

**SCHOOL ADMINISTRATION UNIT NO. 39**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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## **PLODZIK & SANDERSON**

*Professional Association/Accountants & Auditors*

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

To the Members of the School Administrative Unit 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, 2017, and the related notes to the financial statements, which collectively comprise the School Administrative Unit's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School Administrative Unit No. 39, as of June 30, 2017, 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 (pages 3–6), the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 26), the Schedule of School Administrative Unit's Proportionate Share of Net Pension Liability (page 27), and the Schedule of School Administrative Unit Contributions (page 28) 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,

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

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. 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.

December 14, 2017

*Plodzik & Sanderson*  
*Professional Association*

**School Administrative Unit #39**  
**Management's Discussion and Analysis (MD&A)**  
**Of the Annual Financial Report for the Year Ended June 30, 2017**

## **INTRODUCTION**

The Superintendent of Schools and Business Administrator of New Hampshire School Administrative Unit (SAU) #39 offer this Management's Discussion and Analysis of the financial activities of SAU #39 for the fiscal year which ended June 30, 2017. Readers are encouraged 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 (\$1,458,162) on June 30, 2017, consisted of \$209,566 in capital assets- an increase of \$12,712, \$830 restricted for Brick School Improvements, and (\$1,668,548) unrestricted net position balance- a decrease of \$125,027. This was a decrease in Total Net Position of \$112,315 from the previous fiscal year. See Note 10
- Governmental funds reported combined ending fund balances of \$133,402, a decrease of \$95,157 from the previous fiscal year. The General Fund shows an ending fund balance of \$84,818, a decrease of \$73,365, and the E-Rate Fund show an ending fund balance of \$48,584, a decrease of \$21,792. See Note 11
- The SAU's long-term obligations of \$2,141,664 consists of \$99,312 in compensated absences, \$39,576 in other postemployment benefits, and \$2,002,776 in net pension liability. SAU #39 carries no debt. These liabilities are reflected as a reduction in net position. See 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 SAU #39. 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 SAU #39'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 SAU #39's assets and liabilities, with the difference between the two reported as net position. This statement of net position includes debt and contractual obligations as elements of the liabilities of SAU #39.

The *Statement of Activities* presents information showing how SAU #39'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 decline would indicate weakening financial condition.

**Fund Financial Statements.** The fund financial statements provide more detailed information about SAU #39's most significant funds – not SAU #39 as a whole. Funds are accounting devices that SAU #39 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. SAU #39 establishes other funds to control and manage money for particular purposes or to show that SAU #39 is meeting legal responsibilities for using certain revenues. SAU #39 has two kinds of funds:

- Governmental funds – SAU #39'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. 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 SAU #39's programs. Because this information does not encompass the 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

The SAU's negative net position is due to the following: As of June 30, 2016, SAU #39 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.

Change in net position for fiscal year 2017 compared to fiscal year 2016:

### Statement of Net Position

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$219,767	\$282,995
Capital Assets	<u>\$209,556</u>	<u>\$196,844</u>
Total Assets	\$429,323	\$479,839
Deferred Outflows of Resources	\$509,679	\$239,458
Current Liabilities	\$86,122	\$53,717
Other Liabilities	<u>\$2,141,664</u>	<u>\$1,700,373</u>
Total Liabilities	\$2,227,786	\$1,754,090
Deferred Inflows of Resources	\$169,378	\$311,054
Net Position:		
Net Investment in Capital Assets	\$209,556	\$196,844
Restricted	\$830	\$830
Unrestricted	<u>(\$1,668,548)</u>	<u>(\$1,543,521)</u>
Total Net Position	<u><u>(\$1,458,162)</u></u>	<u><u>(\$1,345,847)</u></u>

## Summary of Changes in Net Position

	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>		
Program Revenue:		
Operating Grants and Contributions	\$746	\$44,460
General Revenue:		
School District Assessment	\$2,089,872	\$2,153,406
Unrestricted Investment Income	\$190	\$201
Miscellaneous	\$1,236	\$5,539
Total Revenues	<u>\$2,092,044</u>	<u>\$2,203,606</u>
<b>Expenses:</b>		
Special Education	\$351,878	\$311,914
General Administration	\$991	\$35,852
Executive Administration	\$674,104	\$551,259
Business	\$767,850	\$706,664
Operation and Maintenance of Plant	\$161,837	\$188,978
Other	\$169,194	\$144,053
Food Service	\$78,505	\$74,185
Total Expenses	<u>\$2,204,359</u>	<u>\$2,012,905</u>
Change in Net Position	(\$112,315)	\$190,701
Net Position, beginning	<u>(\$1,345,847)</u>	<u>(\$1,536,548)</u>
Net Position, ending	<u><u>(\$1,458,162)</u></u>	<u><u>(\$1,345,847)</u></u>

**Changes in Net Position.** SAU #39's total revenue was \$2,092,044 with the total expenses \$2,204,359 results in a decrease of net position of \$112,315. The majority of SAU #39's revenue (99.9%) came from the School Districts. The majority of SAU #39's expenses were for the Business Office (34.8%) and Executive Administration (30.6%).

