

SCHOOL ADMINISTRATIVE UNIT NO. 41

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

**SCHOOL ADMINISTRATIVE UNIT NO. 41
FINANCIAL REPORT
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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the School Administrative Unit Board
School Administrative Unit No. 41
Hollis, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of the School Administrative Unit No. 41 as of and for the fiscal year ended June 30, 2016, which collectively comprise the School Administrative Unit's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the School Administrative Unit No. 41, as of June 30, 2016, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the fiscal 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, schedule of funding progress and pension information on pages 3-8 and 33-36 be

presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Administrative Unit No. 41's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

April 17, 2017

Roberts & Greene, PLLC

**SCHOOL ADMINISTRATIVE UNIT #41
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

This section of the School Administrative Unit #41 annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended June 30, 2016. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material performance as a whole. With this in mind, please also refer to the district's financial statements, which immediately follow this section. The MDA is an element of required supplementary information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the district as a whole. The statement of net position includes all of the district's assets and liabilities, except for capital assets. All of the current year's revenues and expense are accounted for in the statement of activities regardless of when cash is received or paid. Net position – the difference between the district's assets and liabilities – is one way to measure the district's financial health or position. The district-wide statements present and aggregate view of the finances of the school district by answering the question, "How did the school district do financially during the 2015-16 school year?" These statements report all assets and liabilities

**SCHOOL ADMINISTRATIVE UNIT #41
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

using the accrual basis of accounting used by most private-sector enterprises. The accrual basis takes into account all of the district's current-year revenues and expenses regardless of when they were paid or received.

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

FUND FINANCIAL STATEMENTS

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

The district has two types of funds:

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

Notes to the Basic Financial Statements

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

**SCHOOL ADMINISTRATIVE UNIT #41
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

Government-Wide Financial Analysis

School Administrative Unit #41

Statement of Net Position

A summary of the District's net position as of June 30, 2016 as compared to June 30, 2015:

	<u>2015</u>	<u>2016</u>	Increase (Decrease)	% Increase (Decrease)
Current and other assets	198,683	171,929	(26,754)	-13.47%
Capital assets	23,375	16,928	(6,447)	-27.58%
Total Assets	<u>222,058</u>	<u>188,857</u>	<u>(33,201)</u>	<u>-14.95%</u>
			-	
Deferred outflows of resources	87,606	250,949	163,343	186.45%
Long-term liabilities outstanding	777,001	1,005,483	228,482	29.41%
Other liability	62,045	33,541	(28,504)	-45.94%
Total liabilities	<u>839,046</u>	<u>1,039,024</u>	<u>199,978</u>	<u>23.83%</u>
Deferred inflows of resources	<u>269,022</u>	<u>181,904</u>	<u>(87,118)</u>	<u>-32.38%</u>
Net Position:				
Net investment in capital assets	25,375	16,928	(8,447)	-33.29%
Unrestricted	(821,779)	(798,050)	23,729	-2.89%
Total Net Position	<u>(796,404)</u>	<u>(781,122)</u>	<u>15,282</u>	<u>-1.92%</u>

**SCHOOL ADMINISTRATIVE UNIT #41
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

Statement of Activities

Change in fund revenue and expense for fiscal year 2016 compared to fiscal year 2015:

Revenues:	<u>2015</u>	<u>2016</u>	<u>Change</u>	<u>%Change</u>
Program Revenues				
Operating Grants and Contributions	19,480	20,767	1,287	6.6%
General Revenues:				
Assessment	1,339,341	1,380,899	41,558	3.1%
Miscellaneous	23,064	22,216	(848)	-3.7%
Total Revenues	<u>1,381,885</u>	<u>1,423,882</u>	<u>41,997</u>	<u>3.0%</u>
 Program Expenses:				
Instruction	123,166	131,218	8,052	6.5%
General Administration	1,471	1,442	(29)	-2.0%
Executive Administration	447,205	499,690	52,485	11.7%
Business	340,774	330,828	(9,946)	-2.9%
Operation and Maintenance of Plant	41,308	32,684	(8,624)	-20.9%
Central	133,281	134,064	783	0.6%
Other	239,143	278,674	39,531	16.5%
Total Expenses	<u>1,326,348</u>	<u>1,408,600</u>	<u>82,252</u>	<u>6.2%</u>
Change in Net Position	55,537	15,282	(40,255)	-72.5%
 Net Position - Beginning	(851,941)	(796,404)	55,537	-6.5%
Net Position - Ending	<u>(796,404)</u>	<u>(781,122)</u>	<u>15,282</u>	<u>-1.9%</u>

School Administrative Unit #41 Activities

Revenues: The variance in revenue for SAU 41 between FY15 and FY16 is expected based on what each district approved at their respective annual meetings.

