

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**TABLE OF CONTENTS**

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS.....</b>	3 - 8

**BASIC FINANCIAL STATEMENTS**

<b>Government-wide Financial Statements</b>	
A Statement of Net Position .....	9
B Statement of Activities .....	10
<b>Fund Financial Statements</b>	
<i>Governmental Funds</i>	
C-1 Balance Sheet .....	11
C-2 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	12
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	13
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	14
<i>Budgetary Comparison Information</i>	
D-1 Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	15
D-2 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) – E-Rate Fund .....	16
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS .....</b>	17 - 28

**REQUIRED SUPPLEMENTARY INFORMATION**

E Schedule of Funding Progress for Other Postemployment Benefit Plan .....	29
F Schedule of the School Administrative Unit's Proportionate Share of Net Pension Liability.....	30
G Schedule of School Administrative Unit Contributions .....	31
<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION .....</b>	32 - 34

**INDIVIDUAL FUND SCHEDULES**

<b>Governmental Funds</b>	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	35
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis) .....	36
3 Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) .....	37



## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

### ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the School Board  
School Administrative Unit No. 39  
Amherst, New Hampshire

We have audited the accompanying financial statements of the governmental activities and each major fund of the School Administrative Unit No. 39 as of and for the year ended June 30, 2016, 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 School Administrative Unit No. 39, as of June 30, 2016, and the respective changes in financial position and, the respective budgetary comparison for the general fund and the E-Rate fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of the School Administrative Unit's Proportionate Share of Net Pension Liability, and the Schedule of School Administrative Unit Contributions 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

*School Administrative Unit No. 39*  
*Independent Auditor's Report*

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. 39's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual 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 fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Plodzik & Sanderson*  
*Professional Association*

December 21, 2016

**School Administrative Unit #39**  
**Management's Discussion and Analysis (MD&A)**  
**Of the Annual Financial Report for the Year Ended June 30, 2016**

**INTRODUCTION**

The Superintendent of Schools and Business Administrator of New Hampshire School Administrative Unit (SAU) #39 offer readers of the SAU's annual financial statements this narrative discussion and analysis of the financial activities of the SAU for the fiscal year which ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

**FINANCIAL HIGHLIGHTS**

- The SAU's total net position of (\$1,345,847) on June 30, 2016, consisted of \$196,844 in capital assets net of debt, \$830 restricted for use for Brick School Improvements, and (\$1,543,521) unrestricted net position balance. This was an increase of \$190,701 from the previous fiscal year. See Note 10.
- Governmental funds reported combined ending fund balances of \$228,559, an increase of \$10,833 from the previous fiscal year. The General Fund shows an ending fund balance of \$158,183, a decrease of \$9,565, and the E-Rate fund shows an ending balance of \$70,376, an increase of \$20,398 from the previous fiscal year. See Note 11.
- The SAU's non-current portion of long-term obligations of \$1,700,373 consisted of \$127,528 in compensated absences, \$31,817 in other postemployment benefits, and \$1,541,028 in pension liability. These liabilities are reflected as a reduction in net position. See Exhibit C-2 and Note 7.

**OVERVIEW OF 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 three sections together provide a comprehensive overview of the SAU. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the SAU's finances, in a manner similar to a private-sector business, and to provide both long-term and short-term information.

The Statement of Net Position presents information on all of the SAU's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. This statement of net position includes debt, contractual obligations and compensable absences as elements of the liabilities of the SAU.

The Statement of Activities presents information showing how the SAU's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. Growth in net position over time can generally be expected to reflect improving financial condition, while shrinkage would indicate declining financial condition. Other indicators of financial health might be changes in SAU revenues, facility condition, growth/decline in student population, and adequacy of SAU budgets.

The Government-wide Financial Statements show functions of the SAU that are principally supported by property taxes and intergovernmental revenues as "Governmental Activities". Intergovernmental revenues include local, state and federal monies. The governmental activities of the SAU include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

**Fund Financial Statements.** The fund financial statements provide more detailed information about the SAU's most significant funds – not the SAU as a whole. Funds are accounting devices that the SAU uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The School Administrative Unit Board establishes other funds to control and manage money for particular purposes or to show that the SAU is meeting legal responsibilities for using certain revenues. All the funds of the SAU are included in one category, governmental funds.

- Governmental funds – Most of the SAU's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow 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 one to determine whether there are more or fewer financial resources that can be spent in the near future to finance the SAU's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the governmental funds statements explaining the relationship (or differences) between them.

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

## NET POSITION

**Net Position for the period ending June 30, 2016.** The current year's net position is higher than last year's. The SAU combined net position was (\$1,345,847) at June 30, 2016 compared to (\$1,536,548) at June 30, 2015.

