

WINCHESTER SCHOOL DISTRICT

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

**WINCHESTER SCHOOL DISTRICT
FINANCIAL REPORT
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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winchester School District, as of and for the year ended June 30, 2012, 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 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.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note I.C.3. to the financial statements, management has not recorded certain capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. As well, there was no detailed listing to support the other capital assets acquired prior to July 1, 2011 and the accumulated depreciation thereon, and therefore, we were not able to verify that the amounts reported for capital assets and accumulated depreciation were correct. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

As discussed in Note I.B.3 to the financial statements, management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, decrease net position, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on Governmental Activities” paragraphs, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Winchester School District, as of June 30, 2012, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Winchester School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Winchester School District has not presented a management’s discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management’s discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winchester School District’s basic financial statements. The combining nonmajor and individual general 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor and individual general 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 nonmajor and individual general 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the Winchester 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 to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

June 29, 2017

Roberts & Heene, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
WINCHESTER SCHOOL DISTRICT
Statement of Net Position
June 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 284,318
Intergovernmental receivables	781,982
Other receivables	3,773
Inventory	4,584
Prepaid items	2,325
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	3,126,116
Machinery, equipment and vehicles	7,211
Total assets	4,210,309
LIABILITIES	
Accounts payable	64,478
Accrued salaries and benefits	316,765
Intergovernmental payable	6,002
Accrued interest payable	32,641
Noncurrent obligations:	
Due within one year:	
Bond	175,000
Premium	14,061
Due in more than one year:	
Bond	1,925,000
Premium	154,668
Compensated absences	41,930
Termination benefits	46,747
Total liabilities	2,777,292
NET POSITION	
Net investment in capital assets	864,598
Unrestricted	568,419
Total net position	\$ 1,433,017

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

EXHIBIT 2
WINCHESTER SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 7,642,531	\$ 154,922	\$ 943,796	\$ -	\$ (6,543,813)
Support services:					
Student	453,414	-	52,970	-	(400,444)
Instructional staff	311,979	-	217,726	-	(94,253)
General administration	31,972	-	332	-	(31,640)
Executive administration	257,419	-	-	-	(257,419)
School administration	314,302	-	-	-	(314,302)
Business	94,725	-	-	-	(94,725)
Operation and maintenance of plant	585,940	-	-	-	(585,940)
Student transportation	546,750	-	726	-	(546,024)
Central	191,775	-	450	-	(191,325)
Other	24	-	24	-	-
Non-instructional services	296,477	46,038	202,781	-	(47,658)
Interest on long-term debt	83,296	-	-	61,928	(21,368)
Total governmental activities	<u>\$ 10,810,604</u>	<u>\$ 200,960</u>	<u>\$ 1,418,805</u>	<u>\$ 61,928</u>	<u>(9,128,911)</u>
General revenues:					
School district assessment					4,946,188
Grants and contributions not restricted to specific programs					4,637,651
Miscellaneous					122,390
Total general revenues					<u>9,706,229</u>
Change in net position					577,318
Net position, beginning, as restated (See Note III.D.2)					855,699
Net position, ending					<u>\$ 1,433,017</u>

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

EXHIBIT 3
WINCHESTER SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2012

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 272,841	\$ -	\$ 11,477	\$ 284,318
Receivables:				
Accounts	3,773	-	-	3,773
Intergovernmental	266,194	498,037	17,751	781,982
Interfund receivable	343,378	-	126,214	469,592
Inventory	-	-	4,584	4,584
Prepaid items	-	2,325	-	2,325
Total assets	<u>\$ 886,186</u>	<u>\$ 500,362</u>	<u>\$ 160,026</u>	<u>\$ 1,546,574</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 61,243	\$ 2,894	\$ 341	\$ 64,478
Accrued salaries and benefits	297,621	10,851	8,293	316,765
Intergovernmental payable	-	6,002	-	6,002
Interfund payable	-	469,592	-	469,592
Total liabilities	<u>358,864</u>	<u>489,339</u>	<u>8,634</u>	<u>856,837</u>
Deferred inflows of resources:				
Deferred revenue	-	291,314	-	291,314
Fund balances:				
Nonspendable	-	-	4,584	4,584
Committed	215,360	-	146,808	362,168
Unassigned	311,962	(280,291)	-	31,671
Total fund balances	<u>527,322</u>	<u>(280,291)</u>	<u>151,392</u>	<u>398,423</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 886,186</u>	<u>\$ 500,362</u>	<u>\$ 160,026</u>	<u>\$ 1,546,574</u>

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

EXHIBIT 4
WINCHESTER SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position
June 30, 2012