Expenditures: The variance in expenditures for SAU 41 between FY15 and FY16 are primarily due to salary adjustments. Other differences include lower expenses for heating oil and snow removal in FY16 over FY15 and replacement computer purchases made in FY16 but not in FY15.

General Fund Budgetary Highlights

Revenues

Revenue recognized by SAU 41's general fund amounted to \$21,666 more than budgeted, as detailed below. Indirect costs from district grants and the LGC Holiday Contribution refund account for the additional revenue.

**SCHOOL ADMINISTRATIVE UNIT #41
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

**SAU 41 General Fund Revenues FY16 - Budget vs Actuals
(without transfers)**

Revenue	Original		
	Budget	Actual	Variance
School Districts' Assessments	\$ 1,380,899	\$ 1,380,899	\$ -
Other Local	\$ 550	\$ 22,216	\$ 21,666
Total Revenues	\$ 1,381,449	\$ 1,403,115	\$ 21,666
Use of Fund Balance to Reduce School Districts' Assessments & Other Funding	\$ 40,000		
Total Revenues and Use of Fund Balance	\$ 1,421,449		

Expenditures

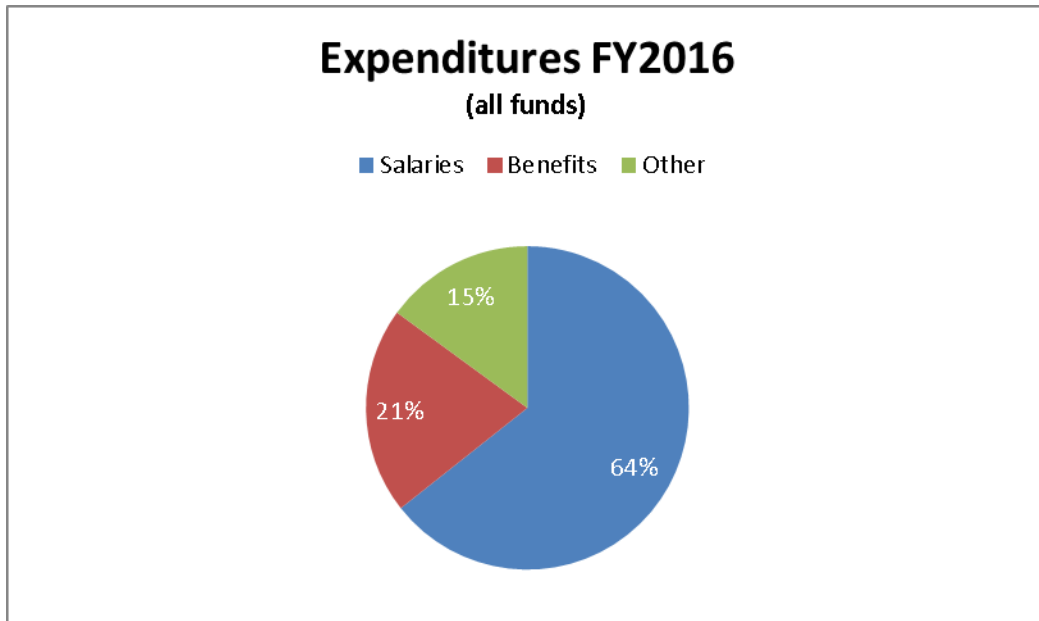
The general fund surplus can be attributed to:

- Savings in snow plowing, electrical and heating oil
- Savings in health insurance due to employee choices
- Overages are due to Board approved increases

