

HUDSON SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Hudson School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 aggregate remaining fund information of the Hudson School District, as of June 30, 2017, and the respective changes in financial position and, the respective budgetary comparison for the general and grants funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of School District's Proportionate Share of Net Pension Liability, and the Schedule of School District Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is

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

required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 Hudson 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018, on our consideration of the Hudson school District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hudson School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hudson School District's internal control over financial reporting and compliance.

Sheryl A. Platt, CPA

January 9, 2018

PLODZIK & SANDERSON
Professional Association

Management's Discussion and Analysis For the Period Ending June 30, 2017

As management of the Hudson School District, we offer readers of the Hudson School District's financial statements this narrative overview and analysis of the financial activities of the Hudson School District for the fiscal year ending June 30, 2017. We encourage you to read and review the information presented here in conjunction with additional information that we have furnished in the District's annual audited financial statements, which accompany this report.

Financial Highlights

The Hudson School District's total combined net position decreased from \$(13,076,357) to \$(13,778,926), an increase of \$702,569 between FY 2016 and FY 2017.

Note: The School District's negative net position is due to the following: As of June 30, 2015, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the School District to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.

- The Hudson School District's capital assets increased from \$22,153,790 to \$22,346,915 between FY 2016 and FY 2017. This represents an increase of \$193,125 or .009%.
- During FY 2017, the District's governmental funds expenditures were \$51,017,356. The total generated in taxes and other revenues for governmental funds was \$51,129,672. At the close of FY 2017 the Hudson School District's governmental funds reported combined ending fund balances of \$2,557,818 an increase of \$112,316 in comparison with the prior year. In accordance with New Hampshire State Law, the general fund unassigned fund balance of \$818,763 for FY 2017 was used as a direct offset of taxes in FY 2018.
- The Hudson School District's total debt for FY 2017 was \$3,327,807 a decrease of \$1,093,993 (25%). The reduction was due to the lowering of the total outstanding balance on bonds for the Hills Garrison Elementary School and the Hudson Memorial School.

Overview of the Financial Statements

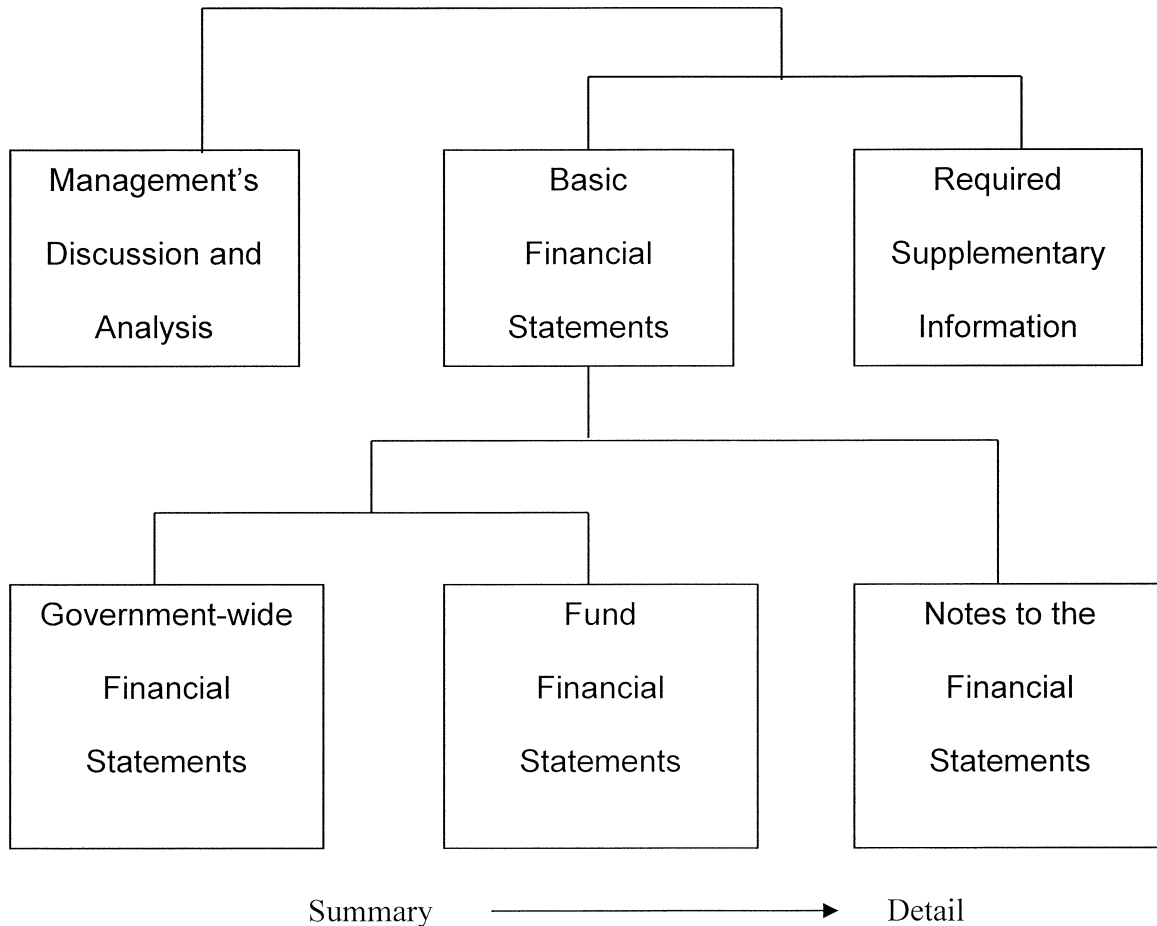
This discussion and analysis are intended to serve as an introduction to the Hudson School District's basic financial statements. The District's basic financial statements consist of four components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements, and
- 4) required supplementary information.

The basic financial statements present two different views of the District through the use of district-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Hudson School District.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The basic financial statement includes two kinds of statements that present different views of the District.

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the District's overall financial status.

The remaining statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the District's government. These statements provide more detail than the government-wide statements.

The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Required Supplementary Information** is provided that further explains and supports the information about the District's other postemployment benefit liability, and financial reporting for pensions.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances, similar in format to a financial statement of a private-sector business. The statement of net position includes all the government's assets, deferred outflows of resource liabilities and deferred inflows of resources. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid. The government-wide statements provide short and long-term information about the District's financial status.

