

# SCHOOL ADMINISTRATIVE UNIT NO. 41

## FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
FINANCIAL REPORT  
AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund and the remaining fund information of the School Administrative Unit No. 41 as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School Administrative Unit's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School Administrative Unit No. 41 as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 7 and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

February 28, 2014

*Roberts & Aune, PLLC*

**SCHOOL ADMINISTRATIVE UNIT #41  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

This section of the School Administrative Unit #41 annual financial report presents our discussion and analysis of the district's financial performance during the fiscal year that ended June 30, 2013. Responsibility for the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material performance as a whole. With this in mind, please also refer to the district's financial statements, which immediately follow this section. The MDA is an element of required supplementary information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

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

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

#### **DISTRICT-WIDE STATEMENTS**

The district-wide statements report information about the district as a whole. The statement of net position includes all of the district's assets and liabilities, except for capital assets. All of the current year's revenues and expense are accounted for in the statement of activities regardless of when cash is received or paid. Net position – the difference between the district's assets and liabilities – is one way to measure the district's financial health or position. The district-wide statements present and

**SCHOOL ADMINISTRATIVE UNIT #41  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

aggregate view of the finances of the school district by answering the question, “How did the school district do financially during the 2012-13 school year?” These statements report all assets and liabilities using the accrual basis of accounting used by most private-sector enterprises. The accrual basis takes into account all of the district’s current-year revenues and expenses regardless of when they were paid or received.

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

### **FUND FINANCIAL STATEMENTS**

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

The district has two types of funds:

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

**SCHOOL ADMINISTRATIVE UNIT #41  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

**Notes to the Basic Financial Statements**

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

**Government-Wide Financial Analysis**

**Statement of Net Position**

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

**School Administrative Unit #41**

**Table 1 Statement of Net Position**

	<b>2012</b>	<b>2013</b>	<b>Increase (Decrease)</b>	<b>%Increase- (Decrease)</b>
<b>Current and other assets</b>	68,904	151,302	82,398	120%
<b>Capital assets</b>	50,716	42,269	(8,447)	(17)%
<b>Total Assets</b>	119,620	193,571	73,951	62%
<b>Liabilities</b>	7,665	43,504	35,839	467%
<b>Net Position:</b>				
<b>Net Investment in Capital Assets</b>	50,716	42,269	(8,447)	(17)%
<b>Unrestricted</b>	61,239	107,798	46,559	76%
<b>Total Net Position</b>	111,955	150,067	38,112	34%

**SCHOOL ADMINISTRATIVE UNIT #41  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

**Statement of Activities**

Change in net position for fiscal year 2013 compared to fiscal year 2012:

<b>Revenues:</b>	2013	2012	Change	% Change
Program Revenues:				
Operating Grants and Contributions	19,774	20,385	(611)	(4.47)%
General Revenues:				
Brookline	261,105	249,233	11,872	4.76%
Hollis	371,424	399,934	(28,510)	(7.13)%
Cooperative	706,103	673,466	32,637	4.85%
Interest	46	50	(4)	(8.00)%
Miscellaneous	0	47	(47)	(100.00)%
<b>Total Revenues</b>	<b>1,358,452</b>	<b>1,343,115</b>	<b>15,337</b>	<b>1.14%</b>
<b>Program Expenses:</b>				
Special Education	149,836	189,389	(39,553)	(20.88)%
Instructional Staff	81,822	112,917	(31,095)	(27.54)%
General Administration	1,807	2,224	(417)	(18.75)%
Executive Administration	301,117	268,333	32,784	12.22%
Business	323,633	304,662	27,418	9.26%
Operation and Maintenance of Plant	49,608	36,619	12,989	35.47%
Information Management	112,245	0	112,245	
Other	300,272	419,680	(119,408)	(28.45)%
<b>Total Expenses</b>	<b>1,320,340</b>	<b>1,333,824</b>	<b>(13,484)</b>	<b>(1.01)%</b>
Change in Net Position	38,112	9,921	28,191	
Net Position – Beginning	111,955	102,664		
Net Position – Ending	<u>150,067</u>	<u>111,955</u>		