**SAU 41 General Fund Expenditures FY16 - Budget vs Actuals
(without transfers)**

Expenditures	Original		
	Budget	Actual	Variance
Instructional Staff	\$ 131,747	\$ 131,218	\$ 529
General Administration	\$ 1,767	\$ 1,442	\$ 325
Executive Administration	\$ 502,299	\$ 505,190	\$ (2,891)
Business	\$ 329,511	\$ 330,828	\$ (1,317)
Operation & Maintenance of Plant	\$ 37,079	\$ 32,869	\$ 4,210
Central	\$ 110,487	\$ 109,545	\$ 942
Other	\$ 308,560	\$ 300,629	\$ 7,931
Total Appropriations & Expenditures	\$ 1,421,449	\$ 1,411,721	\$ 9,728

**SCHOOL ADMINISTRATIVE UNIT #41
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**



CAPITAL ASSET AND DEBT ADMINISTRATION

The School Administrative Unit carries no debt. The physical office structure and land are property of the Hollis School District and as such the value of the building is not a reportable asset.

OTHER DISCUSSION

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

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

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Net Position
June 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 159,722
Intergovernmental receivables	12,147
Other receivables	60
Intangible assets, net of accumulated amortization	16,928
Total assets	188,857
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	250,949
LIABILITIES	
Accounts payable	7,194
Accrued salaries and benefits	17,013
Intergovernmental payable	9,334
Noncurrent obligations:	
Due in more than one year:	
Other postemployment benefits payable	3,493
Net pension liability	1,001,990
Total liabilities	1,039,024
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	181,904
NET POSITION	
Net investment in capital assets	16,928
Unrestricted	(798,050)
Total net position	\$ (781,122)

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

EXHIBIT 2
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes In Net Position</u>
Governmental activities:			
Support services:			
Instructional staff	\$ 131,218	\$ -	\$ (131,218)
General administration	1,442	-	(1,442)
Executive administration	499,690	-	(499,690)
Business	330,828	-	(330,828)
Operation and maintenance of plant	32,684	-	(32,684)
Central	134,064	-	(134,064)
Other	278,674	20,767	(257,907)
Total primary government	<u>\$ 1,408,600</u>	<u>\$ 20,767</u>	<u>(1,387,833)</u>
General revenues:			
School districts' assessments			1,380,899
Miscellaneous			22,216
Total general revenues			<u>1,403,115</u>
Change in net position			15,282
Net position, beginning			<u>(796,404)</u>
Net position, ending			<u>\$ (781,122)</u>

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

EXHIBIT 3
SCHOOL ADMINISTRATIVE UNIT NO. 41
Balance Sheet
Governmental Funds
June 30, 2016

	General	Other Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 159,722	\$ -	\$ 159,722
Account receivable	60	-	60
Intergovernmental receivable	12,147	-	12,147
Interfund receivable	-	2,076	2,076
Total assets	<u>\$ 171,929</u>	<u>\$ 2,076</u>	<u>\$ 174,005</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,194	\$ -	\$ 7,194
Accrued salaries and benefits	17,013	-	17,013
Intergovernmental payable	9,334	-	9,334
Interfund payable	2,076	-	2,076
Total liabilities	<u>35,617</u>	<u>-</u>	<u>35,617</u>
Fund balances:			
Committed	-	2,076	2,076
Assigned	10,185	-	10,185
Unassigned	126,127	-	126,127
Total fund balances	<u>136,312</u>	<u>2,076</u>	<u>138,388</u>
Total liabilities and fund balances	<u>\$ 171,929</u>	<u>\$ 2,076</u>	<u>\$ 174,005</u>

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

EXHIBIT 4
SCHOOL ADMINISTRATIVE UNIT NO. 41
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position
June 30, 2016

Total fund balances of governmental funds (Exhibit 3)	\$	138,388
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	\$	104,025
Less accumulated depreciation		<u>(87,097)</u>
		16,928
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(2,076)
Payables		<u>2,076</u>
		-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Other postemployment benefits payable	\$	3,493
Net pension liability		<u>1,001,990</u>
		(1,005,483)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$	250,949
Deferred inflows of resources related to pensions		<u>(181,904)</u>
		69,045
Net position of governmental activities (Exhibit 1)	\$	<u><u>(781,122)</u></u>