Total fund balances of governmental funds (Exhibit 3)	\$	398,423
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Cost	\$	6,822,216
Less accumulated depreciation		<u>(3,688,889)</u>
		3,133,327
Receivables not collected within 60 days of year-end are not available to pay current-period pay current-period expenditures and, therefore, are deferred in the funds.		
Deferred grant revenue		291,314
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(469,592)
Payables		<u>469,592</u>
		(32,641)
Interest on long-term debt is not accrued in governmental funds.		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bond	\$	2,100,000
Unamortized bond premium		168,729
Compensated absences		41,930
Termination benefits		<u>46,747</u>
		(2,357,406)
Net position of governmental activities (Exhibit 1)	\$	<u><u>1,433,017</u></u>

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

EXHIBIT 5
WINCHESTER SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 4,946,188	\$ -	\$ -	\$ 4,946,188
Other local	177,285	1,977	146,416	325,678
State	5,055,607	-	3,949	5,059,556
Federal	176,595	389,760	198,832	765,187
Total revenues	<u>10,355,675</u>	<u>391,737</u>	<u>349,197</u>	<u>11,096,609</u>
EXPENDITURES				
Current:				
Instruction	7,101,244	399,824	219,610	7,720,678
Support services:				
Student	400,444	52,970	-	453,414
Instructional staff	87,487	217,726	6,767	311,980
General administration	31,806	332	(166)	31,972
Executive administration	257,419	-	-	257,419
School administration	314,302	-	-	314,302
Business	94,725	-	-	94,725
Operation and maintenance of plant	585,940	-	-	585,940
Student transportation	539,976	726	6,048	546,750
Central	189,239	450	2,087	191,776
Other	-	-	24	24
Non-instructional services	-	-	296,477	296,477
Debt service:				
Principal	175,000	-	-	175,000
Interest	96,181	-	-	96,181
Total expenditures	<u>9,873,763</u>	<u>672,028</u>	<u>530,847</u>	<u>11,076,638</u>
Net change in fund balances	481,912	(280,291)	(181,650)	19,971
Fund balances, beginning	45,410	-	333,042	378,452
Fund balances, ending	<u>\$ 527,322</u>	<u>\$ (280,291)</u>	<u>\$ 151,392</u>	<u>\$ 398,423</u>

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

EXHIBIT 6
WINCHESTER 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, 2012

Net change in fund balances of total governmental funds (Exhibit 5)		\$ 19,971
Amounts reported for governmental activities in the statement of activities are different because:		
Revenue in the statement of activities that does not provide current financial resources is not report as revenue in governmental funds.		
Change in deferred grant revenue		291,314
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Principal repayment of bond	\$ 175,000	
Amortization of bond premium	6,443	
		181,443
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 6,442	
Decrease in compensated absences	40,895	
Decrease in termination benefits	37,253	
		84,590
Change in net position of governmental activities (Exhibit 2)		\$ 577,318

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

EXHIBIT 7
WINCHESTER SCHOOL DISTRICT
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 4,946,188	\$ 4,946,188	\$ -
Other local	90,000	177,250	87,250
State	5,048,584	5,055,607	7,023
Federal	100,000	176,595	76,595
Total revenues	<u>10,184,772</u>	<u>10,355,640</u>	<u>170,868</u>
EXPENDITURES			
Current:			
Instruction	7,103,315	7,101,245	2,070
Support services:			
Student	511,689	400,443	111,246
Instructional staff	110,221	87,486	22,735
General administration	40,925	31,806	9,119
Executive administration	430,181	257,419	172,762
School administration	279,892	314,302	(34,410)
Business	-	94,725	(94,725)
Operation and maintenance of plant	697,593	585,940	111,653
Student transportation	517,751	539,976	(22,225)
Central	222,024	189,239	32,785
Debt service:			
Principal	175,000	175,000	-
Interest	96,181	96,181	-
Total expenditures	<u>10,184,772</u>	<u>9,873,762</u>	<u>311,010</u>
Excess of revenues over expenditures	-	481,878	481,878
Other financing sources:			
Transfers in	-	200,000	200,000
Net change in fund balance	<u>\$ -</u>	681,878	<u>\$ 681,878</u>
Unassigned fund balance, beginning		(369,916)	
Unassigned fund balance, ending		<u>\$ 311,962</u>	

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

EXHIBIT 8
WINCHESTER SCHOOL DISTRICT
Grants Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local	\$ -	\$ 1,977	\$ 1,977
Federal	750,000	389,760	(360,240)
Total revenues	<u>750,000</u>	<u>391,737</u>	<u>(358,263)</u>
EXPENDITURES			
Current:			
Instruction	750,000	399,824	350,176
Support services:			
Student	-	52,970	(52,970)
Instructional staff	-	217,726	(217,726)
General administration	-	332	(332)
Student transportation	-	726	(726)
Central	-	450	(450)
Total expenditures	<u>750,000</u>	<u>672,028</u>	<u>77,972</u>
Net change in fund balance	<u>\$ -</u>	<u>(280,291)</u>	<u>\$ (280,291)</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ (280,291)</u>	