The two government-wide statements report the District's net position and how they have changed. Net position is the difference between the District's total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources. Measuring net position is one way to measure the District's financial position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements are on Exhibits A and B of the annual financial report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the District's most significant funds – not the District. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives.

- Some funds are required by State law.
- The School Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Hudson School District uses two kinds of funds:

- Governmental funds –Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements.
- Most of the District’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are financial resources available to finance the District’s programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Hudson School District adopts an annual budget for its General and Grants Funds, as well as the four other governmental funds, as required by the New Hampshire Statutes. The budget is a legally adopted document that incorporates input from the citizens of the District, the management of the schools and SAU 81, and the decisions of the Hudson School Board about which services to provide and how to pay for them. It also authorizes the District to obtain funds from identified sources to finance these current period activities. The budgetary statements provided for the General and Grants Funds demonstrate how well the District complied with the budget adopted and whether the District succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board 2) the final budget as amended by the board; 3) the actual resources and charges to appropriations; and 4) the difference or variance between the adopted budget and the actual resources and charges. The other governmental funds are comprised of special revenue funds, which consist of food service, Alvirne Trustees, and the Alvirne Farm and Vocational Center funds.

- Fiduciary Funds – The District is the fiduciary for certain funds such as the Student Activity Funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary balances are reported in a separate statement of Fiduciary Net Position. These are excluded from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 13 of the annual audit report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. This is where the schedule of funding progress for other postemployment benefit plan is presented. Required supplementary information can be found in the annual financial report.

The Hudson School District's Net Position

	<u>2017</u>	<u>2016</u>	<u>% Change 2016-2017</u>
Current and Other Assets	\$ 4,493,362	\$ 4,059,941	10.68%
Capital Assets	<u>22,346,915</u>	<u>22,153,790</u>	<u>0.87%</u>
Total Assets	26,840,277	26,213,731	2.39%
Deferred Outflows of Resources	10,650,754	2,669,281	299.01%
Long-Term Liabilities Outstanding	47,909,625	37,720,416	27.01%
Other Liabilities	<u>1,968,103</u>	<u>1,661,495</u>	<u>18.45%</u>
Total Liabilities	49,877,728	39,381,911	26.65%
Deferred Inflows of Resources	1,392,229	2,577,458	-45.98%
Net Investment in Capital Assets	19,019,108	17,731,990	7.26%
Restricted Net Position	65,624	98,082	-33.09%
Unrestricted Net Position	<u>(32,863,658)</u>	<u>(30,906,429)</u>	<u>6.33%</u>
Total Net Position	<u>\$ (13,778,926)</u>	<u>\$ (13,076,357)</u>	<u>5.37%</u>

Net position of the District's governmental activities decreased 5.4% or \$702,569 as of June 30, 2017. Although the Hudson School District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The District received \$51,129,672 from all sources of revenue. Sixty-two percent (\$31,493,213) of the District's revenue came from local taxes. Thirty percent (\$15,572,094) came from the state education tax and the state adequacy grant. Approximately five percent (\$2,456,546) came from various state and federal grants. The balance (\$1,607,819) was derived from other local revenues.

Figure 2

Hudson School District's Change in Net Position

Summary of Changes in Net Position Governmental Activities

	<u>2016</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>\$</u> <u>Difference</u>	<u>%</u> <u>Difference</u>
Revenues:				
Program Revenue:				
Charges for Services	\$ 907,832	\$ 881,565	\$ 26,267	2.89%
Operating Grants and Contributions	2,566,155	2,713,065	(146,910)	-5.72%
Capital Grants and Contributions	390,238	396,598	(6,360)	-1.63%
General Revenue:				
School District Assessment	29,111,116	31,493,213	(2,382,097)	-8.18%
Unrestricted Grants	15,250,636	14,926,843	323,793	2.12%
Miscellaneous & Interest	949,787	718,388	231,399	24.36%
Total Revenues	<u>49,175,764</u>	<u>51,129,672</u>	<u>(1,953,908)</u>	<u>-3.97%</u>
Expenses:				
Instruction	\$ 29,444,261	\$ 32,026,697	\$ (2,582,436)	-8.77%
Support Services:				
Student	4,250,666	4,717,370	(466,704)	-10.98%
Instructional Staff	1,601,015	1,504,909	96,106	6.00%
General Administration	132,074	157,364	(25,290)	-19.15%
Executive Administration	776,092	761,998	14,094	1.82%
School Administration	2,720,925	2,993,019	(272,094)	-10.00%
Business	818,839	927,313	(108,474)	-13.25%
Operation and Maintenance of Plant	4,613,724	5,135,893	(522,169)	-11.32%
Student Transportation	1,755,784	1,820,452	(64,668)	-3.68%
Other	56,070	300,448	(244,378)	-435.84%
Noninstructional Services	1,360,038	1,330,475	29,563	2.17%
Interest on Long-Term Debt	142,992	110,833	32,159	22.49%
Facilities Acquisition and Construction	21,459	45,470	(24,011)	100.00%
Total Expenses	<u>47,693,948</u>	<u>51,832,241</u>	<u>(4,138,302)</u>	<u>-8.68%</u>
Change in Net Position	1,481,825	(702,569)	2,184,394	147.41%
Net Position, beginning, as restated	<u>(14,558,182)</u>	<u>(13,076,357)</u>	<u>(1,481,825)</u>	<u>10.18%</u>
Net Position, ending	<u>\$ (13,076,357)</u>	<u>\$ (13,778,926)</u>	<u>\$ 702,569</u>	<u>-5.37%</u>

Financial Analysis of the District's Funds

As noted earlier, the Hudson School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Hudson School District's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Hudson School District's financing requirements.

On June 30, 2017, the governmental funds of the Hudson School District reported a combined fund balance of \$2,557,818. Included in the total fund balance are fund balances in the General Fund and Special Revenue Funds. The Special Revenue Funds include Food Service, Grants, and other Governmental Funds.

General Fund Budgetary Highlights:

The following are highlights from the FY2017 End Financial Report as presented to the Hudson School Board in 2017 by the Business Administrator.

