimbursement	10,000	2,767	(7,233)
Federal:			-
Lunch reimbursement	58,701	69,703	11,002
Breakfast reimbursement	-	19,955	19,955
USDA commodities	-	13,358	13,358
Total revenues	<u>205,340</u>	<u>210,572</u>	<u>5,232</u>
<b>EXPENDITURES</b>			
Current:			
Noninstructional services	<u>205,340</u>	<u>219,253</u>	<u>(13,913)</u>
Net change in fund balance	<u>\$ -</u>	<u>(8,681)</u>	<u>\$ (8,681)</u>
Fund balance, beginning		<u>13,018</u>	
Fund balance, ending		<u><u>\$ 4,337</u></u>	

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

**EXHIBIT E**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2013**

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 73,765
<b>LIABILITIES</b>	
Due to student groups	<u>73,765</u>
<b>NET POSITION</b>	<u><u>\$ -</u></u>

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

**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2013**

	<b><u>NOTE</u></b>
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**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***1-A Reporting Entity***

The Wilton-Lyndeborough Cooperative School District, in Wilton, New Hampshire (the School District) is a municipal corporation governed by an elected 9-member School Board. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals in the United States.

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

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

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

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

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the School District’s assets, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, with the exception of the capital assets, accumulated depreciation and depreciation expense which have not been inventoried at historical cost by the School District, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

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

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

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



**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED**

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

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

**Food Service Fund** – accounts for the operation of the School District's food service program.

**Capital Project Fund** – the Lyndeborough Central School capital project fund accounts for the activity pertaining to the construction of a kindergarten classroom.

**Nonmajor Funds** – The School District also reports one nonmajor governmental fund, the grants fund.

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

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

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

**1-C Cash and Cash Equivalents**

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

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

**1-D Receivables**

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

**1-E Interfund Balances**

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

**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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***1-F Inventory***

The inventories of the School District are valued at cost (first-in, first-out), which approximates market. The inventories of the School District's food service fund consist of food items and expendable supplies held for subsequent use. The cost of these inventories is expended when consumed rather than when purchased.

***1-G Compensated Absences***

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

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

***1-H Long-Term Obligations***

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

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. The face amount of the debt issued and any related premiums are reported as other financing sources. Issuance costs are reported as a reduction of proceeds.

***1-I Claims and Judgments***

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

***1-J Net Position/Fund Balances***

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

**Net Investment in Capital Assets** – This classification includes the School District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Because the School District has not reported its capital assets, this amount is a large negative amount.

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

**Unrestricted Net Position** – This classification typically includes unrestricted liquid assets.

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

**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The governmental fund types classify fund balances as follows:

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

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

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

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

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

***1-K Interfund Activities***

Interfund activities are reported as follows:

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

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

***1-L Use of Estimates***

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

***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

***2-A Budgetary Information***

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

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

**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**AS OF AND FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2013**

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2013, \$416,358 of the beginning general fund unassigned fund balance was applied for this purpose.

**2-B Budgetary Reconciliation to GAAP Basis**

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

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

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

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 10,747,549
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the expendable trust funds	147
To remove transfers from the general fund to the expendable trust funds	(3,957)
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,743,739</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 10,715,671
Adjustments:	
Basis difference:	
Encumbrances, beginning	105,150
Encumbrances, ending	(46,800)
GASB Statement No. 54:	
To remove transfer from the general fund to the expendable trust fund	(55,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 10,719,021</u>

**2-C Excess of Expenditures over Appropriations**

The food service fund had an excess of expenditures over appropriations for the year ended June 30, 2013 in the amount of \$13,913. Overexpenditures were due to unanticipated increase costs in food. This overexpenditure was absorbed by the food service fund's fund balance.

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the School District's deposits was \$477,722 and the bank balances totaled \$740,185.