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

EXHIBIT 9
WINCHESTER SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2012

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 19,183
LIABILITIES	
Due to student groups	<u>19,183</u>
NET POSITION	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Winchester School District (the School District) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School District's financial activities for the fiscal year ended June 30, 2012.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

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

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

Government-Wide Financial Statements

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

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

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

Fund Financial Statements

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

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

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except that the School District has not reported its annual cost for postemployment benefits other than pensions (OPEB) or its net OPEB obligation liability, if any, as required by GASB Statement No. 45.

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

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

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

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

Governmental Funds

The School District reports the following major governmental funds:

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

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

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

The School District also reports three nonmajor funds: food service, playground and project access.

Fiduciary Funds

The School District reports the following type of fiduciary fund:

Agency Fund – Accounts for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others. The School District’s agency fund is used to account for student activities in the school.

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

I.C.1. Cash and Investments

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

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

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

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

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

I.C.2. Inventory and Prepaid Items

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

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

I.C.3. Capital Assets and Depreciation

The School District's capital assets with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The School District capitalizes assets with cost of \$10,000 or more and an estimated useful life of one year or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. The School District does not have a detailed listing for the amounts reported as of June 30, 2011, and has not yet inventoried and recorded any capital assets or current depreciation for the fiscal year ended June 30, 2012.

Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. However, as noted above, no depreciation has been recorded for this fiscal year.

I.C.4. Long-Term Debt

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

I.C.5. Compensated Absences and Termination Benefits

School District teachers may accumulate sick leave days at a rate of one per month, cumulative over a period of fifteen years to a maximum of 150 days. Upon retirement, school teachers may be eligible to receive \$50 per day for each unused sick day to a maximum of 150 days, providing certain conditions are met. Upon retirement, School District teachers with more than twenty years of employment are entitled to \$300 for each year of service.

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

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

I.C.6. Equity

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

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of the balance of the School District's inventory, which can not be spent because of its form.
- Committed, which represents the expendable trust fund balance reported in the General Fund; the balances of revenues from fees for afterschool programs; the balances of revenue generated for playground improvements; and balances of revenues from charges for services to be used for non-instructional services (food service).
- Unassigned, which represents the remaining General Fund balance not reported as nonspendable or committed; and the deficit fund balance in the Grants Fund.

I.C.7 Estimates

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

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds and the nonmajor Food Service Fund. Unless encumbered, all appropriations lapse at year-end. The School District is required to use beginning unassigned fund balance to balance the budget. In the fiscal year 2012, none of the fund balance from the fiscal year 2011 was so used.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: instruction, student support, instructional staff, general administration, executive administration, school

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

administration, operation and maintenance of plant, student transportation, other support services, non-instructional services, debt service and facilities acquisition and construction. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Education.

Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 10,555,641
Adjustments:	
Perspective difference:	
Revenue from expendable trust fund	34
Transfer from expendable trust fund	(200,000)
Per Exhibit 5 (GAAP basis)	<u><u>\$ 10,355,675</u></u>

There is no difference between the budgetary basis and GAAP for the Grants Fund.

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Receivables

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

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.

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

III.A.2. Capital Assets

Governmental activities:	
At cost:	
Buildings and building improvements	6,782,939
Machinery, equipment and vehicles	<u>39,277</u>
Total capital assets	<u>6,822,216</u>
Less accumulated depreciation:	
Buildings and building improvements	(3,656,823)
Machinery, equipment and vehicles	<u>(32,066)</u>
Total accumulated depreciation	<u>(3,688,889)</u>
Net book value, capital assets being depreciated	<u>3,133,327</u>
Net book value, all capital assets	<u><u>\$ 3,133,327</u></u>

Because the School District has not maintained records of its capital assets, and there has been no depreciation charged this year. The School District is working on updating these records for future years.

III.B. Long-Term Debt

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds are backed by the full faith and credit of the School District. Long-term debt currently outstanding is as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2012	Current Portion
General obligation bonds payable:						
Building renovations	\$ 3,504,725	2003	2024	3.5378	\$ 2,100,000	\$ 175,000
Unamortized bond premium					168,729	14,061
Compensated absences payable:						
Sick leave benefit					41,930	-
Termination benefits payable					46,747	-
					<u>\$ 2,357,406</u>	<u>\$ 189,061</u>

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2012:

	General Obligation Bonds Payable	Unamortized Bond Premium	Compensated Absences Payable	Termination Benefits Payable	Total
Balance, beginning	\$ 2,275,000	\$ 175,172	\$ 82,825	\$ 84,000	\$ 2,616,997
Additions	-	-	-	-	-
Reductions	(175,000)	(6,443)	(40,895)	(37,253)	(259,591)
Balance, ending	<u>\$ 2,100,000</u>	<u>\$ 168,729</u>	<u>\$ 41,930</u>	<u>\$ 46,747</u>	<u>\$ 2,357,406</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt as of year-end are as follow:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 175,000	\$ 87,432	\$ 262,432
2014	175,000	78,682	253,682
2015	175,000	66,682	241,682
2016	175,000	59,682	234,682
2017	175,000	50,932	225,932
2018-2022	875,000	145,267	1,020,267
2023-2024	350,000	9,187	359,187
Totals	<u>\$ 2,100,000</u>	<u>\$ 497,864</u>	<u>\$ 2,597,864</u>

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

III.C.1. Receivables and Payables

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

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

The following schedule reports receivables and payables within the reporting entity at the end of the year:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 343,378
Nonmajor	Grants	126,214
		\$ 469,592

The \$469,592 due to the General Fund and Nonmajor Funds from the Grants Fund represents an overdraft of pooled cash.

III.C.2. Transfers

Transfers within the reporting entity are for the purpose of funding unanticipated special education costs through a transfer from the Expendable Trust Fund. This transfer is reported on the non-GAAP budgetary basis statements and is eliminated when the Expendable Trust Fund is combined with the General Fund in accordance with GAAP.

III.D. Fund Equity

III.D.1. Components of Fund Equity

The components of fund balance, as described in Note I.C.6, are classified for the following purposes:

	General Fund	Grants Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ -	\$ 4,584	\$ 4,584
Committed for:				
Instruction	3,812	-	77,150	80,962
Non-instructional services	-	-	69,658	69,658
Capital outlay	211,548	-	-	211,548
Total committed	215,360	-	146,808	362,168
Unassigned	311,962	(280,291)	-	31,671
Total fund balances	\$ 527,322	\$ (280,291)	\$ 151,392	\$ 398,423

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

III.D.2. Restatement of Beginning Equity Balance

Equity balances at July 1, 2011 were restated as follow:

	Governmental Activities	Food Service Fund
To remove invalid accounts receivable	\$ (5,179)	\$ (5,179)
Net position/fund balance, as previously reported	860,878	119,240
Net position/fund balance, as restated	<u>\$ 855,699</u>	<u>\$ 114,061</u>

IV. Other Information

IV.A. Risk Management

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

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

Contributions paid for fiscal year 2012 to be recorded as an insurance expenditure/expense totaled \$20,693. There were no unpaid contributions for the year ended June 30, 2012. The School District also paid \$22,148 for workers’ compensation and \$12,137 for unemployment compensation for the fiscal year. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and

**WINCHESTER SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

contributions. The NHRS issues a separate financial report that is available by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the School District make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 7% of gross earnings for all employees. For July 2011, the rates of contribution from the School District were 13.95% for teachers and 11.09% for other employees. For the rest of fiscal year 2012, the rates of contribution from the School District were 11.30% for teachers and 8.80% for other employees. Employer contributions from the School District during the fiscal years 2010, 2011 and 2012 were \$181,512, \$210,031 and \$267,422, respectively. The amounts are paid on a monthly basis as due.

IV.C. Contingent Liabilities

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

INDIVIDUAL AND COMBINING FUND SCHEDULES

EXHIBIT 10
WINCHESTER SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special Revenue Funds			Total
	Food Service	Playground	Project Access	
ASSETS				
Cash and cash equivalents	\$ 11,477	\$ -	\$ -	\$ 11,477
Intergovernmental receivables	11,995	-	5,756	17,751
Interfund receivable	44,782	6,013	75,419	126,214
Inventory	4,584	-	-	4,584
Total assets	<u>\$ 72,838</u>	<u>\$ 6,013</u>	<u>\$ 81,175</u>	<u>\$ 160,026</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 133	\$ -	\$ 208	\$ 341
Accrued salaries and benefits	4,476	-	3,817	8,293
Total liabilities	<u>4,609</u>	<u>-</u>	<u>4,025</u>	<u>8,634</u>
Fund balances:				
Nonspendable	4,584	-	-	4,584
Committed	63,645	6,013	77,150	146,808
Total fund balances	<u>68,229</u>	<u>6,013</u>	<u>77,150</u>	<u>151,392</u>
Total liabilities and fund balances	<u>\$ 72,838</u>	<u>\$ 6,013</u>	<u>\$ 81,175</u>	<u>\$ 160,026</u>