Summary of Net Position			
Governmental Activities			
	June 30, 2016	June 30, 2015	Increase/(Decrease)
Current Assets	282,995	257,411	229,514
Noncurrent Assets	196,844	53,481	(60,567)
Total Assets	479,839	310,892	168,947
Deferred Outflows of Resources	239,458	130,504	108,954
Current Liabilities	53,717	38,983	14,734
Noncurrent Liabilities	1,700,373	1,669,040	31,333
Total Liabilities	1,754,090	1,708,023	46,067
Deferred Inflows of Resources	311,054	269,921	41,133
Net Investment in Capital Assets	196,844	53,481	143,363
Restricted	830	0	830
Unrestricted Net Position (Deficit)	(1,543,521)	(1,590,029)	46,508
Total Net Position	(1,345,847)	(1,536,548)	190,701

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

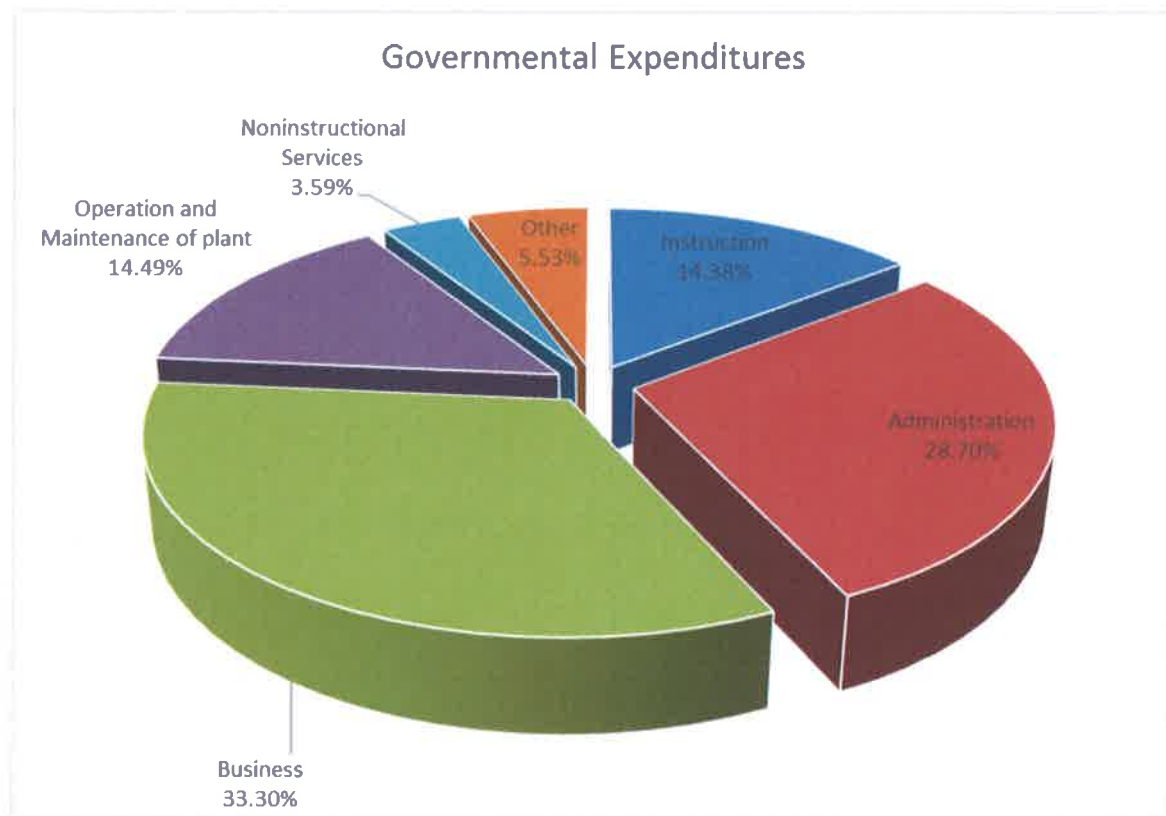
**Changes in Net Position.** The SAU's total revenue was \$2,203,606 and the total expenses \$2,012,905 resulting in an increase of net position of \$190,701. The largest part of the SAU's revenue came from the school district assessment. The majority of the SAU's expenses were for Business.