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

EXHIBIT 5
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Fund	Total Governmental Funds
REVENUES			
School districts' assessments	\$ 1,380,899	\$ -	\$ 1,380,899
Other local	22,216	20,767	42,983
Total revenues	<u>1,403,115</u>	<u>20,767</u>	<u>1,423,882</u>
EXPENDITURES			
Current:			
Support services:			
Instructional staff	131,218	-	131,218
General administration	1,442	-	1,442
Executive administration	499,690	-	499,690
Business	330,828	-	330,828
Operation and maintenance of plant	32,684	-	32,684
Central	105,045	20,572	125,617
Other	300,653	-	300,653
Total expenditures	<u>1,401,560</u>	<u>20,572</u>	<u>1,422,132</u>
Net change in fund balances	1,555	195	1,750
Fund balances, beginning	134,757	1,881	136,638
Fund balances, ending	<u>\$ 136,312</u>	<u>\$ 2,076</u>	<u>\$ 138,388</u>

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

EXHIBIT 6
SCHOOL ADMINISTRATIVE UNIT NO. 41
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, 2016

Net change in fund balances of total governmental funds (Exhibit 5)	\$	1,750
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 amortization expense.		
Amortization expense		(8,447)
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.		
Increase in other postemployment benefits payable		(67)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
School Administrative Unit pension contributions	\$	89,397
Cost of benefits, net of employee contributions		<u>(67,351)</u>
		22,046
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>15,282</u></u>

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

EXHIBIT 7
SCHOOL ADMINISTRATIVE UNIT NO. 41
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, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School districts' assessments	\$ 1,380,899	\$ 1,380,899	\$ -
Other local	550	22,216	21,666
Total revenues	<u>1,381,449</u>	<u>1,403,115</u>	<u>21,666</u>
EXPENDITURES			
Current:			
Support services:			
Instructional staff	131,747	131,218	529
General administration	1,767	1,442	325
Executive administration	502,299	505,190	(2,891)
Business	329,511	330,828	(1,317)
Operation and maintenance of plant	37,079	32,869	4,210
Central	110,487	109,545	942
Other	308,560	300,629	7,931
Total expenditures	<u>1,421,449</u>	<u>1,411,721</u>	<u>9,728</u>
Net change in fund balance	<u>\$ (40,000)</u>	<u>(8,606)</u>	<u>\$ 31,394</u>
Unassigned fund balance, beginning		<u>134,733</u>	
Unassigned fund balance, ending		<u>\$ 126,127</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

**SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDING
JUNE 30, 2016**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the School Administrative Unit No. 41 (the School Administrative Unit) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School Administrative Unit's financial activities for the fiscal year ended June 30, 2016.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The School Administrative Unit No. 41 is a municipal corporation governed by a school administrative unit board consisting of all the members of each member school board. The School Administrative Unit No. 41 is incorporated in accordance with New Hampshire law and provides centralized administrative services for the Brookline, Hollis, and Hollis-Brookline Cooperative School Districts. 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 Administrative Unit'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 Administrative Unit as a whole. 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 consist of operating grants and contributions, which finance annual operating activities. These revenues are subject to externally imposed restrictions to these program uses. The school districts' assessments and revenue from other sources not properly included with program revenues are reported as general revenues.

**SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDING
JUNE 30, 2016**

Fund Financial Statements

Fund financial statements are provided for governmental funds with the major fund in its own column.

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

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Grants are recognized when grantor eligibility requirements are met.

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 Administrative Unit 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.

Major revenues susceptible to accrual are the school districts' assessments and investment income. In general, any other revenues are recognized when cash is received.

I.B.4. *Fund Type and Major Fund*

Governmental Funds

The School Administrative Unit reports the following major governmental fund:

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

The School Administrative Unit also reports the following nonmajor governmental fund:

Miscellaneous Fund – Reports as a special revenue fund and is used to account for miscellaneous private grants and donations.

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

I.C.1. *Cash and Cash Equivalents*

The laws of the State of New Hampshire require that the School Administrative Unit's treasurer have custody of all monies belonging to the School Administrative Unit and pay out the same only upon orders of the School Administrative Unit Board.

