SCHOOL ADMINISTRATIVE UNIT NO. 41

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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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 aggregate remaining fund information of the School Administrative Unit No. 41, as of and for the year ended June 30, 2014, 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, the major fund, and the aggregate remaining fund information of the School Administrative Unit No. 41, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 22-23 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Administrative Unit No. 41'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.

March 26, 2015

Roberts & Greene, PLLC

SCHOOL ADMINISTRATIVE UNIT #41
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2014

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, 2014. 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 2013-14 school year?" These statements report all assets and liabilities 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.

Government-Wide Financial Analysis

Statement of Net Position

A summary of the District's net position as of June 30, 2014 as compared to June 30. 2013:

School Administrative Unit #41

Statement of Net Position

	2013	2014	Increase (Decrease)	%Increase-(Decrease)
Current and other assets	151,302	193,465	42,163	27.9%
Capital assets	42,269	33,822	(8,447)	(20)%
Total Assets	193,571	227,287	33,716	17.4%
Liabilities	43,504	52,176	8,672	19.9%
Net Position:				
Net Investment in Capital Assets	42,269	33,822	(8,447)	(20)%
Unrestricted	107,798	141,289	33,491	31%
Total Net Position	150,067	175,111	25,044	17%

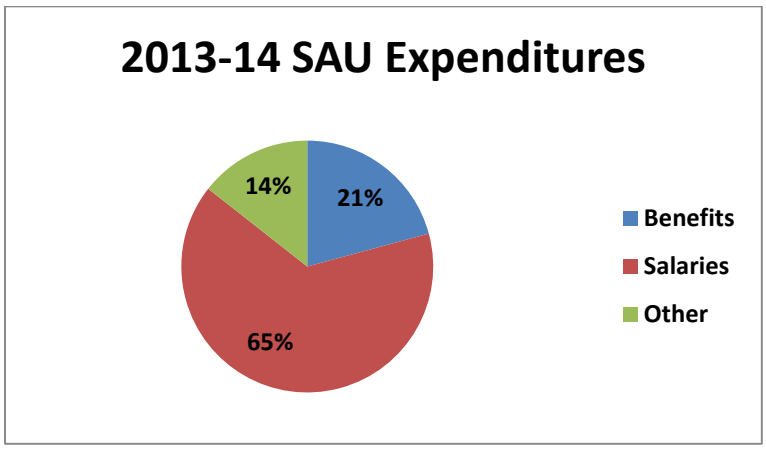
Statement of Activities

Change in net position for fiscal year 2014 compared to fiscal year 2013:

	2014	2013	Change	% Change
Revenues:				
Brookline	256,633	261,105	(4,472)	-1.71%
Hollis	362,594	371,424	(8,830)	-2.38%
Cooperative	719,000	706,103	12,897	1.83%
Interest	62	44	18	40.69%
Miscellaneous	36,749	-	17,470	0.00%
Total Revenues	1,375,038	1,338,676	17,083	1.28%
Program Expenses:				
Instructional Staff	107,052	81,822	12,780	15.62%
General Administration	4,916	1,807	757	41.89%
Executive Administration	426,541	450,953	(27,153)	-6.02%
Business	347,879	323,633	24,246	7.49%
Operation and Maintenance of Plant	44,083	49,608	(6,795)	-13.70%
Central	152,850	112,245	(5,846)	-5.21%
Other	266,673	300,272	(33,599)	-11.19%
Total Expenses	1,349,994	1,320,340	(35,610)	-2.70%
Total	(25,044)	(18,336)	(52,693)	
Profit/(Loss)	25,044	18,336	52,693	

School Administrative Unit #41 Activities

The total cost for all programs and services was $1.35 million. The district's expenses are predominately salaries and benefits which I illustrated below. Administrative headcount remained unchanged from the previous year however the Superintendent was part-time. The significant variance in Executive Administration and Other were the result of the part-time Superintendent which resulted in lower salary and benefit costs.



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, PO Box 1588, 4 Lund Lane, Hollis, NH 03049, by telephone at 603-324-5999, or via email at eric.horton@sau41.org.