Summary of Changes in Net Position  
Governmental Activities

	June 30, 2016	June 30, 2015	Increase/(Decrease)
<b>Revenues:</b>			
<b>Program Revenue:</b>	44,460	34,965	9,495
<b>General Revenue:</b>			
School District Assessment	2,153,406	2,094,546	58,860
Unrestricted Investment Income	201	200	1
Miscellaneous	5,539	9,264	(3,725)
<b>Total Revenues</b>	<b>2,203,606</b>	<b>2,138,975</b>	<b>64,631</b>
<b>Expenses:</b>			
Instruction	311,914	254,059	57,855
General Administration	35,852	1,569,501	(1,533,649)
Executive Administration	551,259	-	551,529
Business	706,664	-	706,664
Operation and Maintenance of Plant	188,978	169,956	19,022
Other	144,053	-	144,053
Noninstructional Services	74,185	81,634	(7,449)
<b>Total Expenses</b>	<b>2,012,905</b>	<b>2,075,150</b>	<b>(62,245)</b>
<b>Change in Net Position</b>	<b>190,701</b>	<b>63,825</b>	<b>126,876</b>
Net Position, beginning, as restated	(1,536,548)	(1,600,373)	63,825
<b>Net Position, ending</b>	<b>(1,345,847)</b>	<b>(1,536,548)</b>	<b>190,701</b>



**Summary of Net Expenditures.** The SAU used its resources as depicted below. The majority of expenditures were for Business 33.3%. Administration totals 28.7%. The remaining 38% was used for instructional services, operation and maintenance of plant, non-instructional services, and other. This expenditure statement includes expenditures from the General Fund and E-Rate Fund.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The SAU considers a capital asset to be an asset whose cost equals or exceeds \$5,000 and has a useful life of greater than two years. Assets are depreciated using the straight-line method over the course of their estimated useful life. On June 30, 2016, the SAU reported capital assets of \$196,844. More detailed information about the SAU's capital assets is presented in the notes to the financial statements.

	2016	2015	2016 over 2015
Buildings & Improvements	182,570	53,139	\$129,431
Machinery & Equipment	115,880	218,085	(\$102,205)
<b>Totals at Historical Cost</b>	298,450	271,224	\$27,226
Total Accumulated Depreciation	(101,606)	(217,743)	\$116,137
NET CAPITAL ASSETS	196,844	53,481	\$143,363

### Long-Term Debt

The SAU has no general obligation bond debt. Compensated absences had a net increase in potential future payments of \$32,754. The liabilities for other post-employment benefits had a net increase in potential future payments of \$5,502, and net pension liability had a net decrease of \$6,923.

## CONTACTING THE SAU'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the SAU's finances and to demonstrate the SAU's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Peter Warburton, Superintendent, or Adam Steel, Business Administrator, at (603) 673-2690 or by mail at:

SAU #39  
ATTN: Business Office  
PO Box 849  
Amherst, NH 03031

## ***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
*Statement of Net Position*  
*June 30, 2016*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 246,408
Accounts receivable	16,932
Intergovernmental receivable	19,011
Prepaid items	644
Capital assets, net of accumulated depreciation	196,844
Total assets	<u>479,839</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	<u>239,458</u>
<b>LIABILITIES</b>	
Accounts payable	17,862
Accrued salaries and benefits	20,086
Intergovernmental payable	15,769
Noncurrent obligations:	
Due within one year	38,954
Due in more than one year	1,661,419
Total liabilities	<u>1,754,090</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	719
Related to pensions	310,335
Total deferred inflows of resources	<u>311,054</u>
<b>NET POSITION</b>	
Net investment in capital assets	196,844
Restricted	830
Unrestricted	(1,543,521)
Total net position	<u>\$ (1,345,847)</u>

**EXHIBIT B**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
*Statement of Activities*  
**For The Fiscal Year Ended June 30, 2016**

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change In Net Position
Instruction	\$ 311,914	\$ -	\$ (311,914)
Support services:			
General administration	35,852	-	(35,852)
Executive administration	551,259	-	(551,259)
Business	706,664	-	(706,664)
Operation and maintenance of plant	188,978	-	(188,978)
Other	144,053	44,460	(99,593)
Noninstructional services	74,185	-	(74,185)
Total governmental activities	<u>\$ 2,012,905</u>	<u>\$ 44,460</u>	<u>(1,968,445)</u>
General revenues:			
School districts' assessments			2,153,406
Unrestricted investment income			201
Miscellaneous			<u>5,539</u>
Total general revenues			<u>2,159,146</u>
Change in net position			190,701
Net position, beginning			<u>(1,536,548)</u>
Net position, ending			<u><u>\$ (1,345,847)</u></u>

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

**EXHIBIT C-1**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**Governmental Funds**  
**Balance Sheet**  
**For The Fiscal Year Ended June 30, 2016**