Estimated Fund Balance per Report:

Revenue Surplus:	52,023
Unexpended Balance of appropriations	<u>761,740</u>
2016-17 Budget Surplus	<u>813,763</u>
Less: Decrease in Nonspendable Fund Balance	55,000
Decrease in Committed Fund Balance	150,000
Prior fund balance used to reduce school district assessment	(200,000)

Audited Unassigned Fund Balance (to Offset Tax Rate):	818,763
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Unanticipated Revenue is comprised of the following:

Unanticipated/(Deficit) of Revenue Budget

Other local sources:

Tuition	(25,583)
Investment earnings	(200)
Indirect Costs	5,221
Student Activities	(3,925)
Miscellaneous	4,091

State sources:

Adequacy Aid	(3,561)
Vocational Aid	33,965
Catastrophic Aid	59,604
Other State Aid	6,726

Federal sources:

Medicaid	(12,467)
ROTC	<u>(11,848)</u>

Total Revenue	<u>52,023</u>
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The District's full internal year end financial report is on file in the office of the Finance Director for public review.

Capital Asset and Debt Administration

Capital assets: The Hudson School District's investment in capital assets for its governmental activities as of June 30, 2017, totals \$22,346,915 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, athletic fields and facilities, and vehicles.

Figure 3
Hudson School District Capital Assets
Governmental Activities
(Net of depreciation)

	June 30, <u>2017</u>	June 30, <u>2016</u>	% Change <u>2016-2017</u>
Land	\$ 329,201	\$ 329,201	0.00%
Buildings & Improvements	20,949,819	20,966,271	-0.08%
Machinery, Vehicles & Equipment	1,061,940	849,065	25.07%
Intangible Assets	<u>5,955</u>	<u>9,253</u>	<u>-35.64%</u>
Total	<u>\$ 22,346,915</u>	<u>\$ 22,153,790</u>	<u>0.87%</u>

Additional information on the School District's capital assets can be found in Exhibit C-2 of the Basic Financial Statements contained in the annual financial report, and in Note 5 of the Notes to the Basic Financial Statements of the audit.

Long-term Debt. As of June 30, 2017, the Hudson School District had total bonded debt outstanding of \$3,327,807.

**Hudson School District's Outstanding Long-Term Debt
Governmental Activities**

Figure 4

	June 30, <u>2016</u>	June 30, <u>2017</u>	Change <u>2016-2017</u>
General Obligation Bond Payable			
2000 School Buildings	\$ 3,770,000	\$ 2,975,000	-21.09%
Capital Lease			
Building Improve/Capital Lease	589,044	305,741	-48.10%
Unamortized Bond Premiums	62,756	47,066	-25.00%
Total	<u>\$ 4,421,800</u>	<u>\$ 3,327,807</u>	<u>-24.74%</u>

At the end of FY 2017 the District had \$3,327,807 in General Obligation bonds and leases outstanding, a decrease of 24.74% under last year as shown in Figure 4 above. The Hudson School District's total debt decreased by \$1,093,993 during the past fiscal year. The decrease was a result of a decrease on the outstanding school bonds.

New Hampshire general statutes limit the amount of general obligation debt that a school district can issue to 7 percent of the total assessed value of taxable property located within that town's boundaries. The total assessed valuation for Hudson, NH is \$3,071,777,122. The legal debt limit for the Hudson School District is \$215,024,399. The District has \$3,327,807 in outstanding debt as of June 30, 2017.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the District.

- According to the New Hampshire Economic and Labor Market Information Bureau, the Northeast Urban consumer price index for all consumers (not seasonally adjusted) for June 2017 was, 259,335 up from 255,471 the prior year, with minimal change for the corresponding month the previous year. During the same time, the national CPI increased from 241,038 to 244,955, an increase of 1.6%.
- Student enrollment continues to decrease. The enrollment in April 2017 was 3,438 including 151 kindergarten students. The District began kindergarten with the start of the 2010 school year. It is projected that although enrollment for kindergarten will stay consistent, enrollment for grades one through twelve will gradually decrease during the future years.

- Health insurance rates continue to increase but less than neighboring districts. The number of employees selecting district health coverage also continues to increase. The increase in health coverage is increasing at a rate higher than salaries.

Requests for Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information regarding the District's annual financial report should be directed to the Business Administrator, 20 Library Street, Hudson, NH 03051.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
HUDSON SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,153,986
Accounts receivable	4,738
Intergovernmental receivable	1,331,505
Prepaid items	3,133
Capital assets, not being depreciated	329,201
Capital assets, net of accumulated depreciation	22,017,714
Total assets	<u>26,840,277</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>10,650,754</u>
LIABILITIES	
Accounts payable	429,156
Accrued salaries and benefits	1,474,291
Intergovernmental payable	31,930
Other	167
Accrued interest payable	32,559
Noncurrent obligations:	
Due within one year	1,092,508
Due in more than one year	46,817,117
Total liabilities	<u>49,877,728</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>1,392,229</u>
NET POSITION	
Net investment in capital assets	19,019,108
Restricted	65,624
Unrestricted	<u>(32,863,658)</u>
Total net position	<u><u>\$ (13,778,926)</u></u>

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

EXHIBIT B
HUDSON SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		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	\$ 32,026,697	\$ 159,417	\$ 2,117,938	\$ -	\$ (29,749,342)
Support services:					
Student	4,717,370	-	96,965	-	(4,620,405)
Instructional staff	1,504,909	-	-	-	(1,504,909)
General administration	157,364	-	-	-	(157,364)
Executive administration	761,998	-	-	-	(761,998)
School administration	2,993,019	-	-	-	(2,993,019)
Business	927,313	-	-	-	(927,313)
Operation and maintenance of plant	5,135,893	-	-	396,598	(4,739,295)
Student transportation	1,820,452	-	-	-	(1,820,452)
Other	300,448	-	29,472	-	(270,976)
Noninstructional services	1,330,475	722,148	468,690	-	(139,637)
Interest on long-term debt	110,833	-	-	-	(110,833)
Facilities acquisition and construction	45,470	-	-	-	(45,470)
Total governmental activities	<u>\$ 51,832,241</u>	<u>\$ 881,565</u>	<u>\$ 2,713,065</u>	<u>\$ 396,598</u>	<u>(47,841,013)</u>
General revenues:					
School district assessment					31,493,213
Grants and contributions not restricted to specific programs					14,926,843
Miscellaneous					718,388
Total general revenues					<u>47,138,444</u>
Change in net position					(702,569)
Net position, beginning					(13,076,357)
Net position, ending					<u>\$ (13,778,926)</u>