EXHIBIT 11
WINCHESTER SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds			Total
	Food Service	Playground	Project Access	
REVENUES				
Local	\$ 46,038	\$ 6,037	\$ 94,341	\$ 146,416
State	3,949	-	-	3,949
Federal	198,832	-	-	198,832
Total revenues	<u>248,819</u>	<u>6,037</u>	<u>94,341</u>	<u>349,197</u>
EXPENDITURES				
Current:				
Instruction	-	-	219,610	219,610
Support services:				
Instructional staff	-	-	6,767	6,767
General administration	-	-	(166)	(166)
Student transportation	-	-	6,048	6,048
Central	-	-	2,087	2,087
Other	-	24	-	24
Non-instructional services	294,651	-	1,826	296,477
Total expenditures	<u>294,651</u>	<u>24</u>	<u>236,172</u>	<u>530,847</u>
Net change in fund balances	(45,832)	6,013	(141,831)	(181,650)
Fund balances, beginning, as restated (See Note III.D.2.)	114,061	-	218,981	333,042
Fund balances, ending	<u>\$ 68,229</u>	<u>\$ 6,013</u>	<u>\$ 77,150</u>	<u>\$ 151,392</u>

EXHIBIT 12
WINCHESTER SCHOOL DISTRICT
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 4,946,188	\$ 4,946,188	\$ -
Other local sources:			
Tuition	15,000	61,112	46,112
Investment earnings	-	83	83
Refund of prior year expenditures	-	20,109	20,109
Miscellaneous	75,000	95,947	20,947
Total from other local sources	<u>90,000</u>	<u>177,251</u>	<u>87,251</u>
State sources:			
Adequacy aid (grant)	4,059,076	4,061,423	2,347
Adequacy aid (tax)	576,228	576,228	-
School building aid	61,928	61,928	-
Catastrophic aid	351,352	356,028	4,676
Total from state sources	<u>5,048,584</u>	<u>5,055,607</u>	<u>7,023</u>
Federal sources:			
Medicaid	100,000	75,992	(24,008)
Education Jobs Fund	-	100,603	100,603
Total from federal sources	<u>100,000</u>	<u>176,595</u>	<u>76,595</u>
Other financing sources:			
Transfers in	-	200,000	200,000
Total revenues and other financing sources	<u>\$ 10,184,772</u>	<u>\$ 10,555,641</u>	<u>\$ 370,869</u>

EXHIBIT 13
WINCHESTER SCHOOL DISTRICT
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

	<u>Appropriations</u>	<u>Expenditures</u>	Variance Positive (Negative)
Current:			
Instruction:			
Regular programs	\$ 3,483,856	\$ 3,541,736	\$ (57,880)
Special programs	3,567,823	3,529,488	38,335
Other	51,636	30,021	21,615
Total instruction	<u>7,103,315</u>	<u>7,101,245</u>	<u>2,070</u>
Support services:			
Student	511,689	400,443	111,246
Instructional staff	110,221	87,486	22,735
General administration	40,925	31,806	9,119
Executive administration	430,181	257,419	172,762
School administration	279,892	314,302	(34,410)
Business	-	94,725	(94,725)
Operation and maintenance of plant	697,593	585,940	111,653
Student transportation	517,751	539,976	(22,225)
Central	222,024	189,239	32,785
Total support services	<u>2,810,276</u>	<u>2,501,336</u>	<u>308,940</u>
Debt service:			
Principal	175,000	175,000	-
Interest	96,181	96,181	-
Total debt service	<u>271,181</u>	<u>271,181</u>	<u>-</u>
Total appropriations and expenditures	<u>\$ 10,184,772</u>	<u>\$ 9,873,762</u>	<u>\$ 311,010</u>

EXHIBIT 14
WINCHESTER SCHOOL DISTRICT
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2012

Unassigned fund balance, beginning		\$ (369,916)
Changes:		
Budget summary:		
Revenue surplus (Exhibit 12)	\$ 370,869	
Unexpended balance of appropriations (Exhibit 13)	311,009	
Budget surplus		681,878
Unassigned fund balance, ending		\$ 311,962

EXHIBIT 15
WINCHESTER SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass Through Grantor's Number	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	\$ 32,319
National School Lunch Program	10.555	N/A	154,997
CLUSTER TOTAL			<u>187,316</u>
Fresh Fruits and Vegetables Program	10.582	N/A	<u>11,516</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the State of New Hampshire Department of Education			
TITLE I, PART A CLUSTER			
Title I Grants to Local Educational Agencies			
Title I	84.010	20153	230,840
Title I Summer Summit	84.010	20922	6,000
Title I SINI	84.010	10311	6,350
Title I SINI	84.010	20311	20,399
CLUSTER TOTAL			<u>263,589</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States:			
IDEA-B	84.027	22588	144,175
IDEA-B	84.027	22746	380
IDEA-B, Recovery Act	84.391	99010	8,605
Special Education - Preschool Grants	84.173	22588	2,043
CLUSTER TOTAL			<u>155,203</u>
Twenty-First Century Community Learning Centers	84.287	26285	<u>96,939</u>
Improving Teacher Quality State Grants:			
Title II - Part A	84.367	04933	21,194
Title II - Part A	84.367	14639	12,906
Title II - Part A	84.367	25416	7,200
Title II - Part A	84.367	25419	5,544
PROGRAM TOTAL			<u>46,844</u>
Education Jobs Fund, Recovery Act	84.410	N/A	<u>100,603</u>
DIRECT FUNDING			
Safe and Drug-Free School and Communities	84.186	10SP16613A	<u>114,550</u>
Total ARRA Funds			109,208
Total Non-ARRA Funds			867,352
GRAND TOTAL			<u>\$ 976,560</u>

