

SANBORN REGIONAL SCHOOL DISTRICT
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2016
and
Independent Auditor's Report

**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Schedule of Findings and Questioned Costs

**SANBORN REGIONAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2016**

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**SANBORN REGIONAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Sanborn Regional School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sanborn Regional School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sanborn Regional School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other post-employment benefits, schedule of changes in the District's proportionate share of the net pension liability, and the schedule of District contributions, on pages i-vii and 29-34 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanborn Regional School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and related 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017 on our consideration of Sanborn Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanborn Regional School District's internal control over financial reporting and compliance.

Vaughan Clarke & Company PC

Manchester, New Hampshire
January 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Sanborn Regional School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District'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 only result in cash flows in future fiscal periods (e.g., and earned but unused vacation leave).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for

governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$322,170 (i.e., net position), a change of \$1,103,516 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,593,045, a change of \$31,768 in comparison to the prior year.
- At the end of the current fiscal year, total fund balance for the general fund was \$2,243,501, an increase of \$181,409 in comparison to the prior year.
- Total long-term obligations (i.e., bonds payable, capital leases, early retirement and compensated absence benefits) at the close of the current fiscal year was \$11,844,966, a decrease of \$(1,380,403) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

<u>NET POSITION</u>		
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 3,140,098	\$ 2,957,158
Capital assets	<u>32,128,788</u>	<u>32,343,217</u>
Total assets	35,268,886	35,300,375
Deferred outflows of resources	<u>2,359,599</u>	<u>2,180,374</u>
Total deferred outflows of resources	2,359,599	2,180,374
Long-term liabilities	\$ 33,557,484	\$ 33,143,163
Other liabilities	<u>2,753,929</u>	<u>2,675,085</u>
Total liabilities	36,311,413	35,818,248
Deferred inflows of resources related to net pension liabilities & unearned revenue	<u>994,902</u>	<u>2,443,847</u>
	994,902	2,443,847
Net position:		
Net investments in capital assets	21,576,098	20,336,087
Restricted	32,366	33,433
Unrestricted	<u>(21,286,294)</u>	<u>(21,150,866)</u>
	<u>\$ 322,170</u>	<u>\$ (781,346)</u>
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,443,121	\$ 4,421,408
Operating grants and contributions	2,118,030	2,118,294
Capital grants and contributions	58,890	90,558
General revenues:		
School district assessments	20,830,464	20,126,934
Grants and contributions not restricted to specific programs	6,285,193	6,348,959
Investment Income	10,878	3,982
Miscellaneous	<u>149,316</u>	<u>149,585</u>
Total Revenues	\$ 33,895,892	\$ 33,259,720

(continued)

(continued)

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Expenses:		
Instruction	19,702,272	18,563,179
Student services	2,216,563	2,171,999
Instructional staff	925,775	878,199
General administration	3,429,679	3,326,508
Operations and maintenance	3,181,670	3,411,154
Pupil Transportation	1,239,707	1,048,786
Food Service	572,769	587,905
Other	601,152	511,616
Interest	922,789	866,219
Total expenses	<u>32,792,376</u>	<u>31,365,565</u>
Change in net position	1,103,516	1,894,155
Net position - beginning of year	(781,346)	(2,675,501)
Net position - end of year	<u>\$ 322,170</u>	<u>\$ (781,346)</u>

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net position was \$322,170, a change of \$1,103,516 from the prior year.

The largest portion of net position \$21,576,098 reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, and vehicles); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$32,366 represents resources that are subject to external restrictions on how they may be used. The unrestricted net position deficit of \$(21,286,294) primarily results from implementation of GASB #68, Accounting and Financial Reporting for Pensions and the use of fund balance in fiscal year 2015.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,103,516. Key elements of this change are as follows:

Change in Fund Balances	\$ 31,768
OPEB, compensated absences and early retirement	(413,371)
Pension contribution in excess of pension expense	286,338
Depreciation expense in excess of outlays	(213,822)
Bond premium, payments and capital leases	1,413,210
Other	<u>(607)</u>
Total	<u>\$ 1,103,516</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,593,045, a change of \$31,768 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and transfers in excess of expenditures and transfers out	\$ 181,409
Special revenue fund expenditures and transfers out in excess of revenues and transfers in	<u>(149,641)</u>
Total	<u>\$ 31,768</u>

The general fund is the chief operating fund. At the end of the current fiscal year, fund balance of the general fund was \$2,243,501. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Total fund balance	\$ 2,243,501	\$ 2,062,092	\$ 181,409	7.08%

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes to the original General fund budget. However, management did transfer appropriations between operating categories, as allowable per District policies.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$32,128,788, (net of accumulated depreciation), a change of (\$214,429) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, and vehicles.

Additional information on capital assets can be found in the Notes to the Basic Financial Statements (Note 3).

Long-term debt. At the end of the current fiscal year, total bonds payable outstanding was \$9,604,591, all of which was backed by the full faith and credit of the District.

Additional information on long-term debt can be found in the Notes to the Basic Financial Statements (Note 4).