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

EXHIBIT C-1
HUDSON SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,722,568	\$ -	\$ 431,418	\$ 3,153,986
Accounts receivable	4,738	-	-	4,738
Intergovernmental receivable	972,015	332,554	26,936	1,331,505
Interfund receivable	329,782	-	-	329,782
Prepaid items	3,133	-	-	3,133
Total assets	<u>\$ 4,032,236</u>	<u>\$ 332,554</u>	<u>\$ 458,354</u>	<u>\$ 4,823,144</u>
LIABILITIES				
Accounts payable	\$ 390,159	\$ -	\$ 38,997	\$ 429,156
Accrued salaries and benefits	1,465,613	-	8,678	1,474,291
Intergovernmental payable	28,491	3,439	-	31,930
Interfund payable	-	328,948	834	329,782
Other	-	167	-	167
Total liabilities	<u>1,884,263</u>	<u>332,554</u>	<u>48,509</u>	<u>2,265,326</u>
FUND BALANCES (DEFICIT)				
Nonspendable	3,133	-	-	3,133
Restricted	-	-	65,624	65,624
Committed	819,491	-	345,055	1,164,546
Assigned	506,586	-	-	506,586
Unassigned (deficit)	818,763	-	(834)	817,929
Total fund balances	<u>2,147,973</u>	<u>-</u>	<u>409,845</u>	<u>2,557,818</u>
Total liabilities and fund balances	<u>\$ 4,032,236</u>	<u>\$ 332,554</u>	<u>\$ 458,354</u>	<u>\$ 4,823,144</u>

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

EXHIBIT C-2
HUDSON SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,557,818
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 48,756,042	
Less accumulated depreciation	<u>(26,409,127)</u>	
		22,346,915
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (329,782)	
Payables	<u>329,782</u>	
		-
Certain assets are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 10,650,754	
Deferred inflows of resources related to pensions	<u>(1,392,229)</u>	
		9,258,525
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(32,559)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 2,975,000	
Unamortized bond premium	47,066	
Capital lease	305,741	
Compensated absences	2,254,162	
Other postemployment benefits	2,670,109	
Net pension liability	<u>39,657,547</u>	
		<u>(47,909,625)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (13,778,926)</u></u>

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

EXHIBIT C-3
HUDSON SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 31,493,213	\$ -	\$ -	\$ 31,493,213
Other local	477,168	7,866	1,122,785	1,607,819
State	15,472,406	80,372	19,316	15,572,094
Federal	425,685	1,581,487	449,374	2,456,546
Total revenues	<u>47,868,472</u>	<u>1,669,725</u>	<u>1,591,475</u>	<u>51,129,672</u>
EXPENDITURES				
Current:				
Instruction	27,776,521	1,543,288	248,925	29,568,734
Support services:				
Student	4,352,375	96,965	-	4,449,340
Instructional staff	1,428,748	-	37,042	1,465,790
General administration	157,364	-	-	157,364
Executive administration	740,665	-	-	740,665
School administration	2,829,908	-	-	2,829,908
Business	883,405	-	-	883,405
Operation and maintenance of plant	5,439,546	-	31,543	5,471,089
Student transportation	1,820,437	-	-	1,820,437
Other	421,859	29,472	-	451,331
Noninstructional services	-	-	1,281,932	1,281,932
Debt service:				
Principal	1,078,303	-	-	1,078,303
Interest	141,020	-	-	141,020
Facilities acquisition and construction	678,038	-	-	678,038
Total expenditures	<u>47,748,189</u>	<u>1,669,725</u>	<u>1,599,442</u>	<u>51,017,356</u>
Net change in fund balances	120,283	-	(7,967)	112,316
Fund balances, beginning	2,027,690	-	417,812	2,445,502
Fund balances, ending	<u>\$ 2,147,973</u>	<u>\$ -</u>	<u>\$ 409,845</u>	<u>\$ 2,557,818</u>

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

EXHIBIT C-4
HUDSON 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, 2017

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 112,316
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 1,458,372	
Depreciation expense	<u>(1,265,247)</u>	
		193,125
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 bonds	\$ 795,000	
Amortization of bond premium	15,690	
Principal repayment of capital lease	<u>283,303</u>	
		1,093,993
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	\$ 14,497	
Net increase in compensated absences payable	(113,167)	
Increase in other postemployment benefits payable	(511,990)	
Changes in pension balances relating to GASB Statement No. 68	<u>(1,491,343)</u>	
		<u>(2,102,003)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (702,569)</u></u>

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

EXHIBIT D-1
HUDSON 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, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
School district assessment	\$ 31,493,213	\$ 31,493,213	\$ 31,493,213	\$ -
Other local	390,000	425,000	404,604	(20,396)
State	15,435,672	15,375,672	15,472,406	96,734
Federal	390,000	450,000	425,685	(24,315)
Total revenues	47,708,885	47,743,885	47,795,908	52,023
EXPENDITURES				
Current:				
Instruction	28,704,749	28,402,792	27,746,642	656,150
Support services:				
Student	4,359,768	4,431,862	4,361,796	70,066
Instructional staff	1,352,258	1,448,573	1,388,082	60,491
General administration	124,163	127,197	161,214	(34,017)
Executive administration	750,422	743,679	742,373	1,306
School administration	2,844,839	2,870,608	2,820,232	50,376
Business	868,179	880,115	865,298	14,817
Operation and maintenance of plant	5,064,514	5,131,138	5,381,387	(250,249)
Student transportation	2,144,567	2,075,269	1,858,969	216,300
Other	374,970	442,993	466,865	(23,872)
Debt service:				
Principal	1,079,052	1,078,303	1,078,303	-
Interest	140,020	141,019	141,020	(1)
Facilities acquisition and construction	644,458	678,411	678,038	373
Total expenditures	48,451,959	48,451,959	47,690,219	761,740
Excess (deficiency) of revenues over (under) expenditures	(743,074)	(708,074)	105,689	813,763
OTHER FINANCING SOURCES (USES)				
Transfers in	185,000	150,000	150,000	-
Transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources (uses)	(15,000)	(50,000)	(50,000)	-
Net change in fund balance	\$ (758,074)	\$ (758,074)	55,689	\$ 813,763
Decrease in nonspendable fund balance			55,000	
Decrease in committed fund balance			150,000	
Unassigned fund balance, beginning			558,074	
Unassigned fund balance, ending			\$ 818,763	

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

EXHIBIT D-2
HUDSON SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local	\$ -	\$ 7,866	\$ 7,866
State	80,372	80,372	-
Federal	1,633,169	1,581,487	(51,682)
Total revenues	<u>1,713,541</u>	<u>1,669,725</u>	<u>(43,816)</u>
EXPENDITURES			
Current:			
Instruction	1,580,844	1,543,288	37,556
Support services:			
Student	24,176	96,965	(72,789)
Instructional staff	74,067	-	74,067
Other	34,454	29,472	4,982
Total expenditures	<u>1,713,541</u>	<u>1,669,725</u>	<u>43,816</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