WINCHESTER SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Winchester School District under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the School District, it is not intended to, and does not, present the financial position or changes in net position of the Winchester School District.

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 the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Commodities

Included in the expenditures reported under the National School Lunch Program is the value of food commodities used that were received from the Department of Agriculture Surplus Distribution Program.



Roberts & Greene, PLLC

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
Winchester School District
Winchester, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Winchester School District, as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated June 29, 2017. The report on the governmental activities was adverse as described thereon, and the reports on each major governmental fund and the aggregate fund information were unmodified.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-001, 2012-002 and 2012-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from 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.

June 29, 2017

Roberts & Greene, PLLC



Roberts & Greene, PLLC

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Winchester School District’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School District’s major federal programs for the year ended June 30, 2012. The School District’s major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the School District’s major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 each major federal program. However, our audit does not provide a legal determination of the School District’s compliance.

Basis for Qualified Opinion on the Title I Cluster, Special Education Cluster, and CFDA 84.410 Education Jobs Fund.

As described in Findings 2012-003, 2012-004, 2012-005, 2012-006, 2012-007 and 2012-008 in the accompanying schedule of findings and questioned costs, the Winchester School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2012-003	84.010 84.027/84.173 84.410	Title I Cluster Special Education Cluster Education Jobs Fund	Reporting
2012-004	84.010 84.027/84.173 84.410	Title I Cluster Special Education Cluster Education Jobs Fund	Reporting

**Winchester School District
Independent Auditor's Report on Compliance for Each Major Federal Program
And on Internal Control Over Compliance**

2012-005	84.010 84.027/84.173 84.410	Title I Cluster Special Education Cluster Education Jobs Fund	Reporting
2012-006	84.010	Title I Cluster Special Education Cluster	Activities Allowed or Unallowed Allowable Costs
2012-007	84.010 84.027/84.173	Title I Cluster Special Education Cluster	Equipment
2012-008	84.410	Education Jobs Fund	Reporting

Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

Qualified Opinion on the Title I Cluster, Special Education Cluster and 84.410 Education Jobs Fund.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Winchester 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 each major program for the year ended June 30, 2012.

Other Matters

The Winchester School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Winchester 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items

**Winchester School District
Independent Auditor's Report on Compliance for Each Major Program
And Report on Internal Control over Compliance**

2012-003, 2012-004 and 2012-005 that we consider to be a material weaknesses. However, other material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2012-06, 2012-07 and 2012-008, that we consider to be significant deficiencies.

The School District's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

June 29, 2017

Roberts & Heune, PLLC

EXHIBIT 16
WINCHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

1. The auditor’s report issued contained an adverse opinion on the financial statements of the governmental activities, and unmodified opinions on the financial statements of each major fund and the aggregate remaining fund information.
2. There were three material weaknesses identified in the internal control over financial reporting.
3. There were no significant deficiencies identified in the internal control over financial reporting that were not considered to be material weaknesses.
4. There was no noncompliance material to the financial statements noted.

Federal Awards

1. There were three material weaknesses identified in the internal control over the major program.
2. There were three significant deficiencies identified in the internal control over the major program that were not considered to be material weaknesses.
3. The auditor’s report issued on compliance for the major program contained a qualified opinion.
4. Audit findings that are required to be reported in accordance with Section 501(A) of OMB Circular A-133 are found in Section III of this schedule.
5. The programs tested as a major programs were the Title I, Part A Cluster, Special Education Cluster, and CFDA No. 84.410: Education Jobs Fund.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. The Winchester School District did not qualify as a low-risk auditee.

Section II – Financial Statement Findings

2012-001 Annual Audit

Criteria: New Hampshire RSA 41:31-a through 41:31-d, adopted in 2010, defines the audit requirements for all municipalities (town, city, school or village district). All municipalities shall annually, or more often as necessary, conduct an audit of the accounts of any officer or agent handling funds of the municipality.