**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**JUNE 30, 2013**

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 404,027
Cash per Statement of Fiduciary Net Position (Exhibit E)	73,765
Total cash and cash equivalents	<u>\$ 477,792</u>

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2013, consisted of intergovernmental amounts arising from grants, school lunch program and the capital reserve funds held in the custody of the Town of Wilton trustees of trust funds. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

**NOTE 5 – INTERFUND BALANCES**

Interfund receivable and payable balances consisting of overdrafts in pooled cash at June 30, 2013, are as follows:

Receivable Fund	Payable Fund	Amount
General	Food service	\$ 21,053
General	Nonmajor	72,824
		<u>\$ 93,877</u>

**NOTE 6 – LONG-TERM LIABILITIES**

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
General obligation bonds payable	\$ 2,580,000	\$ -	\$ (325,000)	\$ 2,255,000	\$ 325,000
Compensated absences	81,347	2,490	-	83,837	2,741
Net other postemployment benefits	-	72,635	-	72,635	-
Total long-term liabilities	<u>\$ 2,661,347</u>	<u>\$ 75,125</u>	<u>\$ (325,000)</u>	<u>\$ 2,411,472</u>	<u>\$ 327,741</u>

Long term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2013
General obligation bonds payable:					
Middle/High school renovations	\$ 6,476,775	1999	2020	4.5-5.25%	\$ 2,255,000
Compensated absences payable:					
Vested sick leave					83,837
					<u>\$ 2,338,837</u>

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 325,000	\$ 109,856	\$ 434,856
2015	325,000	92,794	417,794
2016	325,000	75,731	400,731
2017	320,000	58,800	378,800
2018	320,000	42,000	362,000
2019-2020	640,000	33,600	673,600
Totals	<u>\$ 2,255,000</u>	<u>\$ 412,781</u>	<u>\$ 2,667,781</u>

**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**NOTE 7 – ENCUMBRANCES**

Encumbrances outstanding at June 30, 2013 are in the amount of \$46,800 charged to the business function.

**NOTE 8 – GOVERNMENTAL ACTIVITIES NET POSITION**

The government-wide Statement of Net Position at June 30, 2013 consisted of the following:

Net invested in capital assets:	
Net property, buildings, and equipment	\$ -
Less:	
General obligation bonds payable	(2,255,000)
Total net invested in capital assets	(2,255,000)
Restricted for:	
Food service	4,337
Donations	1,899
Unrestricted	508,889
Total net position	\$ (1,739,875)

**NOTE 9 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2013 consist of the following:

<b>Nonspendable:</b>	
Major fund:	
Food service:	
Inventory	\$ 14,836
<b>Restricted</b>	
Major fund:	
General	1,899
<b>Committed:</b>	
Major fund:	
General:	
Expendable trust	278,011
<b>Assigned</b>	
Major fund:	
General:	
Encumbrances	46,800
<b>Unassigned</b>	
Major funds:	
General	384,700
Food service	(10,499)
Total unassigned fund balance	374,201
Total governmental fund balances	\$ 715,747

**NOTE 10 – EMPLOYEE RETIREMENT PLAN**

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

**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**JUNE 30, 2013**

The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2013, the School District contributed 11.30% for teachers and 8.80% for other employees. The contribution requirements for the fiscal years 2011, 2012, and 2013 were \$373,534, \$481,015, and \$485,587, respectively, which were paid in full in each year.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

In addition to pension benefits described in the preceding note, the School District provides postemployment benefit options for health care, life insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the School District's agreements, or collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The School District funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the School District subsidizing the remaining costs. There are 23 participants currently eligible. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2013:

Annual required contribution/OPEB cost	\$ 72,635
Net OPEB obligation, beginning	-
Net OPEB obligation, ending	<u>\$ 72,635</u>

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

Fiscal Year Ended	Annual OPEB Contribution Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2012	\$ 17,951	100.00%	\$ -
June 30, 2013	\$ 196,219	63.00%	\$ 72,635

As of July 1, 2012 the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,641,872 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,641,872. The covered payroll (annual payroll of active employees covered by the plan) was \$4,485,528 during fiscal year 2013, and the ratio of the UAAL to the covered payroll was 36.60%.

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

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

**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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In the July 1, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return per annum. The projected annual health care cost trend is 10% initially, reduced by decrements to an ultimate rate of 5% after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2013 was 14.59 years.

**NOTE 12 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2013, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance program for member School Districts and cities.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2013 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Wilton-Lyndeborough Cooperative School District billed and paid for the year ended June 30, 2013 was \$18,543 for workers' compensation (with a premium holiday of \$11,145) and \$32,784 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

**NOTE 13 – CONTINGENT LIABILITIES**

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

**NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The following GASB pronouncements were implemented by the School District for the fiscal year ended June 30, 2013, which included the early implementation of GASB Statement No. 65. Only GASB Statement No. 63 and GASB Statement No. 65 impacted these financial statements:

**GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

**GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendments of GASB Statements No. 14 and No. 34***, issued November 2010. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

**GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011. This Statement is intended to enhance the usefulness of the Codification of the Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

**GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources.



# **WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

### **AS OF AND FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2013**

**GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, issued March 2012, has an effective date of the School District beginning with its fiscal year ending June 30, 2014. This Statement is intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Because GASB Statement No. 65 is so closely related to GASB Statement No. 63, implementing both as of June 30, 2013 is recommended.