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

EXHIBIT E
HUDSON SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2017

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 309,064</u>
LIABILITIES	
Due to student groups	<u>\$ 309,064</u>

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

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hudson School District, in Hudson, New Hampshire (the School District), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2017 the School District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

1-A Reporting Entity

The Hudson School District is a municipal corporation governed by an elected 5-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

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

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School District at year-end. This statement includes all of the School District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

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

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

In the governmental fund financial statements, expenditures are reported by character: current, debt service or facilities acquisition and construction. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Facilities includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) – These additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

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

Measurement Focus and Basis of Accounting - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statement Presentation - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The School District reports the following major governmental funds:

General Fund – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, debt service, and facilities acquisition and construction. Under GASB Statement No. 54 guidance the expendable trust funds are consolidated in the general fund.

Grants Fund – accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position. These funds account for resources held by the School District for the benefit of other parties, and include the agency funds. Fiduciary funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

Nonmajor Funds – The School District also reports four nonmajor governmental funds. All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

1-D 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-E Receivables

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

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

1-F Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements and expensed as the items are used.

1-G Capital Assets

Capital assets are defined by the School District as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, sidewalks, drainage, and similar items) and are reported in governmental activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the School District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the School District are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	30
Machinery, equipment, and vehicles	7-15
Intangible assets	10

1-H 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." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-I Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2017.

1-J Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-K 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. Bond premiums are deferred and amortized over the life of the bond using the straight-line method. In the fund financial statements, governmental fund types report bond premiums during the current period.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

1-L Compensated Absences

The School District's policy allows certain employees to earn varying amounts of vacation 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.

1-M Defined Benefit Pension Plan

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

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

1-N Net Position/Fund Balances

Government-wide statements – Equity is classified as net position and displayed in three components:

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 and other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extend of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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.

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

1-O Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital lives, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2017, \$758,074 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 47,945,908
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Revenue of the blended funds	72,564
Eliminate transfers between blended funds	(150,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 47,868,472</u>
	(Continued)

HUDSON SCHOOL DISTRICT
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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 47,890,219
Adjustments:	
Basis difference:	
Encumbrances, beginning	564,556
Encumbrances, ending	(506,586)
GASB Statement No. 54:	
Eliminate transfers between blended funds	(200,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 47,748,189</u>

2-C Deficit Fund Balance

The Alvirne Trustees fund had a fund balance deficit of \$834 at June 30, 2017. This deficit is a result of expenditures incurred in which reimbursements will be received and recognized as revenue in subsequent periods.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits and certificates of deposit 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 collateral. As of year-end, the carrying amount of the School District's deposits was \$3,463,080 and the bank balances totaled \$5,379,192. Petty cash totaled \$650. The School District held \$1,007,293 in certificates of deposit at various banks at year-end.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 3,153,986
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E)	309,064
Total cash and cash equivalents	<u>\$ 3,463,050</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2017, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, restricted grants, and funds held in the custody of the Town of Hudson 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 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 consisted of the following:

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 329,201	\$ -	\$ 329,201
Being depreciated:			
Buildings and building improvements	45,278,078	1,104,346	46,382,424
Machinery, equipment, and vehicles	1,653,734	354,026	2,007,760
Intangible assets	36,657	-	36,657
Total capital assets being depreciated	<u>46,968,469</u>	<u>1,458,372</u>	<u>48,426,841</u>
Total capital assets	<u>47,297,670</u>	<u>1,458,372</u>	<u>48,756,042</u>

(Continued)

HUDSON SCHOOL DISTRICT
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Capital assets continued:

	Balance, beginning	Additions	Balance, ending
Less accumulated depreciation:			
Buildings and building improvements	(24,311,807)	(1,120,798)	(25,432,605)
Machinery, equipment, and vehicles	(804,669)	(141,151)	(945,820)
Intangible assets	(27,404)	(3,298)	(30,702)
Total accumulated depreciation	(25,143,880)	(1,265,247)	(26,409,127)
Net book value, capital assets being depreciated	21,824,589	193,125	22,017,714
Net book value, all capital assets	<u>\$ 22,153,790</u>	<u>\$ 193,125</u>	<u>\$ 22,346,915</u>

Depreciation expense was charged to functions of the School District based on their usage of the related assets. The amounts allocated to each function are as follows:

Instruction	\$ 1,189,014
Support services:	
Instructional staff	10,619
Operation and maintenance of plant	41,214
Noninstructional services	24,400
Total depreciation expense	<u>\$ 1,265,247</u>

NOTE 6 – INTERFUND BALANCES

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2017 are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 328,948
	Nonmajor	834
		<u>\$ 329,782</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$10,650,754 and deferred inflows of resources of \$1,392,229 reported in the governmental activities at June 30, 2017 relate to pensions, see Note 10.

NOTE 8 – CAPITAL LEASES

The School District has entered into a capital lease agreement under which the related equipment will become the property of the School District when all the terms of the lease agreement are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2017
Capital lease obligations:		
Building improvement	3.25%	<u>\$ 305,741</u>

The annual requirements to amortize the capital lease payable as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2018	\$ 318,338
Less: interest	12,597
Present value of remaining payments	<u>\$ 305,741</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

HUDSON SCHOOL DISTRICT
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NOTE 9 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 3,770,000	\$ -	\$ (795,000)	\$ 2,975,000	\$ 775,000
Premium	62,756	-	(15,690)	47,066	11,767
Total bonds payable	3,832,756	-	(810,690)	3,022,066	786,767
Capital leases	589,044	-	(283,303)	305,741	305,741
Compensated absences	2,140,995	127,843	(14,676)	2,254,162	-
Net other postemployment benefits	2,158,119	511,990	-	2,670,109	-
Net pension liability	28,999,502	10,658,045	-	39,657,547	-
Total long-term liabilities	<u>\$ 37,720,416</u>	<u>\$ 11,297,878</u>	<u>\$ (1,108,669)</u>	<u>\$ 47,909,625</u>	<u>\$ 1,092,508</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2017
General obligation bonds payable:					
School building	\$ 4,658,000	2010	2021	2.00-4.79%	\$ 1,670,000
School building	\$ 3,562,000	2010	2021	2.00-4.79%	1,305,000
					<u>2,975,000</u>
Unamortized bond premium					47,066
Total					<u>\$ 3,022,066</u>

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 775,000	\$ 93,194	\$ 868,194
2019	755,000	69,772	824,772
2020	730,000	46,113	776,113
2021	715,000	17,126	732,126
Totals	<u>\$ 2,975,000</u>	<u>\$ 226,205</u>	<u>\$ 3,201,205</u>

Bond premiums are being amortized on a straight-line basis over the remaining life of the bonds.