EXHIBIT 16
WINCHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Condition: The School District has not had a timely annual audit.

Cause: The School District has had turnover in staffing for the key positions that would be responsible for procuring an audit firm.

Effect: Conditions that would otherwise be identified through timely annual audits were not identified and corrected.

Recommendation: The School District should continue to procure annual audits by an independent audit firm.

Response: Annual audits will be completed timely. The Business Manager or Superintendent will contact an independent auditor by August 1st of each year to schedule the previous fiscal year's audit. Proper time will be dedicated to allow work to be completed.

2012-002 Cash Reconciliation

Criteria: Proper controls over cash receipts and disbursements includes timely reconciliation of the general ledger balance to the Treasurer's reconciled balance. This is a key area to help prevent opportunities for fraud and misappropriation to occur.

Condition: Monthly reconciliations of cash were not performed or provided for audit.

Cause: The School District has had turnover in staffing for the key positions that would be responsible for performing complete reconciliations. The School District's financial software was not fully utilized to prepare monthly reconciliation reports.

Effect: Significant additional time was needed to reconcile the fiscal year-end balance to the accounting records, and a significant unknown variance was noted.

Recommendation: Cash accounts should be reconciled as soon as possible after the receipt of bank statements in order to correct errors in a timely fashion. The general ledger must then be adjusted as necessary to agree with the reconciled cash balance, which would include investigating and resolving any differences.

Response: The Business Manager will reconcile each bank account within 30 days of statement receipt to ensure accurate financial records. This will allow timely correction of any errors or discrepancies. The Superintendent will periodically review that these reconciliations are completed timely.

EXHIBIT 16
WINCHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2012-003 Financial Accounting for Grants

Criteria: Proper controls over cash receipts and disbursements include timely reconciliation of the general ledger balance to supporting documentation. This is key to helping prevent opportunities for fraud and misappropriation to occur, as well as ensuring that the District obtains all federal grant reimbursements to which it is entitled.

Condition: Additional time was required to reconcile the School District's federal grant funds. Numerous errors were noted with posting of receipts and disbursements to the proper grant fund, likely because there are multiple funds for the same grant program, which probably led to confusion. School District records showed federal receipts in excess of expenditures which is never correct.

Cause: The School District has had turnover in staffing for the key positions that would be responsible for performing complete reconciliations. The School District's financial software was not fully utilized to prepare monthly reconciliation reports.

Effect: Significant additional time was needed to reconcile grant activity to the accounting records. Reimbursement requests do not correspond with charges to grants within the financial system.

Recommendation: Grant activity should be reconciled monthly as grant reimbursement requests are made. Grant files should be maintained using the four file system as required by the State of New Hampshire Department of Education, including supporting documentation for each charge made to a particular grant.

Response: Grants will be claimed and reconciled monthly by the Business Manager and reviewed and approved by the Superintendent. A binder has been created to organize and retain proper supporting documentation for these claims.

Section III – Federal Award Findings and Questioned Costs

U.S. Department of Education passed through the State of New Hampshire Department of Education: Title I, Part A Cluster, Special Education Cluster and CFDA No. 84.410 Education Jobs Fund

2012-003 See previous section for description of this finding.

2012-004 Financial Reporting

EXHIBIT 16
WINCHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Criteria: OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* provides guidance on the allowability and supporting documentation for changes to Federal programs. Grant agreements stipulate the program activities that are allowed.

Condition: Expenditures were posted to grants in excess of allocations. Two items charged to the IDEA grant did not have supporting documentation. Receipts were posted to incorrect funds.

Questioned Costs: \$1,170.

Cause: Expenditures were not properly recorded to the correct programs and funds. Financial records and other documentation were not retained properly.

Effect: Accounting for grant programs is substandard, resulting in increased opportunities for improper reporting and expenditures.

Recommendation: The School District should consolidate its grant funds by program or into one fund. The School District can use its accounting system to segregate the activity by grant number. Grants should be reconciled monthly to ensure proper posting to individual programs, and timely requests for reimbursement.

Response: Grants are consolidated by program fund and reflected accordingly in the accounting system. The Superintendent will develop a written process that will follow Federal guidelines not limited to grant application, claiming, documentation, and reimbursement requests for all grants.

2012-005 Single Audit Completion

Criteria: Statutory requirement 2 CFR 200.512(a) requires that a Single Audit, when required based on federal expenditures, must be submitted within the earlier of 30 calendar days after the receipt of the auditor's report(s), or nine months after the end of the audit period.

Condition: The School District did not submit a Single Audit for the fiscal year ended June 30, 2012.

Cause: The School District has had turnover in staffing for the key positions that would be responsible for procuring an audit firm, and monitoring the timely submission of the Single Audit.

Effect: The School District is not in compliance with audit requirements.