G. THE DISTRICT'S FUTURE

The following will be a major factor in the future for the district:

Default Budget. The district has operated at or below the default budget since FY 2008 – 09, in March 2016 voters again chose to support the default budget. The adoption of a default budget does not allow the district the opportunity to add substantial new educational initiatives nor does it allow for significant upgrades to educational facilities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Sanborn Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sanborn Regional School District
178 Main Street
Kingston, New Hampshire 03848

EXHIBIT A
SANBORN REGIONAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,515,601
Accounts receivable, net	34,683
Due from other governments	1,567,626
Prepaid expenditures	<u>22,188</u>
Total Current Assets	<u>3,140,098</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,117,857
Depreciable capital assets, net	<u>31,010,931</u>
Total Noncurrent Assets	<u>32,128,788</u>
Total Assets	<u>35,268,886</u>
Deferred Outflows of Resources:	
Total deferred outflows related to net pension liability	<u>2,359,599</u>
Total Deferred Outflows of Resources	<u>2,359,599</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	336,445
Accrued expenses	717,396
Advances from grantor	95,015
Unearned food service sales	11,930
Current portion of bonds payable	1,286,752
Current portion of capital lease payable	46,470
Current portion of early retirement benefits	<u>259,921</u>
Total Current Liabilities	<u>2,753,929</u>
Noncurrent Liabilities:	
Bonds payable	9,002,332
Capital lease payable	217,136
Early retirement benefits	504,714
Compensated absences payable	527,641
Other post-employment benefits obligation	2,863,938
Net pension liability	<u>20,441,723</u>
Total Noncurrent Liabilities	<u>33,557,484</u>
Total Liabilities	<u>36,311,413</u>
Deferred Inflows of Resources:	
Total deferred inflows related to net pension liability	<u>994,902</u>
Total Deferred Inflows of Resources	<u>994,902</u>
NET POSITION	
Net investment in capital assets	21,576,098
Restricted	32,366
Unrestricted (deficit)	<u>(21,286,294)</u>
Total Net Position	<u>\$ 322,170</u>

See accompanying notes to the basic financial statements

EXHIBIT B
SANBORN REGIONAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 19,702,272	\$ 4,013,810	\$ 930,096		\$(14,758,366)
Supporting services	2,216,563		9,865		(2,206,698)
Instructional staff services	925,775		366,718		(559,057)
General administration	3,429,679				(3,429,679)
Operation and maintenance of plant	3,181,670	51,772		\$ 58,890	(3,071,008)
Pupil transportation	1,239,707		25,954		(1,213,753)
Food service	572,769	377,539	144,720		(50,510)
Other	601,152				(601,152)
Interest	922,789		640,677		(282,112)
Total governmental activities	<u>\$ 32,792,376</u>	<u>\$ 4,443,121</u>	<u>\$ 2,118,030</u>	<u>\$ 58,890</u>	<u>(26,172,335)</u>
General revenues:					
					20,830,464
					3,781,800
					2,483,633
					19,760
					10,878
					149,316
					<u>27,275,851</u>
					1,103,516
					<u>(781,346)</u>
					<u>\$ 322,170</u>

See accompanying notes to the basic financial statements

EXHIBIT C
SANBORN REGIONAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Federal Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,515,601			\$ 1,515,601
Accounts receivable, net	24,029		\$ 10,654	34,683
Due from other governments	1,279,233	\$ 280,636	7,757	1,567,626
Due from other funds	160,803		360,823	521,626
Prepaid expenses	22,188			22,188
Total Assets	<u>3,001,854</u>	<u>280,636</u>	<u>379,234</u>	<u>3,661,724</u>
Deferred Outflows of Resources:				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 3,001,854</u>	<u>\$ 280,636</u>	<u>\$ 379,234</u>	<u>\$ 3,661,724</u>
Liabilities:				
Accounts payable	\$ 253,081	\$ 24,818	\$ 17,760	\$ 295,659
Accrued expenses	103,663			103,663
Advances from grantors		95,015		95,015
Unearned food service sales			11,930	11,930
Due to other funds	401,609	160,803		562,412
Total Liabilities	<u>758,353</u>	<u>280,636</u>	<u>29,690</u>	<u>1,068,679</u>
Deferred Inflows of Resources:				
Total Deferred Inflows of Resources	-	-	-	-
Fund balances:				
Nonspendable	22,188			22,188
Restricted	8,521		23,845	32,366
Committed	381,320			381,320
Assigned	1,831,472		325,699	2,157,171
Total Fund Balances	<u>2,243,501</u>	<u>-</u>	<u>349,544</u>	<u>2,593,045</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,001,854</u>	<u>\$ 280,636</u>	<u>\$ 379,234</u>	<u>\$ 3,661,724</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
SANBORN REGIONAL SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 2,593,045
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.	32,128,788
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources attributable to net pension liability	2,359,599
Deferred inflows of resources attributable to net pension liability	(994,902)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(10,289,084)
Capital leases payable	(263,606)
Accrued interest on long-term obligations	(613,733)
Early retirement benefits payable	(764,635)
Compensated absences payable	(527,641)
Other post-employment benefits obligation	(2,863,938)
Net pension liability	<u>(20,441,723)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 322,170</u>

