

# SCHOOL ADMINISTRATIVE UNIT NO. 41

## FINANCIAL REPORT

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

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the School Administrative Unit No. 41 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School Administrative Unit's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School Administrative Unit No. 41 as of June 30, 2015, 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.

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

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and other post-employment benefits schedule of funding progress, schedule of the School Administrative Unit's proportionate share of the net pension liability, and the schedule of School Administrative Unit's

contributions on pages 27-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

May 12, 2016

*Roberts & Aune, PLLC*

**SCHOOL ADMINISTRATIVE UNIT #41  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**DISTRICT-WIDE STATEMENTS**

The district-wide statements report information about the district as a whole. The statement of net position includes all of the district's assets and liabilities, except for capital assets. All of the current year's revenues and expense are accounted for in the statement of activities regardless of when cash is received or paid. Net position – the difference between the district's assets and liabilities – is one way to measure the district's financial health or position. The district-wide statements present and aggregate view of the finances of the school district by answering the question, "How did the school district do financially during the 2014-15 school year?" These statements report all assets and liabilities

**SCHOOL ADMINISTRATIVE UNIT #41  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

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, 2015**

**Government-Wide Financial Analysis**

The SAU implemented GASB Statement No. 68 this year. With the new reporting change, the School District is allocated its proportionate share of the New Hampshire Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$1,027,052. Decisions regarding the allocations are made by the administrators of the NHRS, not by the School District's management, and are audited by the plan auditors.

**School Administrative Unit #41**

**Statement of Net Position**

A summary of the District's net position as of June 30, 2015 as compared to June 30, 2014:

	<b>2014</b>	<b>2015</b>	<b>Increase (Decrease)</b>	<b>%Increase- (Decrease)</b>
<b>Current and other assets</b>	193,465	198,683	5,218	2.7%
<b>Capital assets</b>	33,822	23,375	(8,447)	(25)%
<b>Total Assets</b>	<u>227,287</u>	<u>224,058</u>	<u>(3,229)</u>	<u>(1.4)%</u>
<b>Deferred outflows of resources</b>		<u>87,606</u>	<u>87,606</u>	<u>87606%</u>
<b>Long-term liabilities outstanding</b>	2,352	777,001	774,649	32935.8%
<b>Other Liabilities</b>	49,824	62,045	12,221	24.5%
<b>Total Liabilities</b>	<u>52,176</u>	<u>839,046</u>	<u>786,870</u>	<u>1508.1%</u>
<b>Deferred inflows of resources</b>		<u>269,022</u>	<u>269,022</u>	<u>269022%</u>
<b>Net Position:</b>				
<b>Net Investment in Capital Costs</b>	33,822	25,375	(8,447)	(25)%
<b>Unrestricted</b>	141,289	(821,779)	(963,068)	(681.6)%
<b>Total Net Position</b>	<u><u>175,111</u></u>	<u><u>(796,404)</u></u>	<u><u>(971,515)</u></u>	<u><u>(554.8)%</u></u>

**SCHOOL ADMINISTRATIVE UNIT #41  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

**Statement of Activities**

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

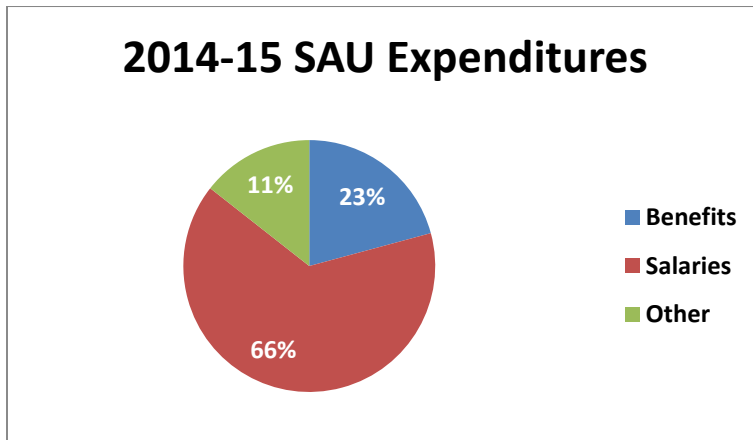
	<u>2014</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
<b>Program Revenues:</b>				
Operating Grants & Contrib.	19,279	19,480	(201)	-1%
<b>General Revenues:</b>				
Assessment	1,338,227	1,339,341	(1,114)	0%
Miscellaneous	17,532	23,064	(5,532)	-24%
<b>Total Revenues</b>	<u>1,375,038</u>	<u>1,381,885</u>	<u>(6,847)</u>	<u>0%</u>
<b>Program Expenses:</b>				
Instructional Staff	107,052	123,166	(16,114)	-15%
General Administration	4,916	1,471	3,445	70%
Executive Administration	426,541	447,205	(20,664)	-5%
Business	347,879	340,774	7,105	2%
Operation/Maintenance of Plant	44,083	41,038	3,045	7%
Central	152,850	133,281	19,569	13%
Other	266,673	239,143	27,530	10%
<b>Total Expenses</b>	<u>1,349,994</u>	<u>1,326,078</u>	<u>23,916</u>	<u>2%</u>
Change in Net Position	25,044	55,807	(30,763)	-123%
Net Position – Beginning	150,067	(851,941)	1,002,008	-668%
Net Position - Ending	175,111	(796,404)	971,515	-555%