**School Administrative Unit #41 Activities**

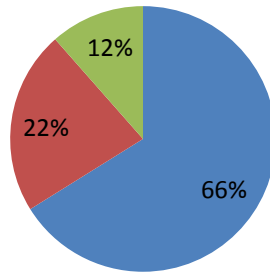
The total cost for all programs and services was \$1.31 million. The district's expenses are predominately salaries and benefits which I illustrated below. Administrative headcount increased by 0.2 FTE for Special Services Assistant new-hire. The significant variance in both special education and instructional staff was the result of unfilled positions for portions of the fiscal year and pay rate differences. The Associate Superintendent resigned at the start of the fiscal year and an interim replacement was not secured until the end of the second quarter. The special education variance was driven by personnel changes within the office that resulted in lower cost of operation. Increases in operation and maintenance of plant were primarily driven by structural improvements to the office to better utilize available space. Finally, savings in "Other" was mostly due to changes in health plan offerings within the SAU and different employee benefit electives.



**SCHOOL ADMINISTRATIVE UNIT #41  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2013**

**2012-2013  
SAU#41 Expenditures**

■ Salaries ■ Benefits ■ Other



**CAPITAL ASSET AND DEBT ADMINISTRATION**

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

**OTHER DISCUSSION**

The district's financial status is sound. Being that the majority of cost is associated to salary and benefits the budget is rather predictable from year to year. With the recent shift to lower cost health insurance plans the district has flattened the cost curve related to health insurance increases.

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator at SAU #41, PO Box 1588, 4 Lund Lane, Hollis, NH 03049, by telephone at 603-324-5999, or via email at [eric.horton@sau41.org](mailto:eric.horton@sau41.org).

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Statement of Net Position**  
**June 30, 2013**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 142,635
Intergovernmental receivables	8,167
Prepaid items	500
Capital assets, net of accumulated depreciation:	
Intangible assets	<u>42,269</u>
Total assets	<u>193,571</u>
<b>LIABILITIES</b>	
Accounts payable	22,075
Accrued salaries and benefits	<u>21,429</u>
Total liabilities	<u>43,504</u>
<b>NET POSITION</b>	
Net investment in capital assets	42,269
Unrestricted	<u>107,798</u>
Total net position	<u>\$ 150,067</u>

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

**EXHIBIT 2**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes In</u> <u>Net Position</u>
<b>Governmental activities:</b>			
Instruction	\$ 149,836	\$ -	\$ (149,836)
Support services:			
Instructional staff	81,822	-	(81,822)
General administration	1,807	-	(1,807)
Executive administration	301,117	-	(301,117)
Business	323,633	-	(323,633)
Operation and maintenance of plant	49,608	-	(49,608)
Central	112,245	-	(112,245)
Other	300,272	19,774	(280,498)
Total governmental activities	<u>\$ 1,320,340</u>	<u>\$ 19,774</u>	<u>(1,300,566)</u>
General revenues:			
School districts' assessments			1,338,632
Miscellaneous			46
Total general revenues			<u>1,338,678</u>
Change in net position			38,112
Net position, beginning			111,955
Net position, ending			<u>\$ 150,067</u>

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

**EXHIBIT 3**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	General	Other Governmental Fund Special Revenue	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 120,640	\$ 21,995	\$ 142,635
Intergovernmental receivables	8,167	-	8,167
Prepaid items	500	-	500
Total assets	<u>\$ 129,307</u>	<u>\$ 21,995</u>	<u>\$ 151,302</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 22,035	\$ 40	\$ 22,075
Accrued salaries and benefits	21,429	-	21,429
Total liabilities	<u>43,464</u>	<u>40</u>	<u>43,504</u>
Fund balances:			
Nonspendable	500	14,986	15,486
Assigned	16,191	-	16,191
Unassigned	69,152	6,969	76,121
Total fund balances	<u>85,843</u>	<u>21,955</u>	<u>107,798</u>
Total liabilities and fund balances	<u>\$ 129,307</u>	<u>\$ 21,995</u>	<u>\$ 151,302</u>

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

**EXHIBIT 4**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Reconciliation of Total Governmental Fund Balances to the Statement of Net Position**  
**June 30, 2013**

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Total fund balances of governmental funds (Exhibit 3) \$ 107,798

Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds.

Cost	\$ 104,025	
Less accumulated amortization	<u>(61,756)</u>	
		<u>42,269</u>

Net position of governmental activities (Exhibit 1)		<u><u>\$ 150,067</u></u>
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The notes to the financial statements are an integral part of this statement.