	General	E-Rate	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 192,964	\$ 53,444	\$ 246,408
Accounts receivable	-	16,932	16,932
Intergovernmental receivable	19,011	-	19,011
Prepaid items	644	-	644
Total assets	<u>\$ 212,619</u>	<u>\$ 70,376</u>	<u>\$ 282,995</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 17,862	\$ -	\$ 17,862
Accrued salaries and benefits	20,086	-	20,086
Intergovernmental payable	15,769	-	15,769
Total liabilities	<u>53,717</u>	<u>-</u>	<u>53,717</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>719</u>	<u>-</u>	<u>719</u>
<b>FUND BALANCES</b>			
Nonspendable	644	-	644
Restricted	830	-	830
Committed	-	70,376	70,376
Unassigned	156,709	-	156,709
Total fund balances	<u>158,183</u>	<u>70,376</u>	<u>228,559</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 212,619</u>	<u>\$ 70,376</u>	<u>\$ 282,995</u>

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

*EXHIBIT C-2*  
*SCHOOL ADMINISTRATIVE UNIT NO. 39*  
*Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position*  
*For The Fiscal Year Ended June 30, 2016*

Total fund balances of governmental funds (Exhibit C-1)		\$ 228,559
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 298,450	
Less accumulated depreciation	<u>(101,606)</u>	
		196,844
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 239,458	
Deferred inflows of resources related to pensions	<u>(310,335)</u>	
		(70,877)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Compensated absences	\$ 127,528	
Other postemployment benefits	31,817	
Net pension liability	<u>1,541,028</u>	
		<u>(1,700,373)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (1,345,847)</u></u>

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

**EXHIBIT C-3**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For The Fiscal Year Ended June 30, 2016**

	General	E-Rate	Total Governmental Funds
<b>REVENUES</b>			
School districts' assessments	\$ 2,153,406	\$ -	\$ 2,153,406
Other local	5,740	44,460	50,200
Total revenues	<u>2,159,146</u>	<u>44,460</u>	<u>2,203,606</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	311,914	-	311,914
Support services:			
Executive administration	622,336	-	622,336
Business	722,264	-	722,264
Operation and maintenance of plant	314,337	-	314,337
Other	119,991	24,062	144,053
Noninstructional services	77,869	-	77,869
Total expenditures	<u>2,168,711</u>	<u>24,062</u>	<u>2,192,773</u>
Net change in fund balances	(9,565)	20,398	10,833
Fund balances, beginning	167,748	49,978	217,726
Fund balances, ending	<u>\$ 158,183</u>	<u>\$ 70,376</u>	<u>\$ 228,559</u>

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



**EXHIBIT C-4**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For The Fiscal Year Ended June 30, 2016*

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 10,833
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.		
Depreciation expense		143,363
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 expenses.		
Contributions subsequent to the measurement date	\$ 140,524	
Net pension expense	<u>(65,763)</u>	
		74,761
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Increase in compensated absences payable	\$ (32,754)	
Increase in other postemployment benefits	<u>(5,502)</u>	
		<u>(38,256)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 190,701</u></u>

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

**EXHIBIT D-1**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For The Fiscal Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
School districts' assessments	\$ 2,153,406	\$ 2,153,406	\$ 2,153,406	\$ -
Other local	-	1,483	5,740	4,257
Total revenues	2,153,406	2,154,889	2,159,146	4,257
<b>EXPENDITURES</b>				
Current:				
Instruction	311,796	322,194	311,914	10,280
Support services:				
Executive administration	785,329	700,149	622,336	77,813
Business	712,065	740,075	722,264	17,811
Operation and maintenance of plant	180,322	219,732	218,902	830
Other	114,167	119,992	119,991	1
Noninstructional	75,132	78,152	77,869	283
Total expenditures	2,178,811	2,180,294	2,073,276	107,018
Net change in fund balance	\$ (25,405)	\$ (25,405)	85,870	\$ 111,275
Increase in nonspendable fund balance			(103)	
Increase in restricted fund balance			(830)	
Unassigned fund balance, beginning			71,772	
Unassigned fund balance, ending			\$ 156,709	

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

**EXHIBIT D-2**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (GAAP Basis)*  
**E-Rate Fund**  
**For The Fiscal Year Ended June 30, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Local	\$ 34,650	\$ 44,460	\$ 9,810
<b>EXPENDITURES</b>			
Current:			
Support services:			
Other	34,650	24,062	10,588
Net change in fund balance	\$ -	20,398	\$ 20,398
Fund balance, beginning		49,978	
Fund balance, ending		\$ 70,376	