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

On June 30, 2017, SAU #39 reported capital assets of \$209,556 (net of accumulated depreciation), which consists of a broad range of capital assets, including buildings improvements, and machinery, equipment & furniture. More detailed information about SAU #39's capital assets is presented in the notes to the financial statements. See Note 1-G and Note 5

### Long-Term Debt

Compensated absences had a net decrease in potential future payments of \$28,216. The liabilities for other post-employment benefits and net pension had a net increase in potential future payments of \$7,759 and \$461,748, respectively. More detailed information about SAU #39's long term liabilities is presented in the notes to the financial statements. See Note 7

## **CONTACTING SAU #39'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors, and creditors with a general overview of SAU #39's finances and to demonstrate SAU #39'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, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 169,685
Intergovernmental receivable	47,996
Prepaid items	2,086
Capital assets, net of accumulated depreciation	209,556
Total assets	<u>429,323</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	<u>509,679</u>
<b>LIABILITIES</b>	
Accounts payable	39,716
Intergovernmental payable	19,551
Accrued salaries and benefits	26,855
Noncurrent obligations:	
Due within one year	16,932
Due in more than one year	2,124,732
Total liabilities	<u>2,227,786</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	243
Amounts related to pensions	169,135
Total deferred inflows of resources	<u>169,378</u>
<b>NET POSITION</b>	
Net investment in capital assets	209,556
Restricted	830
Unrestricted	(1,668,548)
Total net position	<u>\$ (1,458,162)</u>

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

**EXHIBIT B**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental activities:			
Instruction	\$ 351,878	\$ -	\$ (351,878)
Support services:			
General administration	991	-	(991)
Executive administration	674,104	-	(674,104)
Business	767,850	-	(767,850)
Operation and maintenance of plant	161,837	-	(161,837)
Other	169,194	746	(168,448)
Noninstructional services	78,505	-	(78,505)
Total governmental activities	<u>\$ 2,204,359</u>	<u>\$ 746</u>	<u>(2,203,613)</u>
General revenues:			
School districts' assessments			2,089,872
Interest			190
Miscellaneous			1,236
Total general revenues			<u>2,091,298</u>
Change in net position			(112,315)
Net position, beginning			<u>(1,345,847)</u>
Net position, ending			<u>\$ (1,458,162)</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**  
**June 30, 2017**

	General	E-Rate	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 119,261	\$ 50,424	\$ 169,685
Intergovernmental receivable	47,996	-	47,996
Prepaid items	2,086	-	2,086
Total assets	<u>\$ 169,343</u>	<u>\$ 50,424</u>	<u>\$ 219,767</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 37,876	\$ 1,840	\$ 39,716
Accrued salaries and benefits	26,855	-	26,855
Intergovernmental payable	19,551	-	19,551
Total liabilities	<u>84,282</u>	<u>1,840</u>	<u>86,122</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>243</u>	<u>-</u>	<u>243</u>
<b>FUND BALANCES</b>			
Nonspendable	2,086	-	2,086
Restricted	830	-	830
Committed	-	48,584	48,584
Unassigned	81,902	-	81,902
Total fund balances	<u>84,818</u>	<u>48,584</u>	<u>133,402</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 169,343</u>	<u>\$ 50,424</u>	<u>\$ 219,767</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*  
*June 30, 2017*

Total fund balances of governmental funds (Exhibit C-1)		\$ 133,402
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	\$ 328,100	
Less accumulated depreciation	<u>(118,544)</u>	
		209,556
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	\$ 509,679	
Deferred inflows of resources related to pensions	<u>(169,135)</u>	
		340,544
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Compensated absences	\$ 99,312	
Other postemployment benefits	39,576	
Net pension liability	<u>2,002,776</u>	
		<u>(2,141,664)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (1,458,162)</u></u>