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 10 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. 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.

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

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

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

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

Contributions: The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2017, the School District contributed 15.67% for teachers and 11.17% for other employees. The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$2,839,722, \$3,189,848, and \$3,244,797, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions: At June 30, 2017 the School District reported a liability of \$39,657,547 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 School Districts and school districts, actuarially determined. At June 30, 2016, the School District's proportion was .74577970% which was an increase of .01375134% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$4,212,616. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 458,710	\$ 891,453
Changes in assumptions	4,880,583	-
Difference between expected and actual experience	110,208	500,776
Net difference between projected and actual investment earnings on pension plan investments	2,481,180	-
Contributions subsequent to the measurement date	2,720,073	-
Total	<u>\$ 10,650,754</u>	<u>\$ 1,392,229</u>

HUDSON SCHOOL DISTRICT
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The \$2,720,073 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2017	\$ 1,206,282
2018	1,206,282
2019	2,121,959
2020	1,903,632
2021	100,297
Totals	<u>\$ 6,538,452</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2016</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.75
Emerging Int'l Equities	7.00%	6.25
Total international equity	20.00%	
Core Bonds	5.00	0.64%
Short Duration	2.00	(0.25%)
Global Multi-Sector Fixed Income	11.00	1.71%
Absolute Return Fixed Income	7.00	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00	
Real estate	10.00%	3.25%
Total	100.00%	

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Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2016	\$ 50,957,246	\$ 39,657,547	\$ 30,286,237

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

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2017:

Annual required contribution/OPEB cost	\$ 732,341
Interest on net OPEB obligation	86,325
Adjustment to annual required contribution	(122,381)
Annual OPEB cost (expense)	696,285
Contributions made	184,295
Increase in net OPEB obligation	511,990
Net OPEB obligation - beginning of year	2,158,119
Net OPEB obligation - end of year	<u>\$ 2,670,109</u>

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The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2017	\$ 732,341	\$ 184,295	25.17%	\$ 2,670,199
June 30, 2016	\$ 554,603	\$ 18,922	3.41%	\$ 2,158,119
June 30, 2015	\$ 556,922	\$ 24,514	4.40%	\$ 1,622,438

As of July 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$6,834,199, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,834,199. The covered payroll (annual payroll of active employees covered by the plan) was \$18,825,561 during fiscal year 2017, and the ratio of the UAAL to the covered payroll was 36.3%.

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

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

In the July 1, 2016 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2017 was 30 years.

NOTE 12 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2017 are as follows:

Current:	
Instruction:	
Regular programs	\$ 39,698
Special programs	28,024
Vocational programs	6,655
Other	7,844
Total instruction	<u>82,221</u>
	(Continued)

HUDSON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Encumbrances continued:

Support services:	
Student	10,221
Instructional staff	75,720
General administration	3,850
Executive administration	1,708
School administration	324
Business	562
Operation and maintenance of plant	243,010
Transportation	43,964
Other	45,006
Total support services	<u>424,365</u>
Total encumbrances	<u>\$ 506,586</u>

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2017 include the following:

Net investment in capital assets:	
Net book value, all capital assets	\$ 22,346,915
Less:	
General obligation bonds payable	(2,975,000)
Unamortized bond premiums	(47,066)
Capital leases payable	<u>(305,741)</u>
Total net investment in capital assets	19,019,108
Restricted for food service	65,624
Unrestricted	<u>(32,863,658)</u>
Total net position	<u>\$ (13,778,926)</u>

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2017 consist of the following:

Nonspendable:		
Major fund:		
General:		
Prepaid items	\$	3,133
Restricted:		
Nonmajor fund:		
Food service		65,624
Committed:		
Major fund:		
General:		
Expendable trust	\$ 769,491	
Voted appropriation - March 2017	50,000	
	<u>819,491</u>	
Nonmajor funds:		
Alvirne Farm	83,959	
Vocational center	261,096	
	<u>345,055</u>	
Total committed fund balance		1,164,546

(continued)

HUDSON SCHOOL DISTRICT
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Governmental fund balances continued:

Assigned:		
Major fund:		
General:		
Encumbrances		506,586
Unassigned (deficit):		
Major fund:		
General	\$ 818,763	
Nonmajor fund:		
Alvirne Trustees (deficit)	(834)	
Total unassigned fund balance		817,929
Total governmental fund balances		<u>\$ 2,557,818</u>

NOTE 15 – 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 2017, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance program for member School Districts and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2017 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Hudson School District billed and paid for the year ended June 30, 2017 was \$166,961 for workers' compensation and \$130,662 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 16 – CONTINGENT LIABILITIES

There are various claims and suits pending against the School District which arose in the normal course of the School District's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the School District.

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 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 9, 2018, the date the June 30, 2017 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
HUDSON SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2017

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)
July 1, 2016	\$ -	\$ 6,834,199	\$ 6,834,199	0.00%	\$ 18,852,561	36.30%
July 1, 2014	\$ -	\$ 5,222,546	\$ 5,222,546	0.00%	\$ 20,662,849	25.30%
July 1, 2014	\$ -	\$ 4,977,576	\$ 4,977,576	0.00%	\$ 20,257,696	24.60%
July 1, 2013	\$ -	\$ 2,670,122	\$ 2,670,122	0.00%	\$ 19,580,374	13.64%
July 1, 2012	\$ -	\$ 3,051,789	\$ 3,051,789	0.00%	\$ 19,196,445	15.90%
July 1, 2011	\$ -	\$ 2,595,774	\$ 2,595,774	0.00%	\$ 18,652,696	13.92%
July 1, 2010	\$ -	\$ 2,999,611	\$ 2,999,611	0.00%	\$ 18,286,957	16.40%