**SCHOOL ADMINISTRATIVE UNIT #41  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2015**

**School Administrative Unit #41 Activities**

The total cost for all programs and services was \$1.37 million. The SAU's expenses are predominately salaries and benefits which are illustrated below. Administrative headcount remained unchanged from the previous year however the Superintendent was full-time in FY15 as opposed to the part-time status of the previous Superintendent. This fact caused the SAU expenses to exceed the budget. The benefit package offered to and accepted by the new Superintendent exceeded what was budgeted for FY15. This explanation was provided to the Commissioner of Education and the SAU received approval to use fund balance to cover the over expenditure.



**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. Now that the SAU office is fully staffed the variance in the salary and benefits lines will be smaller in future reports.

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

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Statement of Net Position**  
**June 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 189,229
Intergovernmental receivables	9,104
Prepaid items	350
Intangible assets, net of accumulated amortization	<u>25,375</u>
Total assets	<u>224,058</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	<u>87,606</u>
<b>LIABILITIES</b>	
Accounts payable	3,710
Accrued salaries and benefits	13,532
Intergovernmental payable	44,803
Noncurrent obligations:	
Due in more than one year:	
Other postemployment benefits payable	3,426
Net pension	<u>773,575</u>
Total liabilities	<u>839,046</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	<u>269,022</u>
<b>NET POSITION</b>	
Net investment in capital assets	25,375
Unrestricted	<u>(821,779)</u>
Total net position	<u>\$ (796,404)</u>

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, 2015**

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes In Net Position</u>
<b>Governmental activities:</b>			
Support services:			
Instructional staff	\$ 123,166	\$ -	\$ (123,166)
General administration	1,471	-	(1,471)
Executive administration	447,205	-	(447,205)
Business	340,774	-	(340,774)
Operation and maintenance of plant	41,308	-	(41,308)
Central	133,281	-	(133,281)
Other	239,143	19,480	(219,663)
Total primary government	<u>\$ 1,326,348</u>	<u>\$ 19,480</u>	<u>(1,306,868)</u>
General revenues:			
School districts' assessments			1,339,341
Miscellaneous			23,064
Total general revenues			<u>1,362,405</u>
Change in net position			55,537
Net position, beginning, as restated (See Note III.B.1)			<u>(851,941)</u>
Net position, ending			<u>\$ (796,404)</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, 2015**

	<u>General</u>	<u>Miscellaneous</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 189,229	\$ -	\$ 189,229
Intergovernmental receivables	9,104	-	9,104
Interfund receivable	-	16,881	16,881
Prepaid items	350	-	350
Total assets	<u>\$ 198,683</u>	<u>\$ 16,881</u>	<u>\$ 215,564</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 3,710	\$ -	\$ 3,710
Accrued salaries and benefits	13,532	-	13,532
Intergovernmental payable	29,803	15,000	44,803
Interfund payable	16,881	-	16,881
Total liabilities	<u>63,926</u>	<u>15,000</u>	<u>78,926</u>
Fund balances:			
Committed	-	1,881	1,881
Assigned	24	-	24
Unassigned	134,733	-	134,733
Total fund balances	<u>134,757</u>	<u>1,881</u>	<u>136,638</u>
Total liabilities and fund balances	<u>\$ 198,683</u>	<u>\$ 16,881</u>	<u>\$ 215,564</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, 2015**

Total fund balances of governmental funds (Exhibit 3)	\$	136,638
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 amortization		<u>(78,650)</u>
		25,375
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(16,881)
Payables		<u>16,881</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	\$	3,426
Net pension liability		<u>773,575</u>
		(777,001)
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	\$	87,606
Deferred inflows of resources related to pensions		<u>(269,022)</u>
		(181,416)
Net position of governmental activities (Exhibit 1)	\$	<u><u>(796,404)</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, 2015**