EXHIBIT D
SANBORN REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Federal Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 20,830,464			\$ 20,830,464
Intergovernmental	7,207,041	\$ 834,775	\$ 203,610	8,245,426
Charges for services	4,013,810		429,311	4,443,121
Interest income	10,878			10,878
Miscellaneous	47,141	217,722	101,140	366,003
Total Revenues	<u>32,109,334</u>	<u>1,052,497</u>	<u>734,061</u>	<u>33,895,892</u>
Expenditures:				
Current operations:				
Instruction	18,614,228	674,879	7,406	19,296,513
Supporting services	2,217,736	9,865		2,227,601
Instructional staff services	584,494	366,718		951,212
General administration	3,172,375		43	3,172,418
Operation and maintenance of plant	2,948,155		191,640	3,139,795
Pupil transportation	1,239,707			1,239,707
Food service			554,817	554,817
Other	521,732			521,732
Capital outlay	117,884		351,554	469,438
Debt service:				
Principal retirement	1,351,421			1,351,421
Interest and fiscal charges	939,470			939,470
Total Expenditures	<u>31,707,202</u>	<u>1,051,462</u>	<u>1,105,460</u>	<u>33,864,124</u>
Excess of revenues under expenditures	<u>402,132</u>	<u>1,035</u>	<u>(371,399)</u>	<u>31,768</u>
Other financing sources (uses):				
Transfers in	1,035		221,758	222,793
Transfers out	(221,758)	(1,035)		(222,793)
Total other financing sources (uses)	<u>(220,723)</u>	<u>(1,035)</u>	<u>221,758</u>	<u>-</u>
Net change in fund balances	181,409	-	(149,641)	31,768
Fund balances at beginning of year	<u>2,062,092</u>	<u>-</u>	<u>499,185</u>	<u>2,561,277</u>
Fund balances at end of year	<u>\$ 2,243,501</u>	<u>\$ -</u>	<u>\$ 349,544</u>	<u>\$ 2,593,045</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
SANBORN REGIONAL SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 31,768
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, 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 depreciation expense exceeded capital outlays in the current period.	(213,822)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets reduced by the actual proceeds received from the disposal.	(607)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,351,421
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	57,911
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.	45,108
In the statement of activities, interest is accrued on outstanding bonds payable, whereas in governmental funds, an interest expenditure is reported when due.	(41,230)
Some expenses reported in the statement of activities, such as compensated absences, early retirement benefits and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(413,371)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and do not require the use of current financial resources. This is the amount by which pension contributions exceeded pension expense in the current period.	<u>286,338</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 1,103,516</u>

See accompanying notes to the basic financial statements

EXHIBIT E
SANBORN REGIONAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose <u>Trust Fund</u>	Student Activities <u>Agency Funds</u>
ASSETS		
Cash and cash equivalents		\$ 150,862
Due from other funds	\$ 40,786	
Total assets	<u>40,786</u>	<u>\$ 150,862</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to student groups		\$ 150,862
Total liabilities	<u>-</u>	<u>\$ 150,862</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>40,786</u>	
Total Net Position	<u>\$ 40,786</u>	

See accompanying notes to the basic financial statements

EXHIBIT F
SANBORN REGIONAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	Private Purpose <u>Trust Fund</u>
ADDITIONS:	
Contributions	\$ 26,137
Total Additions	<u>26,137</u>
DEDUCTIONS:	
Scholarship Benefits	<u>7,150</u>
Total Deductions	<u>7,150</u>
Change in Net Position	18,987
Net Position - beginning of year	<u>21,799</u>
Net Position - end of year	<u>\$ 40,786</u>

See accompanying notes to the basic financial statements

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Sanborn Regional School District conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Sanborn Regional School District (the “District”) is an independent governmental entity organized under the laws of the State of New Hampshire to provide public education within the borders of the Towns of Kingston and Newton, New Hampshire. The District's legislative body is the annual deliberative session followed by balloting of registered voters within the District and is governed by an elected School Board. The District has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District employs the use of two categories of funds: governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

The *General Fund* is the main operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

The *Federal Projects Fund* is used to account for the financial transactions related to various state and federal education grants and the related expenditures.

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The District maintains two fiduciary funds, one agency fund known as the Student Activities Agency Fund, and one private purpose trust fund. The agency fund was established to account for revenues generated by student managed activities. It is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The private purpose fund was established to account for assets held under trust arrangements exclusively for individual scholarship recipients, and are therefore not available to support the District's own programs.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, and student fees.

Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantor. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The District's budget represents functional appropriations as authorized by annual District meetings. The school board may transfer funds between operating categories as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2016, the District applied \$734,125 of its assigned fund balance to reduce taxes.

Accounts Receivable

Charges for services billed during the current year and prior and uncollected at June 30, 2016 are recorded as receivables, net of reserves for estimated uncollectibles of \$75,000 in the General Fund.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure or intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

<u>Description</u>	<u>Years</u>
Land improvements	50
Buildings and improvements	5-75
Machinery, equipment and vehicles	7-25

Compensated Absences

The district has four units with compensated absence policies.

