

SANBORN REGIONAL SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2012

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MELANSON HEATH & COMPANY, PC

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INDEPENDENT AUDITORS' REPORT

To the School Board
Sanborn Regional School District
Kingston, New Hampshire

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, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Sanborn Regional School District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress – OPEB 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 evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Balance Sheet, Statement of Changes in Assets and Liabilities and the Statement of Revenues, Expenses, and Changes in Fund Balances, appearing on pages 36-38), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melanson Heath + Company P.C.
Nashua, New Hampshire
December 6, 2012

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, 2012.

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 Assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 \$ 16,660,337 (i.e., net assets), a change of \$ 1,228,118 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 1,702,224, a change of \$ 51,667 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 599,056, a change of \$ 117,979 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 15,447,739, a change of \$ (1,666,458) 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.

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current assets	\$ 2,095,403	\$ 2,025,097
Capital assets	<u>32,983,816</u>	<u>33,316,735</u>
Total assets	35,079,219	35,341,832
Long-term liabilities	15,676,380	17,250,147
Other liabilities	<u>2,742,502</u>	<u>2,659,466</u>
Total liabilities	18,418,882	19,909,613
Net assets:		
Invested in capital assets, net	17,510,537	16,202,538
Restricted	279,661	278,844
Unrestricted	<u>(1,129,861)</u>	<u>(1,049,163)</u>
Total net assets	<u>\$ 16,660,337</u>	<u>\$ 15,432,219</u>

CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 559,306	\$ 491,468
Operating grants and contributions	4,733,216	4,800,413
General revenues:		
School district assessments	18,003,331	17,477,147
Grants and contributions not restricted to specific programs	7,227,067	7,270,487
Investment income	3,929	6,816
Miscellaneous	<u>33,587</u>	<u>98,909</u>
Total revenues	30,560,436	30,145,240

(continued)

(continued)

CHANGES IN NET ASSETS

	Governmental <u>Activities</u>	
	<u>2012</u>	<u>2011</u>
Expenses:		
Instruction	18,118,407	17,329,475
Student services	1,948,923	1,852,505
Instructional staff	478,877	455,419
General administration	127,464	96,612
Executive administration	538,377	584,110
School administration	1,610,680	1,547,777
Business	411,087	424,701
Operations and maintenance	3,207,621	3,575,563
Transportation	1,103,470	1,117,601
Other	557,577	617,926
Non-instructional services	608,145	618,628
Interest	621,690	566,338
	<u>29,332,318</u>	<u>28,786,655</u>
Total expenses		
Change in net assets	1,228,118	1,358,585
Net assets - beginning of year	<u>15,432,219</u>	<u>14,073,634</u>
Net assets - end of year	<u>\$ 16,660,337</u>	<u>\$ 15,432,219</u>

As noted earlier, net assets 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 assets were \$ 16,660,337, a change of \$ 1,228,118 from the prior year.

The largest portion of net assets \$ 17,510,537 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 assets \$ 279,661 represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets deficit of \$ (1,129,861) primarily results from the use of fund balance in fiscal year 2012 and the recognition of the District's OPEB Liability. (See Note 13).

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ 1,228,118. Key elements of this change are as follows:

General fund revenues in excess of expenditures and transfers out	\$ 26,024
Fixed asset acquisitions from revenues	313,292
Debt service principal paydowns in excess of depreciation	994,707
Other	<u>(105,905)</u>
Total	<u>\$ 1,228,118</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 \$ 1,702,224, a change of \$ 51,667 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures and transfers out	\$ 26,024
Special revenue fund revenues in excess of expenditures	24,826
Trust fund revenues over expenditures	<u>817</u>
Total	<u>\$ 51,667</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 599,056, while total fund balance was \$ 1,202,477. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 599,056	\$ 481,077	\$ 117,979	1.95%
Total fund balance	1,202,477	1,176,453	26,024	4.15%

The total fund balance of the general fund changed by \$ 26,024 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance	\$ (481,077)
Revenues in excess of budget	280,260
Expenditures less than budget	262,473
Other	<u>(35,632)</u>
Total	\$ <u><u>26,024</u></u>

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 \$ 32,983,816 (net of accumulated depreciation), a change of \$ (333,919) 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 Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonds payable outstanding was \$ 15,447,739, 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 Financial Statements.

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

SANBORN REGIONAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Current:	
Cash and cash equivalents	\$ 1,717,323
Accounts receivable	155,405
Intergovernmental receivable	179,475
Other assets	43,200
Noncurrent:	
Capital assets:	
Land and construction in progress	1,155,373
Other assets, net of accumulated depreciation	31,828,443
TOTAL ASSETS	35,079,219
LIABILITIES	
Current:	
Accounts payable	361,436
Accrued liabilities	294,741
Current portion of long-term liabilities:	
Bonds payable	1,576,010
Capital lease	12,550
Compensated absences	497,765
Noncurrent:	
Bonds payable, net of current portion	13,871,729
Capital lease, net of current portion	12,990
Compensated absences, net of current portion	733,930
Net OPEB obligation	1,057,731
TOTAL LIABILITIES	18,418,882
NET ASSETS	
Invested in capital assets, net of related debt	17,510,537
Restricted for:	
Expendable permanent funds	279,661
Unrestricted	(1,129,861)
TOTAL NET ASSETS	\$ 16,660,337