**EXHIBIT 5**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	General	Other Governmental Fund Special Revenue	Total Governmental Funds
<b>REVENUES</b>			
School districts' assessments	\$ 1,338,632	\$ -	\$ 1,338,632
Other local	45	19,774	19,819
Total revenues	<u>1,338,677</u>	<u>19,774</u>	<u>1,358,451</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	149,836	-	149,836
Support services:			
Instructional staff	81,822	-	81,822
General administration	1,807	-	1,807
Executive administration	301,117	-	301,117
Business	323,633	-	323,633
Operation and maintenance of plant	49,608	-	49,608
Central	103,798	-	103,798
Other	287,466	12,806	300,272
Total expenditures	<u>1,299,087</u>	<u>12,806</u>	<u>1,311,893</u>
Net change in fund balances	39,590	6,969	46,559
Fund balances, beginning	46,253	14,986	61,239
Fund balances, ending	<u>\$ 85,843</u>	<u>\$ 21,955</u>	<u>\$ 107,798</u>

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

**EXHIBIT 6**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2013**

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Net change in fund balances of total governmental funds (Exhibit 5) \$ 46,559

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 or amortization expense. This is the amount by which amortization expense exceeded capital outlay in the current period.

Amortization expense	(8,447)
Change in net position of governmental activities (Exhibit 2)	<u>\$ 38,112</u>

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



## **NOTES TO THE FINANCIAL STATEMENTS**

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDING  
JUNE 30, 2013**

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the School Administrative Unit No. 41 (the School Administrative Unit) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the School Administrative Unit's financial activities for the fiscal year ended June 30, 2013.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. *Entity Defined***

The School Administrative Unit No. 41 is a municipal corporation governed by a school administrative unit board consisting of all the members of the school boards who are elected by the voters. The School Administrative Unit No. 41 is incorporated in accordance with New Hampshire law and provides centralized administrative services for the Brookline, Hollis, and Hollis-Brookline Cooperative School Districts. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the School Administrative Unit's financial statements do not include any component units.

**I.B.2. *Government-Wide and Fund Financial Statements***

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the School Administrative Unit as a whole. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues consist of operating grants and contributions, which finance annual operating activities. These revenues are subject to externally imposed restrictions to these program uses. The school districts' assessments and revenue from other sources not properly included with program revenues are reported as general revenues.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDING  
JUNE 30, 2013**

*Fund Financial Statements*

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

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

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

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School Administrative Unit considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

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

**I.B.4. *Fund Types and Major Funds***

*Governmental Funds*

The School Administrative Unit reports the following major governmental fund:

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

The School Administrative Unit also reports a nonmajor fund: the special revenue fund.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDING  
JUNE 30, 2013**

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

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

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

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

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

**I.C.3. *Equity***

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is normally computed as the total capital assets less accumulated depreciation or amortization, net of outstanding debt used to acquire those assets.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which represents pre-payments made in fiscal year 2013 for fiscal year 2014 expenditures.
- Assigned, which represents encumbrances for support services assigned by a vote of the school board or by management through the use of approved purchase orders; and balances of revenues from grants to be used for support services.
- Unassigned, which represents net resources in excess of that classified as nonspendable or assigned.

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDING  
JUNE 30, 2013**

## **II. Stewardship, Compliance, and Accountability**

### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. Unless encumbered, all appropriations lapse at year-end. The School Administrative Unit is allowed to use beginning fund balance to balance the budget. No fund balance from the fiscal year 2012 was used in fiscal year 2013.

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

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

### **III. Capital Assets**

#### *Changes in Capital Assets*

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

	<u>Balance, beginning</u>	<u>Changes</u>	<u>Balance, ending</u>
Governmental activities:			
At cost:			
Intangible assets	\$ 104,025	\$ -	\$ 104,025
Less accumulated amortization	<u>(53,309)</u>	<u>(8,447)</u>	<u>(61,756)</u>
Net book value	<u><u>\$ 50,716</u></u>	<u><u>\$ (8,447)</u></u>	<u><u>\$ 42,269</u></u>

#### *Amortization Expense*

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

**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDING  
JUNE 30, 2013**

#### **IV. Other Information**

##### **IV.A. Risk Management**

The School Administrative Unit's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the School Administrative Unit was a member of the Local Government Center Property-Liability Trust, Inc., which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities.

***Local Government Center Property-Liability Trust, Inc. (the Trust)*** – This Trust is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the School Administrative Unit shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The Trust maintains a self-insured retention above which it purchases reinsurance and excess insurance.