	General	Miscellaneous	Total Governmental Funds
<b>REVENUES</b>			
School districts' assessments	\$ 1,339,341	\$ -	\$ 1,339,341
Other local	23,064	19,480	42,544
Total revenues	<u>1,362,405</u>	<u>19,480</u>	<u>1,381,885</u>
<b>EXPENDITURES</b>			
Current:			
Support services:			
Instructional staff	123,166	-	123,166
General administration	1,471	-	1,471
Executive administration	447,205	-	447,205
Business	340,774	-	340,774
Operation and maintenance of plant	41,308	-	41,308
Central	104,526	20,308	124,834
Other	310,130	-	310,130
Total expenditures	<u>1,368,580</u>	<u>20,308</u>	<u>1,388,888</u>
Net change in fund balances	(6,175)	(828)	(7,003)
Fund balances, beginning	140,932	2,709	143,641
Fund balances, ending	<u>\$ 134,757</u>	<u>\$ 1,881</u>	<u>\$ 136,638</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, 2015**

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Net change in fund balances of total governmental funds (Exhibit 5)		\$ (7,003)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
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		(1,074)
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 contributions	\$ 87,606	
Cost of benefits earned, net of employee contributions	<u>(15,545)</u>	
		<u>72,061</u>
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 55,537</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, 2015**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School districts' assessments	\$ 1,339,341	\$ 1,339,341	\$ -
Other local	9,247	23,064	13,817
Total revenues	<u>1,348,588</u>	<u>1,362,405</u>	<u>13,817</u>
<b>EXPENDITURES</b>			
Current:			
Support services:			
Instructional staff	121,303	123,166	(1,863)
General administration	2,100	1,471	629
Executive administration	446,123	447,205	(1,082)
Business	339,812	340,774	(962)
Operation and maintenance of plant	33,939	41,308	(7,369)
Central	100,080	104,275	(4,195)
Other	305,231	310,154	(4,923)
Total expenditures	<u>1,348,588</u>	<u>1,368,353</u>	<u>(19,765)</u>
Net change in fund balance	<u>\$ -</u>	(5,948)	<u>\$ (5,948)</u>
Unassigned fund balance, beginning		<u>140,681</u>	
Unassigned fund balance, ending		<u>\$ 134,733</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, 2015**

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the 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, 2015.

**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**  
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*Fund Financial Statements*

Fund financial statements are provided for governmental funds with each 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 funds:

*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.

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

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
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**I.B.5. *Change in Accounting Principle***

The School Administrative Unit adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the year ended June 30, 2015. This resulted in the inclusion of pension related liability and deferred inflows and outflows of resources in governmental activities. The prior year's net position was restated as shown in Note III.B.1.

**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 eight 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 normally 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 an encumbrance for support services assigned through the use of an approved purchase order.
- Unassigned, which represents the remaining fund balance in the General Fund.

**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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. No fund balance from the fiscal year 2014 was used in fiscal year 2015.

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 and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 1,368,353
Adjustments:	
Basis difference:	
Encumbrances, beginning	251
Encumbrances, ending	<u>(24)</u>
Per Exhibit 5 (GAAP basis)	<u><u>\$ 1,368,580</u></u>

**II.C. Overdraft of Appropriations**

The School Administrative Unit overspent its appropriations for the fiscal year ended June 30, 2015 by \$19,765. A portion of the overexpenditures (\$13,817) was the result of the receipt of unanticipated revenues. The balance was made up through the use of existing fund balance.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
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**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	(70,203)	(8,447)	(78,650)
Net book value	<u>\$ 33,822</u>	<u>\$ (8,447)</u>	<u>\$ 25,375</u>

*Amortization Expense*

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

**III.B. Net Position and Fund Balances**

**III.B.1. Restatement of Beginning Equity Balances**

The beginning net position was restated as follows:

	Governmental Activities
To record balance of net pension liability	<u>\$ (1,027,052)</u>
Net position, as previously reported	175,111
Net position, as restated	<u>\$ (851,941)</u>

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
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**III.B.2. Components of Fund Balance**

Fund balance is categorized in the following components:

	General	Miscellaneous	Total Governmental Funds
Committed for support services	\$ -	\$ 1,881	\$ 1,881
Assigned to support services	24	-	24
Unassigned	134,733	-	134,733
Total fund balances	\$ 134,757	\$ 1,881	\$ 136,638

**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 Local Government Center Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

**Property-Liability Trust, Inc. (the Trust)** – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the School 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 fiscal year ended June 30, 2015 totaled \$4,822. The School Administrative Unit also paid \$1,681 for unemployment compensation for the fiscal year. There were no unpaid contributions for the year ended June 30, 2015. 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.



**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
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**IV.B. Retirement Pensions**

*General Information about the Pension Plan*

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

Both the members and the School 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 rates of contribution from the School Administrative Unit were 14.16% for teachers and 10.77% for other employees, which are actuarially determined to generate an amount that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the School Administrative Unit during the fiscal years 2013, 2014 and 2015 were \$60,078, \$69,005 and \$87,606, respectively. The amounts are paid on a monthly basis as due.