I.C.2. *Capital Assets and Amortization*

The School Administrative Unit has no capital assets, except for intangible assets, which are stated at historical cost and reported in the government-wide financial statements. The School Administrative Unit generally capitalizes assets with cost of \$10,000 or more and an estimated useful life of one year or more. The intangible assets are being amortized using the straight-line method over seven to fifteen years.

I.C.3. *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 or amortization, 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:

- Committed, which represents the balances of revenues from grants to be used for support services.
- Assigned, which represents encumbrances for support services assigned through the use of an approved purchase order.
- Unassigned, which represents the remaining fund balance in the General Fund.

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II. Stewardship, Compliance, and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. Unless encumbered, all appropriations lapse at year-end. The School Administrative Unit is allowed to use beginning fund balance to balance the budget. The School Administrative Unit used \$40,000 of the fiscal year 2015 fund balance in fiscal year 2016.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assigned fund balance and do not constitute expenditures or liabilities because the amounts will be added to the appropriations voted for the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: instructional staff, general administration, executive administration, business, operation and maintenance of plant, central and other support services.

II.B. Reconciliation of Budgetary Basis to GAAP

General Fund:

Expenditures:	
Per Exhibit 7 (budgetary basis)	\$ 1,411,721
Adjustments:	
Basis difference:	
Encumbrances, beginning	24
Encumbrances, ending	(10,185)
Per Exhibit 5 (GAAP basis)	<u>\$ 1,401,560</u>

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III. Assets and Equity

III.A. Capital Assets

Changes in Capital Assets

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

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Balance, ending</u>
Governmental activities:			
At cost:			
Intangible	\$ 104,025	\$ -	\$ 104,025
Less accumulated amortization	<u>(78,650)</u>	<u>(8,447)</u>	<u>(87,097)</u>
Net book value	<u>\$ 25,375</u>	<u>\$ (8,447)</u>	<u>\$ 16,928</u>

Amortization Expense

Amortization expense of \$8,447 was charged to the central function of the School Administrative Unit.

III.B. Components of Fund Balances

Fund balance is categorized as described in Note I.C.3., in the following components:

	<u>General Fund</u>	<u>Non-Major Fund</u>	<u>Total Governmental Funds</u>
Committed for support services	\$ -	\$ 2,076	\$ 2,076
Assigned to support services	10,185	-	10,185
Unassigned	<u>126,127</u>	<u>-</u>	<u>126,127</u>
Total fund balances	<u>\$ 136,312</u>	<u>\$ 2,076</u>	<u>\$ 138,388</u>

IV. Other Information

IV.A. Risk Management

The School Administrative Unit's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School Administrative Unit was a member of the 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.

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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 Administrative Unit 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.

Property/liability coverage was provided through the member school districts. Contributions paid for workers' compensation coverage for the fiscal year ended June 30, 2016 totaled \$5,314. The School Administrative Unit also paid \$1,413 for unemployment compensation for the fiscal year. There were no unpaid contributions for the year ended June 30, 2016. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

General Information about the Pension Plan

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

Both the members and the School Administrative Unit make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 7% of gross earnings for all employees. The rate of contribution from the School Administrative Unit was 11.17%, which is actuarially determined to generate an amount that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the School Administrative Unit during the fiscal years 2014, 2015, and 2016 were \$69,005, \$87,606, and \$89,397, respectively. The amounts are paid on a monthly basis as due.

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

At June 30, 2016, the School Administrative Unit reported a liability of \$1,001,990 for its proportionate share of the net pension liability. The net pension liability was measured as of

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June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Administrative Unit's proportion of the net pension liability was based on a projection of the School Administrative Unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and schools, actuarially determined. As of June 30, 2015, the School Administrative Unit's proportion was 0.0253%, which was an increase of 0.0047% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School Administrative Unit recognized pension expense of \$67,351. At June 30, 2016, the School Administrative Unit 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 and differences between employer contributions and proportionate share of contributions	\$ 161,552	\$ 133,137
Net differences between projected and actual earnings on pension plan investments	-	26,779
Differences between expected and actual experience	-	21,988
School Administrative Unit contributions subsequent to the measurement date	89,397	-
	<u>\$ 250,949</u>	<u>\$ 181,904</u>