EXHIBIT 16
WINCHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Recommendation: The School District should procure annual audits by and independent audit firm on a timely basis, and monitor the completion and submission of the Single Audit.

Response: Annual audits will be completed timely. The Business Manager or Superintendent will contact and independent auditor by August 1st of each year to schedule the previous fiscal year's audit. Proper time will be dedicated to allow work to be completed.

U.S. Department of Education passed through the State of New Hampshire Department of Education: Title I, Part A Cluster and Special Education Cluster

2012-006 Accounting for Payroll Transactions

Criteria: OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, the *Code of Federal Regulations, Part 200: Uniform Administrative Requirement, Cost Principles*, and *Audit Requirements for Federal Awards* require an employee whose salary and wages are supported, in whole or in part, with Federal funds must document his/her time spent working on Federal programs in order to ensure that charges to each Federal program reflect an accurate account of the employee's time and effort devoted to that program.

Condition: Timesheets for an employee who was paid partially by grant funds did not indicate the hours worked under the grant. There were no certifications that employees paid solely under a single federal award or cost object worked on such for the period covered by the federal grant.

Cause: The School District was not aware of the requirements. Controls are not in place to ensure compliance.

Effect: The School District is not in compliance with the time and effort requirements, nor does it have adequate controls over this requirement.

Recommendation: If an employee works solely on a single Federal award or cost objective, charges for the employee's salary and wages should be supported by periodic certifications that the employee worked solely on that program or cost objective for the period covered by the certification. Those certifications must be prepared at least semiannually, and should be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. If an employee works on multiple activities or cost objectives, a distribution of the employee's salary and wages must be supported by a personnel activity report (PAR) or equivalent documentation. We recommend employees indicate on weekly timesheets, the actual time worked detailed by each grant and nongrant activity. All timesheets should account for the total time for which the employee is being compensated.

EXHIBIT 16
WINCHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Response: The Superintendent will collect signed employee certifications every December and June for any partially grant paid position.

2012-007 Equipment Management

Criteria: Statutory requirements including 34 CFR, Paragraphs 80.30 through 80.37, and the A-102 Common Rule for local governments require that the School District have policies and procedures over the management of equipment acquired under federal funds that reflect the State's policies and procedures.

Condition: The School District does not have written policies over inventory and equipment management.

Cause: The School District was not aware of the requirements. Controls are not in place to ensure compliance.

Effect: The School District is not in compliance with the requirement over equipment and real property management.

Recommendation: The School District should follow the requirements that are detailed within Chapter 15 of the State of New Hampshire Department of Education's Federal Funds Handbook regarding property and equipment guidelines.

Response: The Superintendent will develop a policy and present to the Winchester School Board by November 2016 for approval.

U.S. Department of Education passed through the State of New Hampshire Department of Education: CFDA No. 84.410 Education Jobs Fund

2012-008 Reporting for American Recovery and Reinvestment Act (ARRA)

Criteria: Section 1512 of the American Recovery and Reinvestment Act of 2009 required that recipients of Recovery Act funds report the number of jobs created or retained.

Condition: The School District could not provide information or documentation supporting the number of jobs that were reported to the State for ARRA funds received under the Education Jobs Fund grant.

Cause: Grant recordkeeping was not sufficient to provide proof of compliance with this requirement.

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WINCHESTER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Effect: The School District is not in compliance with the reporting requirement. Future funding could be at risk.

Recommendation: Controls over recordkeeping should be improved to include grant files for each project, where copies of documentation supporting the School District's compliance with requirements can be maintained.

Response: If the Winchester School District is awarded this grant in the future, it will comply with all documentation and other requirements.

**WINCHESTER SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

- 2012-003** **Corrective Action Plan:** Grants will be claimed and reconciled monthly by the Business Manager and approved by the Superintendent. A binder has been created to organize and retain proper supporting documentation for these claims.
- 2012-004** **Corrective Action Plan:** Grants are consolidated by program fund and reflected accordingly in the accounting system. The Superintendent will develop a written process that will follow Federal guidelines not limited to grant application, claiming, documentation, and reimbursement requests for all grants.
- 2012-005** **Corrective Action Plan:** Annual audits will be completed timely. The Business Manager or Superintendent will contact an independent auditor by August 1st to schedule the previous fiscal year's audit. Proper time will be dedicated to allow work to be completed.
- 2012-006** **Corrective Action Plan:** The Superintendent will collect signed employee certifications every December and June for any partially grant paid position.
- 2012-007** **Corrective Action Plan:** The Superintendent will develop a policy and present to the Winchester School Board for approval.
- 2012-008** **Corrective Action Plan:** If the Winchester School District is awarded this grant in the future, it will comply with all documentation and other requirements.

Contact Person: Elisha Jackson, Business Administrator