Unit 1 employees (professional staff) are entitled 13 sick days a year and may accumulate up to 120 days of sick leave. A professional staff member that has been employed by Sanborn Regional School District for a minimum of 15 years will receive payment for their unused sick leave days equal to 60% of the current substitute rate. Professional staff that does not use sick time during the year will receive 1-2 days of per diem salary at the conclusion of the year. Full time professional staff members who have taught a minimum of 20 years, 10 of which were with the Sanborn Regional School District, and are at least 55 years of age are entitled to early retirement. Up to 3 early retirement requests will be approved each year. These professional staff members will receive 25% or 30% of their last salary annually for a 5-year period, depending on years of service within the district. In the event of death, this granted early retirement is paid to the heirs of the staff member for the remainder of the 5-year period.

Unit 2 employees (support staff) are entitled 13 sick days a year and may accumulate up to 120 days of sick leave. Staff members that do not use sick time during the year will receive 1-2 days of per diem salary at the conclusion of the year. Vacation time may be earned which is computed as of the employee's anniversary date and could be 2 to 4 weeks depending on years of service. A pro-rata accumulation of unused vacation time will be paid to employees terminating employment.

Per these collective bargaining agreements, the District also recognizes a sick leave bank. The sick leave bank is managed by a sick leave bank committee and will cap at 800 days. This maximum of 800 days of sick time will be rolled over each year. Sick bank members on a year-long contract may apply to and subsequently withdraw approved days from this bank if needed.

Unit 3 employees (non-union support staff) are entitled 13 sick days a year and may accumulate up to 120 days of sick leave. Employees that do not use sick time during the year will receive 2 days of per diem salary at the conclusion of the year. Upon retirement from the district after serving 15 consecutive years, full time employees will receive a portion of their accumulated sick leave equal to the average daily rate times 0.5, with the maximum of 120 accrued days. Employees will earn vacation time of 1 to 4 weeks based on position and years of service. A pro-rata accumulation of this unused vacation time will be paid to employees terminating employment. Full time employees may carryover a maximum of 5 days' vacation with days to expire after one year.

Unit 4 employees (administrators) are entitled 15 sick days a year and may accumulate up to 150 days of sick leave. Upon retirement from the district after serving 15 consecutive years, administrators will receive a portion of their accumulated sick leave equal to the average daily rate times 0.5, with the maximum of 150 accrued days. All administrators are eligible for 20 days of vacation. A maximum of 10 days may be carried forward into the next year and expire within one year. An administrator who has served a minimum of 15 years in the district and is at least 55 years of age are entitled to early retirement.

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

There can be one administrator granted early retirement for the year. This administrator will receive their sick leave payment, and a one- time additional payment of 25% of the administrator's last year's salary.

For governmental fund financial statements, compensated absences and early retirement benefits are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence and early retirement benefit liabilities are reported on the government-wide financial statements.

Unamortized Bond Premium

The unamortized bond premium is amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements including any applicable unamortized bond premium. The balance of the deferred bond premiums as of June 30, 2016 is \$684,493.

Accrued Liabilities and Long-Term Obligations

All payables, accrued expenses, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

General obligation bonds, capital leases, and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balance Policy

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District has segregated fund balance into five classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Funds legally restricted for specific purposes by their providers through constitutional provisions or by enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or by the enabling legislation.
- *Committed Fund Balance*: Amounts that can only be used for specific purposes pursuant to a formal vote of the School Board. The School Board, as the government's highest level of decision-making authority, may commit fund balance by a formal vote prior to the government's fiscal year end. Future modification or recession of committed funds must likewise be accompanied by a formal vote of the School Board prior to fiscal year end.
- *Assigned Fund Balance*: Amounts the School Board intends to use for a specific purpose. The School Board may expressly delegate the authority to assign funds for specific purposes to the Superintendent or Business Administrator.
- *Unassigned Fund Balance*: Amounts that are available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balances of another governmental fund.

The District's policy is to return to the Town, any unassigned fund balance at fiscal year end, to be used to offset the subsequent fiscal year's tax rate.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—DEPOSITS

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Deposits as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 1,515,601
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>150,862</u>
	<u>\$ 1,666,463</u>

Deposits at June 30, 2016 consist of the following:

Cash on hand	\$ 275
Deposits with financial institutions	<u>1,666,188</u>
	<u>\$ 1,666,463</u>

The School District's investment policy for governmental funds requires deposits and investments with financial institutions that are participants in one of the federal depository insurance programs or have collateral approved pursuant to applicable law. The School Board authorizes the School District Treasurer, working in conjunction with the Superintendent, to invest funds of the District.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with the District's investment policy, all deposits in excess of federal depository insurance must be secured by collateral having a value at least equal to the amount of such funds. Of the District's deposits with financial institutions at year end, \$2,358,618 was collateralized by securities held by the bank in the bank's name.