The School Administrative Unit reported \$89,397 as deferred outflows of resources related to pensions resulting from School Administrative Unit contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending 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 follow:

Year Ended June 30,	
2016	\$ (19,431)
2017	(19,431)
2018	(19,431)
2019	25,421
2020	12,520
	<u>\$ (20,352)</u>

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Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.75%
Salary increases	5.8% average, including inflation
Investment rate of return	7.75% per year

Mortality rates were based on the RP-2000 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School Administrative Unit's proportionate share of net pension liability	\$ 1,318,989	\$ 1,001,990	\$ 731,746

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

IV.C. Other Postemployment Benefits

Plan Description

Benefits provided to retirees follow New Hampshire Revised Statutes Annotated 100-A:50 (Medical Insurance Coverage). This statute states that the School Administrative Unit "shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees . . ." In addition, the statute states "Each

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political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees, or may require each retiree to pay any part or all of the cost of the retiree's participation."

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

The School Administrative Unit No. 41 offers postemployment medical benefits to SAU retirees and their covered dependents. The SAU offers coverage as follows:

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

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

Currently, there are 12 active and retired employees that receive health benefits from the School Administrative Unit. The School Administrative Unit recognizes the cost of providing health insurance annually as expenditures in the General Fund as payments are made. For the year ended June 30, 2016, the School Administrative Unit recognized nothing for its share of insurance premiums for currently enrolled retirees.

The School Administrative Unit has obtained a valuation report as of July 1, 2015, which indicated that the total liability for other postemployment benefits is \$11,480, all of which is related to active employees.

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

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

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

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

Life Insurance Benefit: None.

Medical Premiums Rates: The total monthly cost by plan is shown below:

<u>Non-Medicare Plans</u>	<u>Single</u>	<u>2-Person</u>
BC3T15IPDED(07)-RX10/20/45	834.24	1,668.55
BC3T10(07)-RX10/20/30	892.45	1,784.90
BC3T10(07)-RX10/20/45	867.79	1,735.59
MTB05(07)-R\$3/5M\$1	865.13	1,730.27
MTB05(07)-RX10/20/30	828.80	1,657.27
MTB10IPDED(07)-RX10/20/45	789.07	1,578.14
MTBSOS20/40/1KDED(07)- RX10/20/45	608.10	1,216.20
BC3T5RDR-R3/15/1	927.82	1,855.64
 <u>Medicare Plans</u>		
MC3(07)-R\$100M\$1	565.23	
MC3(07)-RX10/20/30	552.18	
MC3(07)-RX10/20/45	536.95	
MCNRX(07)	214.73	

The following methods and assumptions were used:

Valuation Date: July 1, 2015

Discount Rate: 4.00% pay-as-you-go.

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

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

Mortality Table: RP-2000 Combined Mortality Table, projected to 2020, using Scale AA.

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

Annual OPEB Cost and Net OPEB Obligation	<u>7/1/2015- 6/30/2016</u>
1. Annual Required Contribution (ARC)	\$ 1,081
2. Interest on net OPEB Obligation	137
3. Adjustment to ARC	<u>(198)</u>
4. Annual OPEB Cost (Expense)	\$ 1,020
5. Contribution made	<u>(953)</u>
6. Increase in net OPEB Obligation	67
7. Net OPEB Obligation - beginning of year	<u>3,426</u>
8. Net OPEB Obligation - end of year	<u><u>\$ 3,493</u></u>

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The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follow:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2014	\$ 4,023	41.5%	\$ 2,352	\$ 640,720	0.60%
6/30/2015	\$ 4,189	74.4%	\$ 3,426	\$ 829,528	0.50%
6/30/2016	\$ 1,020	93.4%	\$ 3,493	\$ 919,534	0.38%

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 8
SCHOOL ADMINISTRATIVE UNIT NO. 41
Other Postemployment Benefits
Schedule of Funding Progress

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (AAL)
7/1/2013	\$ -	\$ 25,817	\$ 25,817	0.0%	\$ 849,116	3.34%
7/1/2014	\$ -	\$ 27,675	\$ 27,675	0.0%	\$ 911,344	3.34%
7/1/2015	\$ -	\$ 11,480	\$ 11,480	0.0%	\$ 919,534	1.25%