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

**EXHIBIT C-3**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*For the Fiscal Year Ended June 30, 2017*

	General	E-Rate	Total Governmental Funds
<b>REVENUES</b>			
School districts' assessments	\$ 2,089,872	\$ -	\$ 2,089,872
Other local	1,426	746	2,172
Total revenues	<u>2,091,298</u>	<u>746</u>	<u>2,092,044</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	348,497	-	348,497
Support services:			
Executive administration	627,171	-	627,171
Business	785,773	-	785,773
Operation and maintenance of plant	180,240	-	180,240
Other	146,656	22,538	169,194
Noninstructional services	76,326	-	76,326
Total expenditures	<u>2,164,663</u>	<u>22,538</u>	<u>2,187,201</u>
Net change in fund balances	(73,365)	(21,792)	(95,157)
Fund balances, beginning	158,183	70,376	228,559
Fund balances, ending	<u>\$ 84,818</u>	<u>\$ 48,584</u>	<u>\$ 133,402</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, 2017*

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Net change in fund balances of total governmental funds (Exhibit C-3) \$ (95,157)

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. This is the amount by which capitalized capital  
outlay exceeded depreciation expense in the current period.

Capitalized capital outlay	\$ 29,650	
Depreciation expense	<u>(16,938)</u>	
		12,712

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.

Decrease in compensated absences payable	\$ 28,216	
Increase in other postemployment benefits	(7,759)	
Change in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(50,327)</u>	
		<u>(29,870)</u>

Change in net position of governmental activities (Exhibit B)		<u><u>\$ (112,315)</u></u>
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**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, 2017**

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
School districts' assessments	\$ 2,089,872	\$ 2,089,872	\$ 2,089,872	\$ -
Other local	-	577	1,426	849
Total revenues	<u>2,089,872</u>	<u>2,090,449</u>	<u>2,091,298</u>	<u>849</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	317,464	333,086	348,497	(15,411)
Support services:				
Executive administration	639,117	618,204	627,171	(8,967)
Business	773,008	780,720	785,773	(5,053)
Operation and maintenance of plant	174,583	172,877	180,240	(7,363)
Other	151,769	150,857	146,656	4,201
Noninstructional	<u>80,839</u>	<u>81,613</u>	<u>76,326</u>	<u>5,287</u>
Total expenditures	<u>2,136,780</u>	<u>2,137,357</u>	<u>2,164,663</u>	<u>(27,306)</u>
Net change in fund balance	<u>\$ (46,908)</u>	<u>\$ (46,908)</u>	(73,365)	<u>\$ (26,457)</u>
Increase in nonspendable fund balance			(1,442)	
Unassigned fund balance, beginning			156,709	
Unassigned fund balance, ending			<u>\$ 81,902</u>	

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, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Local	\$ 18,800	\$ 746	\$ (18,054)
<b>EXPENDITURES</b>			
Current:			
Support services:			
Other	18,800	22,538	(3,738)
Net change in fund balance	\$ -	(21,792)	\$ (21,792)
Fund balance, beginning		70,376	
Fund balance, ending		\$ 48,584	

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, 2017**

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**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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

The financial statements of the School Administrative Unit No. 39, in Amherst, New Hampshire (the School Administrative Unit), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2017 the School Administrative Unit implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

***1-A Reporting Entity***

The School Administration Unit No. 39 is a municipal corporation governed by an elected 17-member School Administrative Unit Board. In evaluating how to define the School Administrative Unit for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School Administrative Unit has no component units to include in its reporting entity.

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

***1-B Government-wide and Fund Financial Statements***

***Government-wide Financial Statements*** - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School Administrative Unit at year-end. This statement includes all of the School Administrative Unit's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

***Fund Financial Statements*** - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. In the governmental fund financial statements, expenditures are reported by character: current, debt service or facilities acquisition and construction. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure. The School Administrative Unit had no debt service or facilities acquisition and construction expenditures.

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

***Measurement Focus and Basis of Accounting*** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Administrative Unit generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

***Financial Statement Presentation*** - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The School Administrative Unit reports the following major governmental funds:

**General Fund** – is the School Administrative Unit’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services and noninstructional services.

**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.

***1-D 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 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-E 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 consist of intergovernmental receivables.

***1-F 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-G Capital Assets***

Capital assets are defined by the School Administrative Unit as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of two years. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, sidewalks, drainage, and similar items) and are reported in governmental activities.

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The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the School Administrative Unit as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the School Administrative Unit are depreciated or amortized using the straight-line method over the following estimated useful lives:

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

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

*Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

*Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***1-I Long-term Obligations***

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

***1-J 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-K 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 are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

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

Government-wide statements – Equity is classified as net position and displayed in two components:

**Net Investment in Capital Assets** – This classification includes the School Administrative Unit's capital assets, net of accumulated depreciation.

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**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.