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

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

	<b><u>NOTE</u></b>
<b>Summary of Significant Accounting Policies .....</b>	<b>1</b>
Reporting Entity .....	1-A
Basis of Accounting, Measurement Focus, and Financial Statement Presentation .....	1-B
Cash and Cash Equivalents .....	1-C
Receivables .....	1-D
Prepaid Items .....	1-E
Capital Assets .....	1-F
Deferred Outflows/Inflows of Resources .....	1-G
Long-term Obligations .....	1-H
Compensated Absences .....	1-I
Defined Benefit Pension Plan .....	1-J
Net Position/Fund Balances .....	1-K
<b>Stewardship, Compliance, and Accountability .....</b>	<b>2</b>
Budgetary Information .....	2-A
Budgetary Reconciliation to GAAP Basis .....	2-B

***DETAILED NOTES ON ALL FUNDS***

<b>Cash and Cash Equivalents .....</b>	<b>3</b>
<b>Receivables .....</b>	<b>4</b>
<b>Capital Assets .....</b>	<b>5</b>
<b>Deferred Outflows/Inflows of Resources .....</b>	<b>6</b>
<b>Long-term Liabilities .....</b>	<b>7</b>
<b>Defined Benefit Pension Plan .....</b>	<b>8</b>
<b>Other Postemployment Benefits (OPEB) .....</b>	<b>9</b>
<b>Governmental Activities Net Position .....</b>	<b>10</b>
<b>Governmental Fund Balances .....</b>	<b>11</b>
<b>Risk Management .....</b>	<b>12</b>
<b>Subsequent Events .....</b>	<b>13</b>

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***1-A Reporting Entity***

The School Administration Unit No. 39, in Amherst, New Hampshire (the School Administrative Unit) is a municipal corporation governed by an elected 17-member School Administrative Unit Board. The accounting policies of the School Administrative Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States.

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

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

The accounts of the School Administrative Unit are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements*** – The School Administrative Unit’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the School Administrative Unit.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the School Administrative Unit’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School Administrative Unit are reported in operating grants and contributions.

***Governmental Fund Financial Statements*** – Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The School Administrative Unit has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. (The School Administrative Unit’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues) and decreases (expenditures) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the School Administrative Unit, are district assessments and other local sources. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**Major Funds** – The School Administrative Unit reports the following major governmental funds:

**General Fund** – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**E-Rate Fund** – Accounts for the resources received from Federal Communications Commission's Universal Service Fund. The resources provide discounted telecommunications, internet access, and internal connections to eligible schools.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Prioritization and Use of Available Resources** – When both restricted and unrestricted resources are available for use, it is the School Administrative Unit's practice to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources are available for use in the general fund, it is the School Administrative Unit's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources are available for use in any other governmental fund, it is the School Administrative Unit's policy to use committed resources first, then assigned, and then unassigned as needed.

**1-C Cash and Cash Equivalents**

The School Administrative Unit considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist of demand deposits. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

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

**1-D Receivables**

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

**1-E Prepaid Items**

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

**1-F Capital Assets**

General capital assets are those assets of a capital nature which the School Administrative Unit owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School Administrative Unit maintains a capitalization threshold of \$5,000 and more than two years of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and building improvements	20-25
Software and equipment	5-20

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

***1-G Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***1-H Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

***1-I Compensated Absences***

The School Administrative Unit's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

An expense and a liability for vacation, sick pay, and salary-related payments are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

***1-J Defined Benefit Pension Plan***

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

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

***1-K Net Position/Fund Balances***

Net position in government-wide financial statements is classified as follows:

**Net Investment in Capital Assets** – This classification includes the School Administrative Unit's capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

***SCHOOL ADMINISTRATIVE UNIT NO. 39***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***AS OF AND FOR THE FISCAL YEAR ENDED***  
***JUNE 30, 2016***

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

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

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School Administrative Unit Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Unassigned** – This classification is the portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

***2-A Budgetary Information***

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2016, \$25,405 of the beginning general fund unassigned fund balance was applied for this purpose.