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

EXHIBIT G
HUDSON SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2017

Fiscal Year	Valuation Date	District's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	June 30, 2016	0.74577970%	\$ 39,657,547	\$ 22,076,550	179.64%	58.30%
June 30, 2016	June 30, 2015	0.73202836%	\$ 28,999,502	\$ 21,070,322	137.63%	65.47%
June 30, 2015	June 30, 2014	0.76044482%	\$ 28,543,948	\$ 21,099,057	135.29%	59.81%
June 30, 2014	June 30, 2013	0.76716162%	\$ 33,016,983	\$ 21,414,546	154.18%	66.32%

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

EXHIBIT H
HUDSON SCHOOL DISTRICT
Schedule of School District Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2017

Fiscal Year	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	June 30, 2016	\$ 2,670,481	\$ 2,670,481	\$ -	\$ 22,076,550	12.10%
June 30, 2016	June 30, 2015	\$ 2,455,868	\$ 2,455,868	\$ -	\$ 21,070,322	11.66%
June 30, 2015	June 30, 2014	\$ 2,467,059	\$ 2,467,059	\$ -	\$ 21,099,057	11.69%
June 30, 2014	June 30, 2013	\$ 1,907,575	\$ 1,907,575	\$ -	\$ 21,414,546	8.91%

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

HUDSON SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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, 2017, and the six preceding years.

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

Overview of OPEB Plan

Plan Types The school District provides medical insurance benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a regional health insurance consortium. Benefits are provided to the retiree and the covered dependents

Eligibility Requirements Hired prior to July 1, 2011:

- (1) Age 60 regardless of years of Creditable Service, or
- (2) Age 50 with at least 10 years of Creditable Service, or
- (3) At any age if have at least 20 years of Creditable Service and sum of age and years of Creditable Service is at least 70.

Hired on or after July 1, 2011:

- (1) Age 65 regardless of years of Creditable Service, or
- (2) Age 60 with at least 30 years of Creditable Service.

Retiree and Spouse Benefit Retirees and their covered spouses are required to pay 100% of the premium for medical and dental coverage. As discussed in the previous page of this report values the Implicit Subsidy which is the difference between the age-adjusted premiums and the actual premiums paid by retirees and covered spouses.

Duration of Benefits All benefits end when the retiree or covered dependent reach age 65.

Spouse Benefits Spouses of retired employees are required to pay 100% of the cost of their medical coverage.

Surviving Spouse Benefits Spouses of deceased retirees may continue coverage in the plan by continuing to pay 100% of the premiums.

Annual Gross Premiums

PLAN	2016-2017		2017-2018	
	Single	Two Person	Single	Two Person
HMO	\$10,956.00	\$21,912.00	\$10,956.00	\$21,912.00
CDHP WITHOUT CHOICE	\$ 8,400.00	\$16,800.00	\$ 8,916.00	\$17,832.00
CDHP WITH CHOICE	\$ 9,366.00	\$18,732.00	\$10,176.00	\$20,352.00
OAP WIT CHOISE	\$10,134.00	\$20,268.00	\$10,134.00	\$20,268.00
DENTAL RATES	\$ 502.80	\$ 1,064.28	\$ 502.80	\$ 1,064.28

HUDSON SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the School District's pension plan at June 30, 2017, and the three preceding years:

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for Fiscal Year 2016 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
HUDSON SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 31,493,213	\$ 31,493,213	\$ -
Other local sources:			
Tuition	185,000	159,417	(25,583)
Investment income	8,000	7,800	(200)
Indirect costs	35,000	40,221	5,221
Student activities	12,000	8,075	(3,925)
Miscellaneous	185,000	130,658	(54,342)
Insurance refunds/reimbursements	-	58,433	58,433
Total from other local sources	425,000	404,604	(20,396)
State sources:			
Adequacy aid (grant)	8,414,277	8,410,716	(3,561)
Adequacy aid (tax)	6,124,798	6,124,798	-
School building aid	396,597	396,598	1
Catastrophic aid	325,000	384,604	59,604
Vocational aid	115,000	148,965	33,965
Other state aid	-	6,725	6,725
Total from state sources	15,375,672	15,472,406	96,734
Federal sources:			
Medicaid	390,000	377,533	(12,467)
ROTC	60,000	48,152	(11,848)
Total from federal sources	450,000	425,685	(24,315)
Other financing sources:			
Transfers in	150,000	150,000	-
Total revenues and other financing sources	47,893,885	\$ 47,945,908	\$ 52,023
Fund balance used to reduce school district assessment	758,074		
Total revenues, other financing sources, and use of fund balance	\$ 48,651,959		

SCHEDULE 2
HUDSON SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 8,348	\$ 17,939,298	\$ 17,770,229	\$ 39,698	\$ 137,719
Special programs	79,084	8,028,623	7,611,001	28,024	468,682
Vocational programs	24,668	1,730,101	1,717,767	6,655	30,347
Other	-	704,770	677,524	7,844	19,402
Total instruction	112,100	28,402,792	27,776,521	82,221	656,150
Support services:					
Student	800	4,431,862	4,352,375	10,221	70,066
Instructional staff	116,386	1,448,573	1,428,748	75,720	60,491
General administration	-	127,197	157,364	3,850	(34,017)
Executive administration	-	743,679	740,665	1,708	1,306
School administration	10,000	2,870,608	2,829,908	324	50,376
Business	18,669	880,115	883,405	562	14,817
Operation and maintenance of plant	301,169	5,131,138	5,439,546	243,010	(250,249)
Student transportation	5,432	2,075,269	1,820,437	43,964	216,300
Other	-	442,993	421,859	45,006	(23,872)
Total support services	452,456	18,151,434	18,074,307	424,365	105,218
Debt service:					
Principal of long-term debt	-	1,078,303	1,078,303	-	-
Interest on long-term debt	-	141,019	141,020	-	(1)
Total debt service	-	1,219,322	1,219,323	-	(1)
Facilities acquisition and construction	-	678,411	678,038	-	373
Other financing uses:					
Transfers out	-	200,000	200,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 564,556	\$ 48,651,959	\$ 47,948,189	\$ 506,586	\$ 761,740

SCHEDULE 3
HUDSON SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

Unassigned fund balance, beginning		\$ 558,074
Changes:		
Fund balance used to reduce school district assessment		(758,074)
2016-2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 52,023	
Unexpended balance of appropriations (Schedule 2)	<u>761,740</u>	
2016-2017 Budget surplus		813,763
Decrease in nonspendable fund balance		55,000
Decrease in committed fund balance		<u>150,000</u>
Unassigned fund balance, ending		<u><u>\$ 818,763</u></u>