Property/liability coverage was provided through the member school districts. Contributions paid for workers' compensation coverage for fiscal year ended June 30, 2013 totaled \$4,454. The School Administrative Unit also paid \$1,846 for unemployment compensation for the fiscal year. There were no unpaid contributions for the year ended June 30, 2013. The trust agreement permits the Trust to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Trust foresees no likelihood of any additional assessments for past years.

##### **IV.B. Retirement Pensions**

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

Both the members and the School Administrative Unit make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rate of contribution is 7% of gross earnings for all employees. The rate of contribution from the School Administrative Unit was 8.80%. Employer contributions from the School Administrative Unit during the fiscal years 2011, 2012 and 2013 were, \$76,873, \$70,171 and \$60,078 respectively. The amounts are paid on a monthly basis as due.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 7**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
*Schedule of Revenues, Expenditures and Changes in Fund Balance*  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2013**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School districts' assessments	\$ 1,338,632	\$ 1,338,632	\$ -
Other local	100	45	(55)
Total revenues	<u>1,338,732</u>	<u>1,338,677</u>	<u>(55)</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	174,154	150,286	23,868
Support services:			
Instructional staff	100,003	93,822	6,181
General administration	1,500	1,807	(307)
Executive administration	280,377	301,739	(21,362)
Business	328,448	316,183	12,265
Operation and maintenance of plant	39,124	48,508	(9,384)
Central	101,733	104,798	(3,065)
Other	313,393	283,466	29,927
Total expenditures	<u>1,338,732</u>	<u>1,300,609</u>	<u>38,123</u>
Net change in fund balance	<u>\$ -</u>	38,068	<u>\$ 38,068</u>
Increase in nonspendable fund balance		(500)	
Unassigned fund balance, beginning		31,584	
Unassigned fund balance, ending		<u>\$ 69,152</u>	

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



**SCHOOL ADMINISTRATIVE UNIT NO. 41  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**Reconciliation of Budgetary Basis to GAAP**

General Fund:

Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 1,300,609
Adjustments:	
Basis difference:	
Encumbrances, beginning	14,669
Encumbrances, ending	(16,191)
Per Exhibit 5 (GAAP basis)	<u>\$ 1,299,087</u>

**INDIVIDUAL GENERAL FUND SCHEDULES**

**EXHIBIT 8**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**General Fund**  
**Schedule of Estimated and Actual Revenues**  
**For the Fiscal Year Ended June 30, 2013**

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 1,338,632	\$ 1,338,632	\$ -
Other local sources:			
Investment earnings	100	45	(55)
Total revenues	\$ 1,338,732	\$ 1,338,677	\$ (55)

**EXHIBIT 9**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2013**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Special programs	\$ -	\$ 174,154	\$ 149,836	\$ 450	\$ 23,868
Support services:					
Instructional staff	-	100,003	81,822	12,000	6,181
General administration	-	1,500	1,807	-	(307)
Executive administration	2,119	280,377	301,117	2,741	(21,362)
Business	7,450	328,448	323,633	-	12,265
Operation and maintenance of plant	1,100	39,124	49,608	-	(9,384)
Central	-	101,733	103,798	1,000	(3,065)
Other	4,000	313,393	287,466	-	29,927
Total support services	14,669	1,164,578	1,149,251	15,741	14,255
Total encumbrances, appropriations and expenditures	\$ 14,669	\$ 1,338,732	\$ 1,299,087	\$ 16,191	\$ 38,123

**EXHIBIT 10**  
**SCHOOL ADMINISTRATIVE UNIT NO. 41**  
**General Fund**  
***Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)***  
***For the Fiscal Year Ended June 30, 2013***

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Unassigned fund balance, beginning		\$ 31,584
Budget summary:		
Revenue shortfall (Exhibit 8)	\$ (55)	
Unexpended balance of appropriations (Exhibit 9)	<u>38,123</u>	
Budget surplus		38,068
Increase in nonspendable fund balance		<u>(500)</u>
Unassigned fund balance, ending		<u><u>\$ 69,152</u></u>



# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S COMMUNICATION OF NO MATERIAL WEAKNESSES

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

In planning and performing our audit of the financial statements of the governmental activities, the general fund, and the remaining fund information of the School Administrative Unit No. 41 (SAU) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the SAU's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SAU's internal control. Accordingly, we do not express an opinion on the effectiveness of the SAU's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all matters in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

February 28, 2014

*Roberts & Greene, PLLC*