**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**2-B Budgetary Reconciliation to GAAP Basis**

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

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

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

Expenditures:	
Per Exhibit D-1 (budgetary basis)	\$ 2,073,276
Adjustments:	
Basis difference:	
Encumbrances, beginning	95,435
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,168,711</u>

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The School Administrative Unit's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School Administrative Unit's agent in the School Administrative Unit's name. The FDIC currently insures the first \$250,000 of the School Administrative Unit's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the School Administrative Unit's deposits was \$246,408 and the bank balances totaled \$300,784.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2016, consisted of accounts and intergovernmental amounts arising from E-Rate funds and amounts owed from school district members of School Administrative Unit No. 39. Receivables are recorded on the School Administrative Unit's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 consisted of the following:

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Being depreciated:				
Buildings and building improvements	\$ 53,139	\$ 129,431	-	\$ 182,570
Software and equipment	218,085	30,870	(133,075)	115,880
Total capital assets	<u>271,224</u>	<u>160,301</u>	<u>(133,075)</u>	<u>298,450</u>
Less accumulated depreciation:				
Buildings and building improvements	(8,589)	(8,489)	-	(17,078)
Software and equipment	(209,154)	(8,449)	133,075	(84,528)
Total accumulated depreciation	<u>(217,743)</u>	<u>(16,938)</u>	<u>133,075</u>	<u>(101,606)</u>
Net book value, all capital assets	<u>\$ 53,481</u>	<u>\$ 143,363</u>	<u>\$ -</u>	<u>\$ 196,844</u>

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

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

Support services:	
General administration	\$ 4,316
Business	3,900
Operation and maintenance of plant	8,722
Total depreciation expense	<u>\$ 16,938</u>

**NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$239,458 in the government-wide activities at June 30, 2016 consists of amounts related to pensions, see Note 8 for further information on deferred amounts related to pensions.

Deferred inflows of resources of \$310,335 in the government-wide activities at June 30, 2016 consists of amounts related to pensions, see Note 8 for further information on deferred amounts related to pensions.

**NOTE 7 – LONG-TERM LIABILITIES**

Changes in the School Administrative Unit's long-term liabilities consisted of the following for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Net other postemployment benefits	\$ 26,315	\$ 5,502	\$ -	\$ 31,817	\$ -
Compensated absences	94,774	32,754	-	127,528	38,954
Net pension liability	1,547,951	-	(6,923)	1,541,028	-
Total long-term liabilities	<u>\$ 1,669,040</u>	<u>\$ 38,256</u>	<u>\$ (6,923)</u>	<u>\$ 1,700,373</u>	<u>\$ 38,954</u>

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**Plan Description:** The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years.

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by  $\frac{1}{4}$  of 1% or age 60.

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

**Contributions:** The System is financed by contributions from both the employees and the School Administrative Unit. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2016, the School Administrative Unit contributed 11.17% for other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$107,546, \$133,790, and \$138,714, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2016 the School Administrative Unit reported a liability of \$1,541,028 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Administrative Unit's proportion of the net pension liability was based on a projection of the School Administrative Unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and School Administrative Units, actuarially determined. At June 30, 2015, the School Administrative Unit's proportion was 0.03889985% which was a decrease of 0.00230015% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School Administrative Unit recognized pension expense of \$65,763. At June 30, 2016 the School Administrative Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 136,399
Net difference between projected and actual investment earnings on pension plan investments	98,934	140,120
Difference between expected and actual experience	-	33,816
Contributions subsequent to the measurement date	140,524	-
Total	<u>\$ 239,458</u>	<u>\$ 310,335</u>

The \$140,524 reported as deferred outflows of resources related to pensions results from the School Administrative Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2016	\$ (63,475)
2017	(63,475)
2018	(63,475)
2019	(10,706)
2020	(10,270)
Totals	<u>\$ (211,401)</u>

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions which, apply to 2015 measurements:

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% net of pension plan investment expense, including inflation

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.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

**Long-term Rates of Return:** The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2015:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2015
Large Cap Equities	22.50%	3.00%
Small/Mid Cap Equities	7.50%	3.00%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.00%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	(0.70%)
Short Duration	2.50%	(1.00%)
Global Multi-Sector Fixed Income	11.00%	0.28%
Unconstrained Fixed Income	7.00%	0.16%
Total fixed income	25.00%	
Private equity	5.00%	5.50%
Private debt	5.00%	4.50%
Real estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
Total alternative investments	25.00%	
Total	100.00%	

**Discount Rate:** The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**Sensitivity of the School Administrative Unit's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:** The following table 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 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2015	\$ 1,923,241	\$ 1,541,028	\$ 1,069,444
June 30, 2014	\$ 2,038,903	\$ 1,547,951	\$ 1,133,759
June 30, 2013	\$ 2,389,096	\$ 1,861,450	\$ 1,421,759

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

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

The School Administrative Unit has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2016:

Annual required contribution/OPEB cost	\$ 8,245
Interest on net OPEB obligation	1,053
Adjustment to annual required contribution	(1,492)
Annual OPEB cost (expense)	7,795
Contributions made	2,293
Increase in net OPEB obligation	5,502
Net OPEB obligation - beginning of year	26,315
Net OPEB obligation - end of year	<u>\$ 31,817</u>

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

The School Administrative Unit's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the four preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2016	\$ 7,795	\$ 2,293	29.42%	\$ 31,817
June 30, 2015	\$ 7,934	\$ 181	2.28%	\$ 26,315
June 30, 2014	\$ 13,828	\$ 7,500	54.24%	\$ 18,562
June 30, 2013	\$ 13,262	\$ 4,642	35.00%	\$ 12,234
June 30, 2012	\$ 12,726	\$ 9,112	71.60%	\$ 3,614

As of July 1, 2014, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$46,599, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$46,599. The covered payroll (annual payroll of active employees covered by the plan) was \$1,301,233 during fiscal year 2016, and the ratio of the UAAL to the covered payroll was 3.6%.