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 39,830	\$ 16,730	\$ (39,830)	\$ 16,730
Land	<u>1,101,127</u>			<u>1,101,127</u>
Total capital assets not being depreciated	<u>1,122,334</u>	<u>16,730</u>	<u>(39,830)</u>	<u>1,117,857</u>
Other capital assets:				
Land improvements	436,709			436,709
Buildings and improvements	37,275,300	512,834	(31,228)	37,756,906
Machinery, equipment & vehicles	<u>1,769,189</u>	<u>66,469</u>		<u>1,835,658</u>
Total other capital assets at historical cost	<u>39,332,192</u>	<u>579,303</u>	<u>(31,228)</u>	<u>40,029,273</u>
Less accumulated depreciation for:				
Land improvements	(171,095)	(18,739)		(189,834)
Buildings and improvements	(7,061,238)	(640,154)		(7,701,392)
Machinery, equipment & vehicles	<u>(1,046,605)</u>	<u>(111,132)</u>	30,621	<u>(1,127,116)</u>
Total accumulated depreciation	<u>(7,528,097)</u>	<u>(770,025)</u>	<u>30,621</u>	<u>(9,018,342)</u>
Total other capital assets, net	<u>31,804,095</u>	<u>(190,722)</u>	<u>(607)</u>	<u>31,010,931</u>
Total capital assets, net	<u>\$ 32,926,429</u>	<u>\$ (173,992)</u>	<u>\$ (40,437)</u>	<u>\$ 32,128,788</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 584,623
Instructional staff services	2,104
General administration	44,513
Operation and maintenance of plant	120,833
Food service	<u>17,952</u>
	<u>\$ 770,025</u>

The balance of the assets acquired through capital leases as of June 30, 2016 is as follows:

	Historical Cost	Accumulated Depreciation	Net Book Value
Building improvements	\$ 272,255	\$ (38,601)	\$ 233,654
Machinery, equipment & vehicles	<u>138,902</u>	<u>(35,198)</u>	<u>103,704</u>
	<u>\$ 411,157</u>	<u>\$ (73,799)</u>	<u>\$ 337,358</u>

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 4—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the District’s long-term obligations for the year ended June 30, 2016 are as follows:

<u>Type</u>	<u>Balance</u>			<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>		
Bonds payable	\$ 10,956,012		\$(1,351,421)	\$ 9,604,591	\$ 1,286,752
Unamortized bond premium	742,404		(57,911)	684,493	
Total bonds payable	11,698,416	\$ -	(1,409,332)	10,289,084	1,286,752
Capital lease payable	308,714		(45,108)	263,606	46,470
Early retirement benefits	684,070	343,425	(262,860)	764,635	259,921
Compensated absences	534,169	91,484	(98,012)	527,641	-
Total	<u>\$ 13,225,369</u>	<u>\$ 434,909</u>	<u>\$(1,815,312)</u>	<u>\$ 11,844,966</u>	<u>\$ 1,593,143</u>

Payments on the general obligation bonds and capital leases are paid out of the General Fund. Payments on compensated absences and early retirement benefits will be paid from the fund where the employee’s salary is paid.

General Obligation Bonds

Bonds payable at June 30, 2016 is comprised of the following individual issue:

<u>Description</u>	<u>Original</u> <u>Issue</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>June 30, 2016</u>
2004 High School Construction Bonds	\$ 29,770,200	4.54%	August 2024	\$ 9,604,591
		Add: Unamortized bond premium		684,493
				<u>\$ 10,289,084</u>

General obligation bonds are direct obligations of the District, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within District boundaries.

Debt service requirements to retire general obligation bonds outstanding at June 30, 2016 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 1,286,752	\$ 989,013	\$ 2,275,765
2018	1,225,785	1,079,726	2,305,511
2019	1,168,168	1,139,218	2,307,386
2020	1,112,322	1,194,926	2,307,248
2021	1,058,291	1,241,879	2,300,170
2022-2025	3,753,273	5,459,527	9,212,800
	9,604,591	11,104,289	20,708,880
Add: Bond Premium	684,493		684,493
	<u>\$ 10,289,084</u>	<u>\$ 11,104,289</u>	<u>\$ 21,393,373</u>

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. The following are the capital leases outstanding at June 30, 2016:

Equipment-Kitchen/Gym Heating System - due in varying annual installments at 2.81% through April 18, 2019	\$ 62,813
Equipment-Heat Pumps & ERV's - due in varying annual installments at 3.10% through October 15, 2022	<u>200,793</u>
	<u>\$ 263,606</u>

Debt service requirements to retire the capital lease obligation outstanding at June 30, 2016 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 46,470	\$ 7,620	\$ 54,090
2018	47,867	6,223	54,090
2019	49,307	4,784	54,091
2020	28,631	3,719	32,350
2021	29,519	2,831	32,350
2022-2023	61,812	2,889	64,701
	<u>\$ 263,606</u>	<u>\$ 28,066</u>	<u>\$ 291,672</u>

NOTE 5—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the District provides health care and life insurance benefits to its eligible retirees, their spouses, and dependents. The District pays 100% of the premium for medical and dental benefits for any teacher hired before June 30, 2002 who retires with at least 20 years of service credit and at least 10 District service. Additionally, the District pays 100% of the premium for medical and dental benefits for any administrator hired before June 30, 2002 who retires at age 55 or later with at least 15 years of District service. The District will pay for teachers to have up to two-person coverage in the plan of choice. Administrators are also permitted to have two-person coverage, but the District limits its reimbursement to the least expensive plan available. The District pays the early retirement medical and dental benefits until the retired employee is age 65. In addition, any full-time employee not included in the above referenced categories, who meets certain age and service requirements, is eligible to receive access to the District's medical benefits upon retirement provided the employee contributes 100% of the premium. Medical coverage may continue to the spouse after the death of the retiree provided the spouse contributes 100% of the premium. This creates an additional implicit OPEB obligation consisting of the excess of the actuarially determined age-adjusted premium over the actual premium. As of July 1, 2014, the actuarial valuation date, approximately 17 retirees and 285 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