**Fund Balance Classifications** – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extend of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**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.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

### ***1-M Use of Estimates***

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

## ***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 fund. 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.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2017, \$46,908 of the beginning general fund unassigned fund balance was applied for this purpose.

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**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The School Administrative Unit's deposits are entirely covered by federal depository insurance (FDIC). The FDIC currently insures the first \$250,000 of the School Administrative Unit's deposits at each financial institution, per case custodian. As of year-end, the carrying amount of the School Administrative Unit's deposits was \$169,685 and the bank balances totaled \$240,171.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2017, consisted of 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, 2017 consisted of the following:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Balance, ending</u>
At cost:			
Being depreciated:			
Buildings and building improvements	\$ 182,570	\$ 29,650	\$ 212,220
Software and equipment	115,880	-	115,880
Total capital assets	<u>298,450</u>	<u>29,650</u>	<u>328,100</u>
Less accumulated depreciation:			
Buildings and building improvements	(17,078)	(8,489)	(25,567)
Software and equipment	(84,528)	(8,449)	(92,977)
Total accumulated depreciation	<u>(101,606)</u>	<u>(16,938)</u>	<u>(118,544)</u>
Net book value, all capital assets	<u>\$ 196,844</u>	<u>\$ 12,712</u>	<u>\$ 209,556</u>

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	\$ 4,315
Business	3,900
Operation and maintenance of plant	8,723
Total depreciation expense	<u>\$ 16,938</u>

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

Deferred outflows of resources of \$509,679 and deferred inflows of resources of \$169,135, respectively, reported in the government-wide financial statements at June 30, 2017 consists of deferred amounts related to pensions, see Note 8 for further information. The School Administrative Unit also had \$243 of deferred inflows consisting of unspent revenue from local awards.

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***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, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Compensated absences	\$ 127,528	\$ -	\$ (28,216)	\$ 99,312	\$ 16,932
Net other postemployment benefits	31,817	7,759	-	39,576	-
Pension related liability	1,541,028	461,748	-	2,002,776	-
Total long-term liabilities	<u>\$ 1,700,373</u>	<u>\$ 469,507</u>	<u>\$ (28,216)</u>	<u>\$ 2,141,664</u>	<u>\$ 16,932</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 within the State are eligible and required to participate in the Pension Plan. The System issues a publicly 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. 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 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 2017, the School Administrative Unit contributed 15.67% for teachers and 11.17% for other employees. The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$133,790, \$138,714, and \$140,995, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:** At June 30, 2017, the School Administrative Unit reported a liability of \$2,002,776 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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



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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, 2016, the School Administrative Unit's proportion was 0.03766319% which was a decrease of 0.00123666% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School Administrative Unit recognized pension expense of \$176,998. At June 30, 2017, 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	\$ -	\$ 143,845
Net difference between projected and actual investment earnings on pension plan investments	125,304	-
Changes in assumptions	246,478	-
Differences between expected and actual experience	5,566	25,290
Contributions subsequent to the measurement date	132,331	-
Total	<u>\$ 509,679</u>	<u>\$ 169,135</u>

The \$132,331 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,	
2017	\$ 25,173
2018	25,173
2019	76,457
2020	77,531
2021	3,879
Thereafter	-
Totals	<u>\$ 208,213</u>

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

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, 2010 – June 30, 2015.

**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.

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Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.75%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.64%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.71%
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

**Discount Rate:** The discount rate used to measure the collective total pension liability was 7.25%. 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.

**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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2016	\$ 2,573,431	\$ 2,002,776	\$ 1,529,508

**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.

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GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* 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 2017:

Annual required contribution/OPEB cost	\$ 8,290
Interest on net OPEB obligation	1,273
Adjustment to annual required contribution	<u>(1,804)</u>
Annual OPEB cost (expense)	7,759
Net OPEB obligation - beginning of year	<u>31,817</u>
Net OPEB obligation - end of year	<u><u>\$ 39,576</u></u>

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 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Expected Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2017	\$ 8,290	\$ -	0.00%	\$ 39,576
June 30, 2016	\$ 8,245	\$ 2,293	27.81%	\$ 31,817
June 30, 2015	\$ 8,244	\$ 181	2.20%	\$ 26,315

As of July 1, 2014, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$47,406, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$47,406. The covered payroll (annual payroll of active employees covered by the plan) was \$1,327,258 during fiscal year 2017, and the ratio of the UAAL to the covered payroll was 3.57%.

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 2020 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2017 was 27 years.