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

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

In the July 1, 2014 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2016 was 28 years.

**NOTE 10 – GOVERNMENTAL ACTIVITIES NET POSITION**

The governmental activities net position at June 30, 2016 consisted of the following:

	Governmental Activities
Net investment in capital assets:	
Net property, buildings, and equipment	\$ 196,844
Restricted	830
Unrestricted	(1,543,521)
Total net position	<u>\$ (1,345,847)</u>

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 11 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2016 consist of the following:

	General Fund	E-Rate Fund	Total Governmental Funds
<b>Nonspendable:</b>			
Prepaid	\$ 644	\$ -	\$ 644
<b>Restricted:</b>			
Reserve for special purpose	830	-	830
<b>Committed:</b>			
Special revenue - technology	-	70,376	70,376
<b>Unassigned</b>	156,709	-	156,709
Total governmental fund balances	<u>\$ 158,183</u>	<u>\$ 70,376</u>	<u>\$ 228,559</u>

**NOTE 12 – RISK MANAGEMENT**

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2016 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the School Administrative Unit billed and paid for the year ended June 30, 2016 was \$6,870 for workers' compensation and \$4,872 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 21, 2016, the date the June 30, 2016 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***



**EXHIBIT E**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
*Schedule of Funding Progress for Other Postemployment Benefit Plan*  
*For The Fiscal Year Ended June 30, 2016*

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2014	\$ -	\$ 46,599	\$ 46,599	0.00%	\$ 1,275,719	3.70%
July 1, 2011	\$ -	\$ 46,126	\$ 46,126	0.00%	\$ 1,256,685	3.70%
July 1, 2008	\$ -	\$ 60,225	\$ 60,225	0.00%	\$ 1,198,251	5.00%

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

**EXHIBIT F**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
*Schedule of the School Administrative Unit's Proportionate Share of Net Pension Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For The Fiscal Year Ended June 30, 2016*

Fiscal Year End	Valuation Date	Administrative Unit's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Administrative Unit Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2016	July 1, 2015	0.03889985%	\$ 1,541,028	\$ 1,250,041	123.28%	65.47%
June 30, 2015	July 1, 2014	0.04120000%	\$ 1,547,951	\$ 1,281,510	120.79%	66.32%
June 30, 2014	July 1, 2013	0.04330000%	\$ 1,861,450	\$ 1,268,235	146.77%	59.81%

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

**EXHIBIT G**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
*Schedule of School Administrative Unit Contributions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For The Fiscal Year Ended June 30, 2016*

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2016	July 1, 2015	\$ 130,504	\$ 130,504	\$ -	\$ 1,250,041	10.44%
June 30, 2015	July 1, 2014	\$ 133,790	\$ 133,790	\$ -	\$ 1,281,510	10.44%
June 30, 2014	July 1, 2013	\$ 107,546	\$ 107,546	\$ -	\$ 1,268,235	8.48%

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

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

***Schedule of Funding Progress for Other Postemployment Benefits (OPEB)***

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit E represents the actuarial determined costs associated with the School Administrative Unit's other postemployment benefits at June 30, 2016, and the two preceding years.

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

**Assumption and Methodology:**

**Census Collection Date:** The census used in this report represents the eligible population as of July 1, 2014.

**Mortality:** RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA.

**Discount Rate:** An interest rate of 4.00% was used.

**Retirement Rates:** The following are representative assumed retirement rates for eligible employees.

Age	Male	Female
<50	0.00000	0.00000
50	0.03010	0.03000
60	0.12500	0.13000
65	0.24000	0.19000
>=70	1.00000	1.00000

**Termination Rates:** These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement:

Age	Male	Female
35	0.05500	0.06000
40	0.04500	0.05000
45	0.04000	0.04000
50	0.03500	0.03500

**Participation Rate:** It was assumed that 85% of future retirees eligible for coverage will elect the will elect coverage under the MTB5 (07) RX 10 / 20 / 45 plan. Part time employees who are less than 75% full-time-equivalent are excluded from the valuation.