The District's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The District's annual OPEB cost for the year ending June 30, 2016 including the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2014, is as follows:

Annual Required Contribution (ARC)	\$ 664,729
Interest on net OPEB obligation	100,984
Adjustment to ARC	<u>(143,163)</u>
Annual OPEB cost	622,550
Contributions made	<u>(283,216)</u>
Increase in net OPEB obligation	339,334
Net OPEB obligation - beginning of year	<u>2,524,604</u>
Net OPEB obligation - end of year	<u><u>\$ 2,863,938</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2014, 2015 and 2016 are as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 632,947	55.8%	\$ 2,133,262
6/30/2015	\$ 622,273	37.1%	\$ 2,524,604
6/30/2016	\$ 622,550	45.5%	\$ 2,863,938

The District's net OPEB obligation as of June 30, 2016, is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 6,043,637
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 6,043,637</u>
Funded ratio (actuarial value of plan assets/AAL)	N/A
Covered payroll (active plan members)	\$ 14,411,805
UAAL as a percentage of covered payroll	41.94%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of future events. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. Amounts determined regarding the funded status of the plan and

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the District 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 District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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 Projected Unit Credit cost method was used. The actuarial value of assets was not determined as the District has not advance funded its obligation. The actuarial assumptions included a 4.00% investment rate of return, which is a blended rate of the expected long term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The projected annual health care cost trend is 7.82% in the first year, increased to 9.00% for the second year, and then reduced by annual decrements of 1.00% to an ultimate rate of 5.00%. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level dollar amount on an open amortization period. The remaining amortization period at June 30, 2016 is 28 years.

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the New Hampshire Retirement System (NHRS), 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 New Hampshire Retirement System is a public employee retirement system that administers a single cost-sharing multiple- employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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 are available to pay retirement benefits to all members.

Benefits Provided

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 a non-vested 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 benefit commencement date precedes the month after 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.

Funding Policy

Plan members are required to contribute 7.0% of their covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rates for the covered payroll of teachers and employees were 12.72% and 10.86%, respectively. The District contributes 100% of the employer cost for teachers and general employees of the District.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contributions to the NHRS for the year ending June 30, 2016 was \$1,760,847

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

At June 30, 2016, the District reported a liability of \$20,441,723 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2014. The District's proportion of the net pension liability was based on actual

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2015, the District's proportion was approximately 0.5160 percent, which was an increase of 0.0072 percentage points from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,474,509. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 448,573
Net difference between projected and actual earnings on pension plan investments		546,329
Changes in proportion and differences between District contributions and proportionate share of contributions	\$ 598,752	
District contributions subsequent to the measurement date	<u>1,760,847</u>	
Total	<u>\$ 2,359,599</u>	<u>\$ 994,902</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$1,364,697. The District reported \$1,760,847 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date that 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>June 20,</u>	
2016	\$ (239,845)
2017	(239,845)
2018	(239,845)
2019	341,462
2020	<u>(18,077)</u>
	<u>\$ (396,150)</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to 2015 measurements:

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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

Mortality rates were based on the RP-2000 mortality table projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2011 pursuant to an experience study of the period July 1, 2005 – June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.0%)</u>
Fixed income	25%	(1.00)-0.28%
Domestic equity	30%	3.00%
International equity	20%	4.00-6.00%
Real estate	10%	3.50%
Private equity	5%	5.50%
Private debt	5%	4.50%
Opportunistic	5%	2.75%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee 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. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$ 26,908,871	\$ 20,441,723	\$ 14,928,441

NOTE 7—PROPERTY TAXES

Property taxes levied to support the Sanborn Regional School District are based on the assessed valuation of the prior April 1st for all taxable real property.

Under state statutes, the Towns of Kingston and Newton, New Hampshire (both independent governmental units) collect School District taxes and State of New Hampshire Education taxes as part of local property tax assessments. As collection agents, the Towns are required to pay over to the District their share of property tax assessments through periodic payments based on cash flow requirements of the District. The Towns assume financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2016, School District taxes were \$20,830,464 and State of New Hampshire Education taxes were \$2,483,633.

The District is entitled to receive monies under the established payment schedule and the unpaid amount at the fiscal year end, if any, is considered to be an "accounts receivable" since the revenue is both measurable and available.

NOTE 8—INTERFUND BALANCES AND TRANSFERS

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2016 are as follows:

	General <u>Fund</u>	Due from Federal Projects <u>Fund</u>	<u>Totals</u>
General Fund		\$ 160,803	\$ 160,803
Nonmajor Governmental Fund	\$ 360,823		360,823
Fiduciary Fund	40,786		40,786
	<u>\$ 401,609</u>	<u>\$ 160,803</u>	<u>\$ 562,412</u>

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

During the year, several interfund transactions occurred between the funds. Transfers from the General Fund to the Capital Projects Fund and Food Service Fund, both Nonmajor Governmental Funds, were for offsetting the current year deficit within those funds. Interfund transfers for the year ended June 30, 2016 are as follows:

	Transfer from		
	General Fund	Federal Projects Fund	Totals
Transfer to General Fund		\$ 1,035	\$ 1,035
Nonmajor Governmental Funds	\$ 221,758		221,758
	<u>\$ 221,758</u>	<u>\$ 1,035</u>	<u>\$ 222,793</u>

NOTE 9—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

General Fund- Donations	\$ 8,521
Food Service operations	23,845
	<u>\$ 32,366</u>

NOTE 10—COMPONENTS OF FUND BALANCE

The components of the District’s fund balance for its governmental funds at June 30, 2016 are as follows:

<u>Fund Balances</u>	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
Nonspendable:			
Prepaid expenses	\$ 22,188		\$ 22,188
Restricted for:			
Donations	8,521		8,521
Food service operations		\$ 23,845	23,845
Committed for:			
Expendable trusts	227,699		227,699
Subsequent year expenditures	153,621		153,621
Assigned for:			
Facilities Revolving Fund		325,699	325,699
Encumbrances	686,741		686,741
Designated to offset subsequent fiscal year tax rate	1,144,731		1,144,731
	<u>\$ 2,243,501</u>	<u>\$ 349,544</u>	<u>\$ 2,593,045</u>

NOTE 11—RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

June 30, 2016, the District was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2016.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 12—FUTURE COMMITMENTS

Transportation

The District entered into a long-term contract with an independent transportation company during November 2011 to provide transportation service for special education students through June 30, 2017. For the year ended June 30, 2016, the District expended \$103,140 under the terms of the agreement.

Additionally, the District entered into a long-term contract with an independent transportation company during July 2015 to provide student transportation services through June 30, 2021. For the year ended June 30, 2016, the District expended \$896,044 under the terms of the agreement.

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 13—CONTINGENT LIABILITIES

Federal Grants

The District participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Litigation

There are various claims and suits pending against the District, which arise in the normal course of the District's activities. In the opinion of District management, the potential claims against the District, which are not covered by insurance are immaterial and would not affect the financial position of the District.

SCHEDULE 1
SANBORN REGIONAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 20,830,464	\$ 20,830,464	\$ 20,830,464	\$ -
Intergovernmental	7,219,127	7,219,127	7,207,041	(12,086)
Charges for services	4,130,000	4,130,000	4,013,810	(116,190)
Interest income	3,600	3,600	10,456	6,856
Miscellaneous	30,650	30,650	47,141	16,491
Total Revenues	<u>32,213,841</u>	<u>32,213,841</u>	<u>32,108,912</u>	<u>(104,929)</u>
Expenditures:				
Current operations:				
Instruction	19,211,003	19,107,382	18,656,147	451,235
Supporting services	2,252,400	2,238,371	2,212,698	25,673
Instructional staff services	646,690	632,685	584,494	48,191
General administration	3,255,116	3,168,970	3,164,711	4,259
Operation and maintenance of plant	3,388,722	3,269,075	3,141,671	127,404
Pupil transportation	1,286,787	1,300,309	1,241,730	58,579
Other	586,897	523,656	486,732	36,924
Capital Outlay	-	386,627	393,858	(7,231)
Debt service:				
Principal retirement	1,350,881	1,351,421	1,351,421	-
Interest and fiscal charges	939,470	939,470	939,470	-
Total Expenditures	<u>32,917,966</u>	<u>32,917,966</u>	<u>32,172,932</u>	<u>745,034</u>
Excess of revenues over (under) expenditures	<u>(704,125)</u>	<u>(704,125)</u>	<u>(64,020)</u>	<u>640,105</u>
Other financing sources (uses):				
Transfers in	-	-	54,696	54,696
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(221,758)</u>	<u>(191,758)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(167,062)</u>	<u>(137,062)</u>
Net change in fund balance	(734,125)	(734,125)	(231,082)	503,043
Fund balance at beginning of year				
- Budgetary Basis	<u>1,560,143</u>	<u>1,560,143</u>	<u>1,560,143</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 826,018</u>	<u>\$ 826,018</u>	<u>\$ 1,329,061</u>	<u>\$ 503,043</u>

See accompanying notes to the required supplementary information

SCHEDULE 2
SANBORN REGIONAL SCHOOL DISTRICT
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended June 30, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) - Projected Unit Cost</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2010	\$ -	\$ 5,360,609	\$ 5,360,609	0%	\$ 12,114,076	44.25%
7/1/2012	\$ -	\$ 5,628,175	\$ 5,628,175	0%	\$ 12,603,485	44.66%
7/1/2014	\$ -	\$ 6,043,637	\$ 6,043,637	0%	\$ 14,411,805	41.94%

See accompanying notes to the required supplementary information

SCHEDULE 3

SANBORN REGIONAL SCHOOL DISTRICT

Schedule of Changes in the District's Proportionate Share of the Net Pension Liability

For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.5160%	0.5088%	0.4961%
District's proportionate share of the net pension liability (asset)	\$ 20,441,723	\$ 19,099,891	\$ 21,352,823
District's covered-employee payroll	\$ 14,930,013	\$ 14,230,939	\$ 13,906,874
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136.92%	134.21%	153.54%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 4
SANBORN REGIONAL SCHOOL DISTRICT
Schedule of District Contributions
For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,760,847	\$ 1,731,149	\$ 1,650,807	\$ 1,233,672
Contributions in relation to the contractually required contribution	<u>(1,760,847)</u>	<u>(1,731,149)</u>	<u>(1,650,807)</u>	<u>(1,233,672)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 14,358,222	\$ 14,930,013	\$ 14,230,939	\$ 13,906,874
Contributions as a percentage of covered-employee payroll	12.26%	11.60%	11.60%	8.87%

See accompanying notes to the required supplementary information

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2016

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the District. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). General Fund budgetary revenues, and other financing sources were adjusted for non-budgetary activity and budgetary transfers. General Fund budgetary expenditures were adjusted for encumbrances.