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

**GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62***, issued March 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2014. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

**GASB Statement No. 67, *Financial Reporting for Pension Plans***, issued in June 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2014. **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued in June 2012, will be effective for the School District beginning with its fiscal year ending June 30, 2015. The guidance contained in these two Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

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

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

**GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***, issued in April 2013, will be effective for the School District beginning with the fiscal year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

### **NOTE 15 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through February 7, 2014, the date the June 30, 2013 financial statements were available to be issued, and noted the following:

At the March 8, 2013 annual School District meeting the following warrant articles were voted on:

*Warrant Article No. 9* votes to add \$220,000 from the unassigned fund balance at June 30, 2013 to the Building and Roadway Construction/Reconstruction and Building Equipment Replacement Capital Reserve Fund.

*Warrant Article No. 10* votes to add \$20,000 from the unassigned fund balance at June 30, 2013 to the Technology Advancement Capital Reserve Fund.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT F**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
*Schedule of Funding Progress for Other Postemployment Benefit Plan*  
*For the Fiscal Year Ended June 30, 2013*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
June 30, 2012	\$ -	\$ 1,641,872	\$ 1,641,872	0.00%	\$ 4,485,528	36.60%
June 30, 2013	\$ -	\$ 184,220	\$ 184,220	0.00%	\$ 4,677,992	4.10%

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

***WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT***  
***NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION***  
***FOR THE FISCAL YEAR ENDED***  
***JUNE 30, 2013***

***Schedule of Funding Progress for Other Postemployment Benefits (OPEB)***

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit F represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2013.

***INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2013*

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 7,291,839	\$ 7,291,839	\$ -
Other local sources:			
Tuition	5,000	4,675	(325)
Investment earnings	2,000	3,350	1,350
Rentals	-	555	555
Miscellaneous	-	559	559
Total from other local sources	7,000	9,139	2,139
State sources:			
Adequacy aid (grant)	1,699,440	1,699,440	-
Adequacy aid (tax)	1,282,272	1,282,272	-
School building aid	130,000	130,000	-
Kindergarten aid	13,800	13,800	-
Kindergarten building aid	30,000	40,993	10,993
Catastrophic aid	148,084	140,910	(7,174)
Vocational aid	1,000	932	(68)
Total from state sources	3,304,596	3,308,347	3,751
Federal sources:			
Medicaid	20,000	134,267	114,267
Other financing sources:			
Transfers in	-	3,957	3,957
Total revenues and other financing sources	10,623,435	\$ 10,747,549	\$ 124,114
Use of fund balance to reduce school district assessment	416,358		
Total revenues, other financing sources, and use of fund balance	\$ 11,039,793		

**SCHEDULE 2**  
**WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2013*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 3,713	\$ 4,467,541	\$ 4,393,327	\$ -	\$ 77,927
Special programs	-	1,609,139	1,506,793	-	102,346
Vocational programs	-	13,900	17,496	-	(3,596)
Adult and community programs	-	128,591	144,606	-	(16,015)
Other	3,200	-	-	-	3,200
Total instruction	<u>6,913</u>	<u>6,219,171</u>	<u>6,062,222</u>	<u>-</u>	<u>163,862</u>
Support services:					
Student	-	1,184,578	1,064,164	-	120,414
Instructional staff	-	171,621	179,572	-	(7,951)
General administration	734	45,908	45,822	-	820
Executive administration	-	400,918	365,808	-	35,110
School administration	60	548,415	684,760	-	(136,285)
Business	-	281,554	257,593	46,800	(22,839)
Operation and maintenance of plant	62,021	899,314	920,048	-	41,287
Student transportation	-	540,780	424,639	-	116,141
Other	-	153,615	151,695	-	1,920
Total support services	<u>62,815</u>	<u>4,226,703</u>	<u>4,094,101</u>	<u>46,800</u>	<u>148,617</u>
Debt service:					
Principal of long-term debt	-	325,000	325,000	-	-
Interest on long-term debt	-	126,919	126,919	-	-
Total debt service	<u>-</u>	<u>451,919</u>	<u>451,919</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>35,422</u>	<u>77,000</u>	<u>110,513</u>	<u>-</u>	<u>1,909</u>
Noninstructional	<u>-</u>	<u>-</u>	<u>266</u>	<u>-</u>	<u>(266)</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>65,000</u>	<u>55,000</u>	<u>-</u>	<u>10,000</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 105,150</u>	<u>\$ 11,039,793</u>	<u>\$ 10,774,021</u>	<u>\$ 46,800</u>	<u>\$ 324,122</u>