**Percent Married:** It was assumed that 80% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used.

**Per Capita Costs:** Are based on the premiums levels of the plans utilized. The premium levels are summarized in the plan provisions in section of this report. The premiums paid by the School Administrative Unit are independent of the School Administrative Unit's experience and demographic profile, and are expected to change consistent with a community rated plan.

**Trend:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

Year	Medical
June 30, 2015	(1.53%)
June 30, 2016	9.00%
June 30, 2017	8.00%
June 30, 2018	7.00%
June 30, 2019	6.00%
June 30, 2020	5.00%

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**Actuarial Value of Assets:** None.

**Administrative Expenses:** Included in the premiums used.

**Actuarial Cost Method:** This report was developed using the Entry Age Normal (EAN) - Level Dollar Open Method cost method.

**Morbidity/Implicit Rate Subsidy (Pre 65 Employees):** Benefits provided by the School Administrative Unit are experienced rated benefits. The premiums offered to the active and retired employee are identical in terms of costs and scope. This offering of benefits is referred to as blended rate premiums.

When 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 from the insurer, GASB 45 requires the School Administrative Unit to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

For the purpose of this valuation, the following morbidity table was used to adjust the blended premiums based on an average age of the pre 65 population of 56 as of July 1, 2014. This illustration is based on the MTB5 (07) RX 10 / 20 / 45 plan.

Age	Factor	Adjusted Per Capita
20	42.11%	\$3,524.85
25	45.37%	\$3,797.26
30	49.60%	\$4,151.54
35	55.03%	\$4,606.15
40	61.96%	\$5,186.07
45	70.79%	\$5,925.03
55	96.53%	\$8,079.38
56	100.00%	\$8,370.24
60	115.20%	\$9,642.22

**Additional Comments:** The amounts in this OPEB valuation represent a closed group and do not reflect new entrants after the census collection date, July 1, 2014.

***Schedule of the School Administrative Unit's Proportionate Share of Net Pension Liability & Schedule of School Administrative Unit Contributions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the School Administrative Unit's pension plan at June 30, 2016.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2015:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 years beginning July 1, 2015 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	3.80% per year
Investment Rate of Return	7.75% per year

***SCHOOL ADMINISTRATIVE UNIT NO. 39***  
***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***  
***FOR THE FISCAL YEAR ENDED***  
***JUNE 30, 2016***

Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	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.
<b>Other Information:</b>	
Notes	Contribution rates for Fiscal Year 2015 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

***INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
**For The Fiscal Year Ended June 30, 2016**

	Estimated	Actual	Variance Positive (Negative)
School districts' assessments:			
Current appropriation	\$ 2,153,406	\$ 2,153,406	\$ -
Other local sources:			
Investment income	-	201	201
Miscellaneous	1,483	5,539	4,056
Total from other local sources	1,483	5,740	4,257
Total revenues	2,154,889	\$ 2,159,146	\$ 4,257
Fund balance used to reduce school districts' assessments	25,405		
Total revenues and use of fund balance	\$ 2,180,294		



**SCHEDULE 2**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For The Fiscal Year Ended June 30, 2016**

	Encumbered from Prior Year	Appropriations	Expenditures	Variance Positive (Negative)
Current:				
Instruction:				
Special programs	\$ -	\$ 320,711	\$ 310,431	\$ 10,280
Other	-	1,483	1,483	-
Total instruction	-	322,194	311,914	10,280
Support services:				
Executive administration	-	700,149	622,336	77,813
Business	-	740,075	722,264	17,811
Operation and maintenance of plant	95,435	219,732	314,337	830
Other	-	119,992	119,991	1
Total support services	95,435	1,779,948	1,778,928	96,455
Noninstructional	-	78,152	77,869	283
Total appropriations, expenditures, and encumbrances	\$ 95,435	\$ 2,180,294	\$ 2,168,711	\$ 107,018

**SCHEDULE 3**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**Major General Fund**  
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*  
*For The Fiscal Year Ended June 30, 2016*

Unassigned fund balance, beginning		\$ 71,772
Changes:		
Fund balance used to reduce school districts' assessments		(25,405)
2015-2016 Budget summary:		
Revenue surplus (Schedule 1)	\$ 4,257	
Unexpended balance of appropriations (Schedule 2)	<u>107,018</u>	
2015-2016 Budget surplus		111,275
Increase in nonspendable fund balance		(103)
Increase in restricted fund balance		<u>(830)</u>
Unassigned fund balance, ending (Non-GAAP budgetary basis)		<u><u>\$ 156,709</u></u>