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

EXHIBIT 9
SCHOOL ADMINISTRATIVE UNIT NO. 41
Schedule of the School Administrative Unit's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
School Administrative Unit's proportion of the net pension liability	0.0253%	0.0206%	0.0254%
School Administrative Unit's proportionate share of the net pension liability	\$ 1,001,990	\$ 773,575	\$ 1,093,912
School Administrative Unit's covered-employee payroll	\$ 919,534	\$ 812,718	\$ 640,720
School Administrative Unit's proportionate share of the net pension liability as a percentage of covered-employee payroll	108.97%	95.18%	170.73%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%	59.82%

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

EXHIBIT 10
SCHOOL ADMINISTRATIVE UNIT NO. 41
Schedule of the School Administrative Unit's Contributions
New Hampshire Retirement System

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 89,397	\$ 87,606	\$ 67,897
Contributions in relation to the contractually required contribution	<u>(89,397)</u>	<u>(87,606)</u>	<u>(67,897)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School Administrative Unit's covered-employee payroll	\$ 919,534	\$ 812,718	\$ 640,720
Contributions as a percentage of covered-employee payroll	9.72%	10.78%	10.60%

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

**SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE FISCAL YEAR ENDED
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The Schedule of Funding Progress, the Schedule of the School Administrative Unit's Proportionate Share of the Net Pension Liability and the Schedule of the School Administrative Unit's Contributions are meant to present related information for ten years. Because this is the third year that the School Administrative Unit has reported the OPEB schedule, and the second year that the School Administrative Unit has adopted GASB Statement No. 68 and presented this information, only two and three years, respectively, are presented. An additional year's information will be added each year until there are ten years presented.

INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 11
SCHOOL ADMINISTRATIVE UNIT NO. 41
General Fund
Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended June 30, 2016

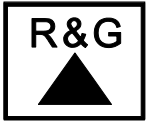
	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 1,380,899	\$ 1,380,899	\$ -
Other local sources:			
Investment earnings	50	76	26
Refund of prior year expenditures	-	10,973	10,973
Miscellaneous	500	11,167	10,667
Total other local sources	<u>550</u>	<u>22,216</u>	<u>21,666</u>
Total revenues	1,381,449	<u>\$ 1,403,115</u>	<u>\$ 21,666</u>
Use of fund balance to reduce school district assessment	40,000		
Total revenues and use of fund balance	<u>\$ 1,421,449</u>		

EXHIBIT 12
SCHOOL ADMINISTRATIVE UNIT NO. 41
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	Encumbered from Prior Year		Expenditures	Encumbered to Subsequent Year		Variance Positive (Negative)
	Appropriations					
Support services:						
Instructional staff	\$ -	\$ 131,747.06	\$ 131,218.00	\$ -	\$ 529.06	
General administration	-	1,767	1,442	-	325	
Executive administration	-	502,299	499,690	5,500	(2,891)	
Business	-	329,511	330,828	-	(1,317)	
Operation and maintenance of plant	-	37,079	32,684	185	4,210	
Central	-	110,487	105,045	4,500	942	
Other	24	308,560	300,653	-	7,931	
Total encumbrances, appropriations and expenditures	<u>\$ 24</u>	<u>\$ 1,421,449</u>	<u>\$ 1,401,560</u>	<u>\$ 10,185</u>	<u>\$ 9,728</u>	

EXHIBIT 13
SCHOOL ADMINISTRATIVE UNIT NO. 41
General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2016

Unassigned fund balance, beginning		\$ 134,733
Changes:		
Fund balance used to reduce school district's assessment		(40,000)
Budget summary:		
Revenue surplus (Exhibit 11)	\$ 21,666	
Unexpended balance of appropriations (Exhibit 12)	<u>9,728</u>	
Budget surplus		<u>31,394</u>
Unassigned fund balance, ending		<u>\$ 126,127</u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

To the Members of the School Administrative Unit Board
School Administrative Unit No. 41
Hollis, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the remaining fund information of the Hollis School Administrative Unit as of and for the fiscal year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the School Administrative Unit's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Administrative Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Administrative Unit's internal control.

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

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

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

April 17, 2017

Roberts & Greene, PLLC