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***NOTE 10 – GOVERNMENTAL ACTIVITIES NET POSITION***

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2017 include the following:

Net investment in capital assets:	
Net book value of all capital assets	\$ 209,556
Restricted for Brick School Improvements	830
Unrestricted	(1,668,548)
Total net position	<u>\$ (1,458,162)</u>

***NOTE 11 – GOVERNMENTAL FUND BALANCES***

Governmental fund balances at June 30, 2017 consist of the following:

	General Fund	E-Rate Fund	Total Governmental Funds
<b>Nonspendable:</b>			
Prepaid	\$ 2,086	\$ -	\$ 2,086
<b>Restricted:</b>			
Reserve for special purpose	830	-	830
<b>Committed:</b>			
Special revenue	-	48,584	48,584
<b>Unassigned</b>	81,902	-	81,902
Total governmental fund balances	<u>\$ 84,818</u>	<u>\$ 48,584</u>	<u>\$ 133,402</u>

***NOTE 12 – RISK MANAGEMENT***

The School Administrative Unit is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2017, the School Administrative Unit was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. These entities are considered public entity risk pools currently operating as common risk management and insurance programs for member School Administrative Units and cities.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are a are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2016 to June 30, 2017 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, 2017 was \$7,230 for workers' compensation and \$5,310 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 14, 2017, the date the June 30, 2017 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, 2017*

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)
July 1, 2016	\$ -	\$ 47,406	\$ 47,406	0.00%	\$ 1,327,258	3.57%
July 1, 2015	\$ -	\$ 46,412	\$ 46,412	0.00%	\$ 1,301,233	3.57%
July 1, 2014	\$ -	\$ 46,559	\$ 46,559	0.00%	\$ 1,275,719	3.65%

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, 2017*

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, 2017	July 1, 2016	0.03766319%	\$ 2,002,776	\$ 1,258,053	159.20%	58.30%
June 30, 2016	July 1, 2015	0.03889985%	\$ 1,541,028	\$ 1,275,719	120.80%	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, 2017*

<u>Fiscal Year-End</u>	<u>Valuation Date</u>	<u>Contractually Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	July 1, 2016	\$ 134,864	\$ 134,864	\$ -	\$ 1,258,053	10.72%
June 30, 2016	July 1, 2015	\$ 130,504	\$ 130,504	\$ -	\$ 1,275,719	10.23%
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, 2017**

***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, 2017, and the two preceding years.

***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, 2017.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

**Other Information:**

Notes	Contribution rates for Fiscal Year 2016 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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***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, 2017*

	Estimated	Actual	Variance Positive (Negative)
School districts' assessments:			
Current appropriation	<u>\$ 2,089,872</u>	<u>\$ 2,089,872</u>	<u>\$ -</u>
Other local sources:			
Investment earnings	-	190	190
Miscellaneous	<u>577</u>	<u>1,236</u>	<u>659</u>
Total from other local sources	<u>577</u>	<u>1,426</u>	<u>849</u>
Total revenues	2,090,449	<u>\$ 2,091,298</u>	<u>\$ 849</u>
Use of fund balance to reduce school districts' assessments	<u>46,908</u>		
Total revenues and use of fund balance	<u>\$ 2,137,357</u>		

**SCHEDULE 2**  
**SCHOOL ADMINISTRATIVE UNIT NO. 39**  
**Major General Fund**  
*Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2017*

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
Current:			
Instruction:			
Special programs	\$ 332,509	\$ 347,920	\$ (15,411)
Other	<u>577</u>	<u>577</u>	<u>-</u>
Total instruction	<u>333,086</u>	<u>348,497</u>	<u>(15,411)</u>
Support services:			
Executive administration	618,204	627,171	(8,967)
Business	780,720	785,773	(5,053)
Operation and maintenance of plant	172,877	180,240	(7,363)
Other	<u>150,857</u>	<u>146,656</u>	<u>4,201</u>
Total support services	<u>1,722,658</u>	<u>1,739,840</u>	<u>(17,182)</u>
Noninstructional	<u>81,613</u>	<u>76,326</u>	<u>5,287</u>
Total appropriations and expenditures	<u>\$ 2,137,357</u>	<u>\$ 2,164,663</u>	<u>\$ (27,306)</u>

**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, 2017*

Unassigned fund balance, beginning		\$ 156,709
Changes:		
Unassigned fund balance used to reduce school districts' assessments		(46,908)
2016-2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 849	
Overdraft of appropriations (Schedule 2)	<u>(27,306)</u>	
2016-2017 Budget deficit		(26,457)
Increase in nonspendable fund balance		<u>(1,442)</u>
Unassigned fund balance, ending		<u><u>\$ 81,902</u></u>