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

		<u>Program Revenues</u>		<u>Net(Expenses) Revenues and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 18,118,407	\$ 18,665	\$ 4,595,073	\$ (13,504,669)
Support services:				
Student	1,948,923	-	-	(1,948,923)
Instructional staff	478,877	-	-	(478,877)
General administration	127,464	-	-	(127,464)
Executive administration	538,377	-	-	(538,377)
School administration	1,610,680	-	-	(1,610,680)
Business	411,087	-	-	(411,087)
Operation and maintenance of plant	3,207,621	114,977	-	(3,092,644)
Student transportation	1,103,470	-	-	(1,103,470)
Other	557,577	-	-	(557,577)
Non-instructional services	608,145	425,664	138,143	(44,338)
Interest on long-term debt	621,690	-	-	(621,690)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Governmental Activities	<u>\$ 29,332,318</u>	<u>\$ 559,306</u>	<u>\$ 4,733,216</u>	(24,039,796)
General Revenues:				
				18,003,331
				7,227,067
				3,929
				<u>33,587</u>
				25,267,914
				1,228,118
Net Assets:				
				<u>15,432,219</u>
				<u>\$ 16,660,337</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

ASSETS	<u>General</u>	Special Education Expendable <u>Trust Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and cash equivalents	\$ 1,261,344	\$ 226,324	\$ 229,655	\$ 1,717,323
Receivables:				
Accounts receivable	152,158	-	3,247	155,405
Intergovernmental	-	-	179,475	179,475
Interfund receivable	173,294	-	55,917	229,211
Other assets	43,200	-	-	43,200
TOTAL ASSETS	\$ <u>1,629,996</u>	\$ <u>226,324</u>	\$ <u>468,294</u>	\$ <u>2,324,614</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 344,993	\$ -	\$ 16,443	\$ 361,436
Accrued liabilities	25,909	-	-	25,909
Interfund payable	55,917	-	173,294	229,211
Unearned revenue	700	-	5,134	5,834
TOTAL LIABILITIES	427,519	-	194,871	622,390
Fund Balances:				
Restricted	1,071	-	42,394	43,465
Committed	-	226,324	231,029	457,353
Assigned	602,350	-	-	602,350
Unassigned	599,056	-	-	599,056
TOTAL FUND BALANCES	<u>1,202,477</u>	<u>226,324</u>	<u>273,423</u>	<u>1,702,224</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,629,996</u>	\$ <u>226,324</u>	\$ <u>468,294</u>	\$ <u>2,324,614</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total governmental fund balances	\$ 1,702,224
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,983,816
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(262,998)
• Long-term liabilities, including bonds payable, compensated absences, capital lease payable, and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(17,762,705)</u>
Net assets of governmental activities	\$ <u>16,660,337</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Special Education Expendable Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
School District assessment	\$ 18,003,331	\$ -	\$ -	\$ 18,003,331
Intergovernmental:				
Local	3,397,296	-	-	3,397,296
State	7,453,931	-	9,092	7,463,023
Federal	148,271	-	1,003,944	1,152,215
Charges for services	-	-	540,641	540,641
Investment income	<u>3,020</u>	<u>644</u>	<u>265</u>	<u>3,929</u>
Total Revenues	29,005,849	644	1,553,942	30,560,435
Expenditures:				
Current:				
Instruction	16,435,565	-	812,343	17,247,908
Support services:				
Student services	1,876,870	-	152,680	2,029,550
Instructional staff	500,690	-	3,457	504,147
General administration	127,214	-	-	127,214
Executive administration	528,051	-	-	528,051
School administration	1,587,463	-	-	1,587,463
Business	411,660	-	-	411,660
Operation and maintenance of plant	3,432,891	-	-	3,432,891
Student transportation	1,103,470	-	-	1,103,470
Other	557,577	-	-	557,577
Non-instructional services	21,812	-	585,030	606,842
Debt service	2,316,520	-	-	2,316,520
Facilities acquisition and construction	<u>55,475</u>	<u>-</u>	<u>-</u>	<u>55,475</u>
Total Expenditures	28,955,258	-	1,553,510	30,508,768
Excess of revenues over expenditures	50,591	644	432	51,667
Other Financing Sources (Uses):				
Transfers in	-	-	24,567	24,567
Transfers out	<u>(24,567)</u>	<u>-</u>	<u>-</u>	<u>(24,567)</u>
Total Other Financing Sources (Uses)	(24,567)	-	24,567	-
Change in fund balance	26,024	644	24,999	51,667
Fund Equity, at Beginning of Year	<u>1,176,453</u>	<u>225,680</u>	<u>248,424</u>	<u>1,650,557</u>
Fund Equity, at End of Year	<u>\$ 1,202,477</u>	<u>\$ 226,324</u>	<u>\$ 273,423</u>	<u>\$ 1,702,224</u>

See notes to financial statements.