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
SCHOOL ADMINISTRATIVE UNIT NO. 41
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 192,195
Other receivables	145
Prepaid items	1,125
Intangible assets, net of accumulated amortizations:	33,822
Total assets	227,287
LIABILITIES	
Accounts payable	32,926
Accrued salaries and benefits	6,011
Intergovernmental payable	10,887
Noncurrent obligations:	
Due in more than one year:	
Other postemployment benefits payable	2,352
Total liabilities	52,176
NET POSITION	
Net investment in capital assets	33,822
Unrestricted	141,289
Total net position	$ 175,111

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, 2014

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes In Net Position
Governmental activities:			
Support services:			
Instructional staff	$ 107,052	$ -	$ (107,052)
General administration	4,916	-	(4,916)
Executive administration	426,541	-	(426,541)
Business	347,879	-	(347,879)
Operation and maintenance of plant	44,083	-	(44,083)
Central	152,850	-	(152,850)
Other	266,673	19,279	(247,394)
Total governmental activities	$ 1,349,994	$ 19,279	(1,330,715)
General revenues:			
School districts' assessments			1,338,227
Miscellaneous			17,532
Total general revenues			1,355,759
Change in net position			25,044
Net position, beginning			150,067
Net position, ending			$ 175,111

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 187,323	$ 4,872	$ 192,195
Accounts receivable	145	-	145
Prepaid items	1,125	-	1,125
Total assets	$ 188,593	$ 4,872	$ 193,465
LIABILITIES AND FUND BALANCES			
AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 32,284	$ 642	$ 32,926
Accrued salaries and benefits	6,011	-	6,011
Intergovernmental payable	9,366	1,521	10,887
Total liabilities	47,661	2,163	49,824
Fund balances:			
Committed	-	2,709	2,709
Assigned	251	-	251
Unassigned	140,681	-	140,681
Total fund balances	140,932	2,709	143,641
Total liabilities and fund balances	$ 188,593	$ 4,872	$ 193,465

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, 2014

Total fund balances of governmental funds (Exhibit 3)		$ 143,641
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	(70,203)	
		33,822
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Other postemployment benefits payable		(2,352)
Net position of governmental activities (Exhibit 1)		$ 175,111

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
School districts' assessments	$ 1,338,227	$ -	$ 1,338,227
Other local	17,532	19,279	36,811
Total revenues	1,355,759	19,279	1,375,038
EXPENDITURES			
Current:			
Support services:			
Instructional staff	107,052	-	107,052
General administration	2,564	-	2,564
Executive administration	426,541	-	426,541
Business	347,879	-	347,879
Operation and maintenance of plant	42,562	1,521	44,083
Central	107,399	37,004	144,403
Other	266,673	-	266,673
Total expenditures	1,300,670	38,525	1,339,195
Net change in fund balances	55,089	(19,246)	35,843
Fund balances, beginning	85,843	21,955	107,798
Fund balances, ending	$ 140,932	$ 2,709	$ 143,641

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, 2014

Net change in fund balances of total governmental funds (Exhibit 5)	$	35,843
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. This is the amount by which amortization expense exceeded capital outlay in the current period.		
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		(2,352)
Change in net position of governmental activities (Exhibit 2)	$	25,044

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2014.

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 the school boards who are elected by the voters. 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.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The major governmental fund is reported in one column with a separate column for the nonmajor fund.

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 a nonmajor fund: the miscellaneous special revenue fund.

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 approved purchase orders.

- Unassigned, which represents the remaining fund balance in the General Fund.

II. Stewardship, Compliance, and Accountability

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 2013 was used in fiscal year 2014.

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: instruction, instructional staff, general administration, executive administration, business, operation and maintenance of plant, central and other support services.

III. Capital Assets

Changes in Capital Assets

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

	Balance, beginning	Additions	Balance, ending
Governmental activities:			
At cost:			
Intangible	104,025	-	104,025
Less accumulated amortization	(61,756)	(8,447)	(70,203)
Net book value	$ 42,269	$ (8,447)	$ 33,822

Amortization Expense

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

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.

Local Government Center Property-Liability Trust, Inc. (the Trust) – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the School 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, 2014 totaled $4,816. The School Administrative Unit also paid $1,820 for unemployment compensation for the fiscal year. There were no unpaid contributions for the year ended June 30, 2014. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for the 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 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 10.77%. Employer contributions from the School Administrative Unit during the fiscal years 2012, 2013, and 2014 were $70,171, $60,078, and $69,005 respectively. The amounts are paid on a monthly basis as due.

IV.C. Other Post-employment Benefits

Plan Description

Benefits provided to retirees follow New Hampshire Revised Statutes Annotaed 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 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 District retirees and their covered dependents. The District 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 173 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, 2014, 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 post-employment benefits is $1,321,119 ($125,148 related to retirees and $1,195,971 related to active employees).