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

At June 30, 2015, the School Administrative Unit reported a liability of \$773,575 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School 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, 2014, the School Administrative Unit's proportion was 0.0206%, which was a decrease of 0.0048% from its proportion measured as of June 30, 2013.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
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For the year ended June 30, 2015, the School Administrative Unit recognized pension expense of \$15,545. At June 30, 2015, 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	\$ -	\$ 170,042
Net differences between projected and actual earnings on pension plan investments	-	98,980
School Administrative Unit contributions subsequent to the measurement date	87,606	-
	\$ 87,606	\$ 269,022

The School Administrative Unit reported \$87,606 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, 2016.

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

Year Ended June 30,	
2015	\$ (61,650)
2016	(61,650)
2017	(61,650)
2018	(61,650)
2019	(22,422)
	\$ (269,022)

*Actuarial Assumptions*

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
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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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School Administrative Unit's proportionate share of net pension liability	\$ 1,018,924	\$ 773,575	\$ 566,586

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 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.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
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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 14 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, 2015, 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, 2013, which indicated that the total liability for other postemployment benefits is \$25,817, 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.

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.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
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Medical Premiums Rates:           The total monthly cost by plan are shown below:

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

The following methods and assumptions were used:

Valuation Date:                   July 1, 2013

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

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

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 2021, using  
Scale AA.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
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Actuarial Cost Method: Projected Unit Credit. The costs of each employee's postemployment benefits are allocated on a pro rata basis from the employee's date of hire to the date the employee is fully eligible for benefits.

Annual OPEB Cost and Net OPEB Obligation	7/1/2014- 6/30/2015
1. Annual Required Contribution (ARC)	\$ 4,231
2. Interest on net OPEB Obligation	94
3. Adjustment to ARC	(136)
4. Annual OPEB Cost (Expense)	\$ 4,189
5. Contribution made	(3,115)
6. Increase in net OPEB Obligation	1,074
7. Net OPEB Obligation - beginning of year	2,352
8. Net OPEB Obligation - end of year	\$ 3,426

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2015 are as follow:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pay
6/30/2015	\$ 4,189	74.4%	\$ 3,426	\$ 829,528	0.50%

**REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 8**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Other Postemployment Benefits**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2015**

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (AAL)
7/1/2013	\$ -	\$ 27,675	\$ 27,675	0.0%	\$ 829,528	3.34%

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



**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*  
*For the Fiscal Year Ended June 30, 2015*

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

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

**EXHIBIT 10**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
*Schedule of School Administrative Unit Contributions*  
*New Hampshire Retirement System*  
**For the Fiscal Year Ended June 30, 2015**

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

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

**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 School District Contributions are meant to present related information for ten years. Because this is the second year that the Town has reported the OPEB schedule, and the first year that the School Administrative Unit has adopted GASB Statement No. 68 and presented this information, only one and two 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, 2015**

	Estimated	Actual	Variance Positive (Negative)
School districts' assessments:			
Current appropriation	\$ 1,339,341	\$ 1,339,341	\$ -
Other local sources:			
Investment earnings	-	38	38
Refund of prior year expenditures	9,247	14,545	5,298
Miscellaneous	-	8,481	8,481
Total from other local sources	<u>9,247</u>	<u>23,064</u>	<u>13,817</u>
Total revenues	<u>\$ 1,348,588</u>	<u>\$ 1,362,405</u>	<u>\$ 13,817</u>

**EXHIBIT 12**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**General Fund**  
*Schedule of Encumbrances, Appropriations and Expenditures (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2015**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Support services:					
Instructional staff	\$ -	\$ 121,303	\$ 123,166	\$ -	\$ (1,863)
General administration	-	2,100	1,471	-	629
Executive administration	-	446,123	447,205	-	(1,082)
Business	-	339,812	340,774	-	(962)
Operation and maintenance of plant	-	33,939	41,308	-	(7,369)
Central	251	100,080	104,526	-	(4,195)
Other	-	305,231	310,130	24	(4,923)
Total encumbrances, appropriations and expenditures	<u>\$ 251</u>	<u>\$ 1,348,588</u>	<u>\$ 1,368,580</u>	<u>\$ 24</u>	<u>\$ (19,765)</u>

**EXHIBIT 13**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended June 30, 2015**

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Unassigned fund balance, beginning		\$ 140,681
Changes:		
Budget summary:		
Revenue surplus (Exhibit 11)	\$ 13,817	
Overdraft of appropriations (Exhibit 12)	<u>(19,765)</u>	
Budget deficit		<u>(5,948)</u>
Unassigned fund balance, ending		<u>\$ 134,733</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 and each major fund of the School Administrative Unit No. 41 as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the School 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 members of the school board, others within the School Administrative Unit No. 14, and is not intended to be, and should not be, used by anyone other than these specified parties.

May 12, 2016

*Roberts & Greene, PLLC*