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 32,110,369	\$ 31,928,960
Encumbrances, June 30, 2015		(221,011)
Encumbrances, June 30, 2016		686,741
Budgetary transfers	53,661	
Non-budgetary activity	(422)	
Per Schedule 1	<u>\$ 32,163,608</u>	<u>\$ 32,394,690</u>

Major Special Revenue Funds

The District adopts its budgets under regulations of the New Hampshire Departments of Education and Revenue Administration which differ from accounting principles generally accepted in the United States of America. Consequently, budgetary information is not presented for the Federal Projects Fund as the information is neither practical nor meaningful.

NOTE 2—GENERAL FUND BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at June 30, 2016 are as follows:

Nonspendable:	
Prepaid expenses	\$ 22,188
Restricted for:	
Donations	8,521
Committed for:	
Subsequent year expenditures	153,621
Assigned for:	
Designated to offset subsequent fiscal year tax rate	1,144,731
	<u>\$ 1,329,061</u>

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2016

NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the District is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The District implemented the provisions of GASB Statement #45 during the year ended June 30, 2010. Accordingly, the funding progress has been presented for the three most recent actuarial valuation reports.

NOTE 4—SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF DISTRICT CONTRIBUTIONS

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the district's proportionate share of the net pension liability, and schedule of district contributions. The District implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

SCHEDULE I
SANBORN REGIONAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>
DEPARTMENT OF AGRICULTURE		
Pass Through Payments from New Hampshire Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 9,909
National School Lunch Program	10.555	
School Lunch		127,821
Commodities		41,863
		<u>169,684</u>
Total Child Nutrition Cluster		<u>179,593</u>
Total Department of Agriculture		<u>179,593</u>
DEPARTMENT OF EDUCATION		
Pass Through Payments from New Hampshire Department of Education		
Title I Grants to Local Educational Agencies	84.010	
#50128		3,976
#60128		148,123
		<u>152,099</u>
Special Education Cluster		
Special Education - Grants to States	84.027	
#62600		408,192
Special Education - Preschool Grants	84.173	
#62600		9,148
		<u>417,340</u>
Total Special Education Cluster		<u>417,340</u>
Mathematics and Science Partnerships	84.366	
#55194		306
#65194		187,500
		<u>187,806</u>
Improving Teacher Quality State Grants	84.367	
#44927		14,697
#54927		31,820
#55401		4,987
#64927		19,188
#65401		6,839
		<u>77,531</u>
Total Department of Education		<u>834,776</u>
DEPARTMENT OF HOMELAND SECURITY		
Pass Through Payments from New Hampshire Department of Safety, Homeland Security and Emergency Management		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	
#FEMA-4209-DR-NH		58,890
Total Department of Homeland Security		<u>58,890</u>
Total Expenditures of Federal Awards		<u>\$ 1,073,259</u>

See notes to schedule of expenditures of federal awards

SANBORN REGIONAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2016

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Sanborn Regional School District (the “District”) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

NOTE 3—INDIRECT COST RATE

Sanborn Regional School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal financial assistance revenues have been reported as intergovernmental revenues in the District's basic financial statements in the following funds:

Major Governmental Fund:	
Federal Project Fund	\$ 834,775
Nonmajor Governmental Funds:	
Food Service Fund	137,731
Capital Projects Fund	58,890
	<u>\$ 1,031,396</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

To the School Board
Sanborn Regional School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanborn Regional School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Sanborn Regional School District's basic financial statements, and have issued our report thereon dated January 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanborn Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanborn Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanborn Regional School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanborn Regional School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vachon Chikay + Company PC

Manchester, New Hampshire
January 23, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the School Board
Sanborn Regional School District

Report on Compliance for Each Major Federal Program

We have audited Sanborn Regional School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sanborn Regional School District's major federal programs for the year ended June 30, 2016. Sanborn Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sanborn Regional School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sanborn Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sanborn Regional School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Sanborn Regional School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

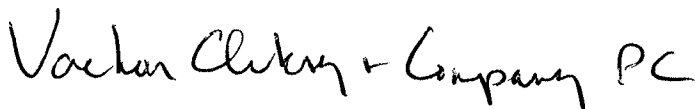
Report on Internal Control Over Compliance

Management of Sanborn Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sanborn Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Manchester, New Hampshire
January 23, 2017

**Sanborn Regional School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *unmodified – all reporting units*

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified yes X none reported

Type of auditor’s report issued on compliance
for major programs: *unmodified*

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)? yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B program: \$ 750,000.

Auditee qualified as low-risk auditee? X yes no

Section II—Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III—Federal Award Findings and Questioned Costs

There were no findings and questioned costs as defined under 2 CFR 200.516(a).