*SCHEDULE 3*  
*WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT*  
*Major General Fund*  
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2013*

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Unassigned fund balance, beginning		\$ 297,822
Changes:		
Unassigned fund balance used to reduce school district assessment		(416,358)
2012-2013 Budget summary:		
Revenue surplus (Schedule 1)	\$ 124,114	
Unexpended balance of appropriations (Schedule 2)	<u>324,122</u>	
2012-2013 Budget surplus		448,236
Decrease in committed fund balance		<u>55,000</u>
Unassigned fund balance, ending		<u><u>\$ 384,700</u></u>



*SCHEDULE 4*  
*WILTON-LYNDEBOROUGH COOPERATIVE SCHOOL DISTRICT*  
*Student Activities Funds*  
*Combining Schedule of Changes in Student Activities Funds*  
*For the Fiscal Year Ended June 30, 2013*

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, ending</u>
Schools:				
Middle & High School	\$ 49,344	\$ 98,953	\$ 82,669	\$ 65,628
Lyndeborough Central	1,803	1,570	2,812	561
Florence Rideout	12,070	8,670	13,164	7,576
Totals	<u>\$ 63,217</u>	<u>\$ 109,193</u>	<u>\$ 98,645</u>	<u>\$ 73,765</u>



## **PLODZIK & SANDERSON**

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### ***INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES***

To the Members of the School Board  
Wilton-Lyndeborough Cooperative School District  
Wilton, 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 Wilton-Lyndeborough Cooperative School District as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Wilton-Lyndeborough Cooperative 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 Wilton-Lyndeborough Cooperative School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wilton-Lyndeborough Cooperative School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies in Wilton-Lyndeborough Cooperative School District's internal control to be material weaknesses:

#### ***Signing of Checks and Accounts Payable Manifests***

State RSA 197:23-a states that, "The treasurer shall have custody of all moneys belonging to the district and shall pay out the same only upon orders of the school board or upon orders of the 2 or more members of the school board empowered by the school board as a whole to authorize payments." While updating internal controls over disbursements for goods and services it was noted that a School District employee, someone other than the treasurer, is using the treasurer's stamp to sign checks. This situation completely bypasses the approval aspect of check signing and the control features in place to protect against unauthorized use of the treasurer's stamp.

We recommend that the treasurer take custody of the stamp and be the only individual who uses the stamp. This procedure should be strictly followed without exception.

**Management's Response:** Management acknowledges this recommendation of the auditor and with implementation of its financial software and use of electronic signature has returned the stamp to the treasurer.

#### ***High School Student Activity Fund***

Student activity funds are agency funds for which the School District is acting in a custodial capacity; therefore, it is imperative that strong internal controls exist to ensure that funds are safely maintained, no disbursements are made without proper authorization, and a regular accounting of the transactions within each activity is prepared.

***Wilton-Lyndeborough Cooperative School District***  
***Independent Auditor's Communication of Significant Deficiencies and Material Weaknesses***

While auditing the High School student activity fund the following conditions were identified:

- Of the twenty one disbursements tested, one did not have any supporting documentation; two were missing proper approval and completed request forms; and two checks were endorsed to "Cash."
- The sports officials' appropriation received from the general fund of \$19,098 was retained in the student activity fund at year end.
- Upon review of the cash reconciliation, deposits in transit in excess of one month and older as well as several stale dated checks were identified.
- One of the accounts had a negative balance of (\$2,718).

In order to assist the School District in strengthening the internal controls over the student activity funds we recommend the following:

- All disbursements be supported by appropriate documentation (included request forms) and be properly approved prior to when they are made.
- Checks should only be endorsed to individuals to mitigate the risk of fraud and theft.
- Any unspent general fund appropriations for officials should be returned to the general fund at the end of each fiscal year.
- All student activity accounts should retain positive balances to ensure that funds are utilized in an appropriate manner for which they were created.
- Monthly reconciliations be reviewed for any stale dated items. Stale dated checks six months or older should be reviewed and follow up should be initiated with the vendor. If necessary the checks should be reissued and/or voided.
- Deposits should be made at least on a weekly basis and more frequently in periods of heavy collection.
- All School District student activity funds should be reviewed periodically by the business office and any issues detected should be resolved immediately.