The School Administrative Unit's annual other post-employment 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.

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

Non-Medicare Plans	*Single*	*2-Person*
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
Medicare Plans		
MC3(07)-R$100M$1	565.35	
MC3(07)-RX10/20/30	552.29	
MC3(07)-RX10/20/45	537.06	
MCNRX(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:

Year	Trend
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.

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	7/1/2013-6/30/2014
1. Annual Required Contribution (ARC)	$4,023
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (Expense)	$4,023
5. Contribution made	(1,671)
6. Increase in net OPEB Obligation	2,352
7. Net OPEB Obligation – beginning of year	-
8. Net OPEB Obligation – end of year	$2,352

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2014 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	41.50%	$2,352	$640,720	0.60%

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 7
SCHOOL ADMINISTRATIVE UNIT NO. 41
General Fund
Schedule of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School districts' assessments	$ 1,338,731	$ 1,338,227	$ (504)
Other local	1	17,532	17,531
Total revenues	1,338,732	1,355,759	17,027
EXPENDITURES			
Current:			
Instruction	-	(450)	450
Support services:			
Instructional staff	105,001	95,052	9,949
General administration	2,100	2,564	(464)
Executive administration	450,504	423,800	26,704
Business	330,947	347,879	(16,932)
Operation and maintenance of plant	33,939	42,562	(8,623)
Central	100,993	106,650	(5,657)
Other	315,248	266,673	48,575
Total expenditures	1,338,732	1,284,730	54,002
Net change in fund balance	$ -	71,029	$ 71,029
Decrease in nonspendable fund balance		500	
Unassigned fund balance, beginning		69,152	
Unassigned fund balance, ending		$ 140,681	

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

EXHIBIT 8
SCHOOL ADMINISTRATIVE UNIT NO. 41
Other Postemployment Benefits
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	$ -	$ 25,817	$ 25,817	0.0%	$ 640,720	4.0%

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

SCHOOL ADMINISTRATIVE UNIT NO. 41
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Reconciliation of Budgetary Basis to GAAP

General Fund:

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	$ 1,284,730
Adjustments:	
Basis difference:	
Encumbrances, beginning	16,191
Encumbrances, ending	(251)
Per Exhibit 5 (GAAP basis)	$ 1,300,670

INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 9
SCHOOL ADMINISTRATIVE UNIT NO. 41
General Fund
Schedule of Estimated and Actual Revenues
For the Fiscal Year Ended June 30, 2014

	Estimated	Actual	Variance Positive (Negative)
School districts' assessments:			
Current appropriation	$ 1,338,731	$ 1,338,227	$ (504)
Other local sources:			
Investment earnings	1	61	60
Miscellaneous	-	17,471	17,471
Total other local sources	1	17,532	17,531
Total revenues	$ 1,338,732	$ 1,355,759	$ 17,027

EXHIBIT 10
SCHOOL ADMINISTRATIVE UNIT NO. 41
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Special programs	$ 450	$ -	$ -	$ -	$ 450
Support services:					
Instructional staff	12,000	105,001	107,052	-	9,949
General administration	-	2,100	2,564	-	(464)
Executive administration	2,741	450,504	426,541	-	26,704
Business	-	330,947	347,879	-	(16,932)
Operation and maintenance of plant	-	33,939	42,562	-	(8,623)
Central	1,000	100,993	107,399	251	(5,657)
Other	-	315,248	266,673	-	48,575
Total support services	15,741	1,338,732	1,300,670	251	53,552
Total encumbrances, appropriations and expenditures	$ 16,191	$ 1,338,732	$ 1,300,670	$ 251	$ 54,002

EXHIBIT 11
SCHOOL ADMINISTRATIVE UNIT NO. 41
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

Unassigned fund balance, beginning		$ 69,152
Budget summary:		
Revenue surplus (Exhibit 9)	$ 17,027	
Unexpended balance of appropriations (Exhibit 10)	54,002	
Budget surplus		71,029
Decrease in nonspendable fund balance		500
Unassigned fund balance, ending		$ 140,681

INDEPENDENT AUDITOR'S REPORT 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 aggregate remaining fund information of the School Administrative Unit No. 41 as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the School Administrative Unit No. 41'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 No. 41'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 No. 41, and is not intended to be, and should not be, used by anyone other than these specified parties.

March 26, 2015

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