SCHEDULE 4
HUDSON SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds				Total
	Food Service	Alvirne Farm	Vocational Center	Alvirne Trustees	
ASSETS					
Cash and cash equivalents	\$ 73,747	\$ 94,269	\$ 263,402	\$ -	\$ 431,418
Intergovernmental receivable	26,936	-	-	-	26,936
Total assets	<u>\$ 100,683</u>	<u>\$ 94,269</u>	<u>\$ 263,402</u>	<u>\$ -</u>	<u>\$ 458,354</u>
LIABILITIES					
Accounts payable	\$ 29,782	\$ 6,909	\$ 2,306	\$ -	\$ 38,997
Accrued salaries and benefits	5,277	3,401	-	-	8,678
Interfund payable	-	-	-	834	834
Total liabilities	<u>35,059</u>	<u>10,310</u>	<u>2,306</u>	<u>834</u>	<u>48,509</u>
FUND BALANCES (DEFICIT)					
Restricted	65,624	-	-	-	65,624
Committed	-	83,959	261,096	-	345,055
Unassigned (deficit)	-	-	-	(834)	(834)
Total fund balances (deficit)	<u>65,624</u>	<u>83,959</u>	<u>261,096</u>	<u>(834)</u>	<u>409,845</u>
Total liabilities and fund balances	<u>\$ 100,683</u>	<u>\$ 94,269</u>	<u>\$ 263,402</u>	<u>\$ -</u>	<u>\$ 458,354</u>

SCHEDULE 5
HUDSON SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds				Total
	Food Service	Alvirne Farm	Vocational Center	Alvirne Trustees	
REVENUES					
Local	\$ 780,784	\$ 75,763	\$ 69,636	\$ 196,602	\$ 1,122,785
State	19,316	-	-	-	19,316
Federal	449,374	-	-	-	449,374
Total revenues	<u>1,249,474</u>	<u>75,763</u>	<u>69,636</u>	<u>196,602</u>	<u>1,591,475</u>
EXPENDITURES					
Current:					
Instruction	-	70,384	50,524	128,017	248,925
Support services:					
Instructional staff	-	-	-	37,042	37,042
Operation and maintenance of plant	-	-	-	31,543	31,543
Noninstructional services	<u>1,281,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,281,932</u>
Total expenditures	<u>1,281,932</u>	<u>70,384</u>	<u>50,524</u>	<u>196,602</u>	<u>1,599,442</u>
Net change in fund balances	(32,458)	5,379	19,112	-	(7,967)
Fund balances (deficit), beginning	<u>98,082</u>	<u>78,580</u>	<u>241,984</u>	<u>(834)</u>	<u>417,812</u>
Fund balances (deficit), ending	<u>\$ 65,624</u>	<u>\$ 83,959</u>	<u>\$ 261,096</u>	<u>\$ (834)</u>	<u>\$ 409,845</u>

SCHEDULE 6
HUDSON SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2017

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Hills Garrison	\$ 14,669	\$ 52,426	\$ 48,605	\$ 18,490
Nottingham West	34,684	68,522	64,539	38,667
Hudson Memorial	54,166	224,149	221,462	56,853
Alvirne High	210,858	409,622	433,390	187,090
Early Learning Center	6,106	4,884	3,026	7,964
Totals	<u>\$ 320,483</u>	<u>\$ 759,603</u>	<u>\$ 771,022</u>	<u>\$ 309,064</u>

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hudson School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hudson School District's basic financial statements, and have issued our report thereon dated January 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hudson School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hudson School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hudson School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hudson School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sheryl A. Platt, CPA

January 9, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Hudson School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Hudson School District's major federal program for the year ended June 30, 2017. The Hudson School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Hudson School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hudson School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Hudson School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hudson School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Hudson School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hudson School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Hudson School District

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance

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

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

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

Sheryl A. Platt, CPA

January 9, 2018

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
HUDSON SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issues on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

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

Dollar threshold used to distinguish between type A and
type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
HUDSON SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 50,033
National School Lunch Program <i>(note 4)</i>	10.555	N/A	-	399,284
Special Milk Program for Children	10.556	N/A	-	57
<i>CLUSTER TOTAL</i>			-	449,374
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Adult Education - Basic Grants to States	84.002	77317	-	9,990
Title I Grants to Local Educational Agencies:				
Title I, Part A	84.010	60067	-	1,939
Title Ia - Priority/Focus Set Aside	84.010	60201	-	247
Title I Summit	84.010	61541	-	9,750
Title I Reallocation	84.010	61612	-	24,861
Title I, Part A	84.010	70067	-	448,257
Title Ia - Priority/Focus Set Aside	84.010	70201	-	42,273
New Priority & Focus Set Aside Title Ia 1003(a)	84.010	70278	-	9,788
Title I Reallocation Leadership	84.010	71643	-	25,000
Title I Reallocation Summer	84.010	71619	-	508
<i>PROGRAM TOTAL</i>			-	562,623
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA - 2016	84.027	62586	-	1,720
IDEA - 2017	84.027	72565	-	784,488
NHUHL Academy	84.027	72514	-	13,257
Special Education - Preschool Grants:				
Preschool - 2016	84.173	62586	-	41
Preschool - 2017	84.173	72565	-	15,257
<i>CLUSTER TOTAL</i>			-	814,763
Career and Technical Education - Basic Grants to States:				
Perkins	84.048	65020	-	6,045
Perkins	84.048	75020	-	75,450
<i>PROGRAM TOTAL</i>			-	81,495
English Language Acquisition Grants:				
Title III ESOL	84.365	50815	-	4,245
Title III ESOL	84.365	60815	4,250	5,830
Title III ESOL	84.365	70815	2,009	5,054
<i>PROGRAM TOTAL</i>			6,259	15,129
Supporting Effective Instruction State Grants:				
Title IIA - 2016	84.367	64857	-	1,200
Title IIA - 2017	84.367	74857	-	96,287
<i>PROGRAM TOTAL</i>			-	97,487

(continued)

SCHEDULE II (Continued)
HUDSON SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
DIRECT FUNDING				
U.S. DEPARTMENT OF DEFENSE				
Air Force JROTC	12.UNKNOWN	N/A	-	48,152
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 6,259</u></u>	<u><u>\$ 2,079,013</u></u>

The accompanying notes are an integral part of this schedule.

HUDSON SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Hudson School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hudson School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Hudson School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Hudson School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2017 the value of food donations received was \$90,208.