**Management's Response:** Management acknowledges these findings and the Business Office is working with the School Principal to provide guidance on implementing a closer review of all supporting documentation. The sports' appropriation balance of 2013 is being drawn down and it is anticipated that there will be a minimal balance remaining at the end of the current year.

***Food Service Fund***

In the process of performing our audit, we noted that at year end the cash per the bank account and general ledger were not in agreement. While reconciliation procedures are in place, there was no indication that a reconciliation was performed at year end to ensure the cash reported on the general ledger was correct. As a result we had to make an audit adjustment of \$6,303. Accounting tasks such as monthly reconciliations, cross-checks, and reviews play a key role in proving the accuracy of the accounting data and financial information that comprise interim and year-end financial statements. We recommend that the School District continue to perform the monthly reconciliations to ensure the financial records are in agreement between the general ledger and food service fund

In addition, the bank account for the food service fund is not in the custody of the School District treasurer, which is contrary to NH state statute RSA 197:23-a. The bank account should be turned over to the treasurer pursuant to NH RSA 197:23-a and maintained accordingly. If any differences are found they should then be investigated and corrected immediately.

**Management's Response:** The bank account is setup for deposit only. We will immediately require the treasurer to take custody by having his authorized signature place only on the account.

***Lack of Segregation of Duties over Cash Receipts***

We noted that there was a lack of segregation of duties within the cash receipts area. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. We feel that separating these closely related functions in the cash receipts system of the School District will result in much greater control in this particular area. Upon review of the controls over cash receipts it was noted that while the mail is being opened and recorded in a receipts log by the administrative assistant, the accounts payable clerk is stamping the checks "For Deposit Only" and then preparing the deposits for the treasurer

***Wilton-Lyndeborough Cooperative School District  
Independent Auditor's Communication of Significant Deficiencies and Material Weaknesses***

to make. To achieve this control it is recommended that the administrative assistant stamp the checks "For Deposit Only" before they are given to the accounts payable clerk for processing.

**Management's Response:** Management acknowledges this finding and has immediately implemented this recommendation.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Wilton-Lyndeborough Cooperative School District's internal control to be significant deficiencies:

***Significant Accounts Policies***

The School Board should have policies that require that management and employees establish and maintain an environment throughout the School District that sets a positive and supportive attitude toward internal control and conscientious management.

Upon review of the School District's investment policy it was noted that the School District had not updated their policy since June 2, 2010. RSA 197:23-a requires that the investment policy be reviewed and approved annually. We recommend that the School Board comply with the state statute and review and approve the policy annually.

In addition, the School Board has also not yet formally adopted any policies for disaster recovery and formalized equipment use which are essential tools necessary to manage the School District's operations efficiently and effectively. The School Board is at greater risk for exposure to losses by not having adequate policies in place. We strongly recommend that the School Board develop and formally adopt the above noted policies in order to clearly communicate the School Board's position on these issues.

**Management's Response:** Management acknowledges this finding and is reviewing its investment policy. It will work to define positions on these other issues, and look to the NH School Board Association for additional guidance and policy templates for application and modification.

***Expenditures for Goods and Services***

Our review of the internal controls over the processing disbursements and purchase orders found that of 40 disbursements tested, one purchase order was not properly approved; five purchase orders were dated after the invoices had been received; thirteen invoices were not paid in a timely manner and one manifest was not properly approved by at least two School Board members. This goes against the School District policy and can lead to the School District's financial reports being inaccurate or misleading. Untimely payment of invoices can result in late fees being incurred by the School District. We recommend that the School District's purchasing policy be strictly adhered to and that all purchase orders are obtained and completed prior to the receipt of any goods or services. In addition, we recommend that all accounts payable manifests are properly approved by at least two School Board members prior to when the checks are released, and that all invoices are paid in a timely manner.

**Management's Response:** Management acknowledges this finding and is working to ensure compliance on all subsequent purchases and provide timely approval.

Wilton-Lyndeborough Cooperative School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

February 7, 2014

*Plodzik & Sanderson  
Professional Association*