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, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 51,667														
<ul style="list-style-type: none"> 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 and reported as depreciation expense: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases, net of disposals</td> <td style="text-align: right;">338,832</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation, net</td> <td style="text-align: right;">(671,751)</td> </tr> </table> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">1,666,458</td> </tr> </table> In the statement of activities, interest is accrued on outstanding reported until due. <table> <tr> <td style="padding-left: 40px;"></td> <td style="text-align: right;">28,371</td> </tr> </table> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td style="padding-left: 40px;">Capital lease</td> <td style="text-align: right;">(25,540)</td> </tr> <tr> <td style="padding-left: 40px;">Compensated absences</td> <td style="text-align: right;">(190,521)</td> </tr> <tr> <td style="padding-left: 40px;">Net OPEB obligation</td> <td style="text-align: right;"><u>30,602</u></td> </tr> </table> 		Capital outlay purchases, net of disposals	338,832	Depreciation, net	(671,751)	Repayments of debt	1,666,458		28,371	Capital lease	(25,540)	Compensated absences	(190,521)	Net OPEB obligation	<u>30,602</u>
Capital outlay purchases, net of disposals	338,832														
Depreciation, net	(671,751)														
Repayments of debt	1,666,458														
	28,371														
Capital lease	(25,540)														
Compensated absences	(190,521)														
Net OPEB obligation	<u>30,602</u>														
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>1,228,118</u>														

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
School District Assessment	\$ 20,499,661	\$ 20,499,661	\$ 20,499,661	\$ -
Intergovernmental:				
Local	3,223,731	3,223,731	3,397,296	173,565
State	4,857,194	4,857,194	4,957,598	100,404
Federal	140,000	140,000	148,271	8,271
Investment income	5,000	5,000	3,020	(1,980)
Other financing sources:				
Use of fund balance	<u>481,077</u>	<u>481,077</u>	<u>481,077</u>	<u>-</u>
Total Revenues	29,206,663	29,206,663	29,486,923	280,260
Expenditures and other uses:				
Current:				
Instruction	16,591,101	16,644,157	16,443,305	200,852
Support services:				
Student services	1,842,057	1,890,612	1,877,412	13,200
Instructional staff	526,033	505,193	497,264	7,929
General administration	127,563	126,126	127,214	(1,088)
Executive administration	579,752	530,704	528,228	2,476
School administration	1,624,167	1,593,134	1,587,463	5,671
Business	442,869	415,689	411,660	4,029
Operation and maintenance of plant	3,108,256	3,143,035	3,122,492	20,543
Student transportation	1,156,938	1,111,714	1,103,470	8,244
Other	652,908	557,960	557,577	383
Non-instructional services	-	22,042	21,812	230
Debt service	2,316,519	2,316,520	2,316,520	-
Facilities acquisition and construction	223,500	325,210	325,206	4
Other financing uses:				
Transfers out	<u>15,000</u>	<u>24,567</u>	<u>24,567</u>	<u>-</u>
Total Expenditures	<u>29,206,663</u>	<u>29,206,663</u>	<u>28,944,190</u>	<u>262,473</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>542,733</u>	\$ <u>542,733</u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ <u>11,450</u>	\$ <u>127,234</u>
Total Assets	11,450	127,234
 <u>LIABILITIES</u>		
Due to student groups	<u>-</u>	<u>127,234</u>
Total Liabilities	<u>-</u>	<u>127,234</u>
 <u>NET ASSETS</u>		
Total net assets	\$ <u><u>11,450</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ <u>15,820</u>
Total additions	<u>15,820</u>
 Deductions:	
Scholarships	<u>13,496</u>
Total deductions	<u>13,496</u>
Net increase	2,324
 Net assets:	
Beginning of year	<u>9,126</u>
End of year	\$ <u><u>11,450</u></u>

See notes to financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Sanborn Regional School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District is a municipal corporation governed by an elected School Board. As required by generally accepted accounting principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. School District assessments and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include District assessments.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Typically, revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *special education trust fund* is used to account for payments of unanticipated expenses incurred by the needs of Special Education students.

The *private-purpose trust fund* is used to account for trust arrangements, under which principal revenue exclusively benefits individual scholarship recipients.

The *agency fund* is used to account for money held by the District on behalf of others (e.g., student activity funds).

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

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

G. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. All vested sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Long-Term Obligations

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

I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The District's fund balance classification policies and procedures are as follows:

- 1) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 2) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the School Board).
- 3) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for.

- 4) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are 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. All other net assets are reported as unrestricted.

J. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

At its annual meeting, the District adopts a budget for the next fiscal year. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over-expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 29,005,849	\$ 28,955,258
Other financing sources/uses (GAAP Basis)	<u>-</u>	<u>24,567</u>
Subtotal (GAAP Basis)	29,005,849	28,979,825
Reverse beginning of year appropriation carryforwards from expenditures	-	(637,523)
Add end of year appropriation carryforwards to expenditures	-	602,350
Recognize use of fund balance as funding source	481,077	-
Reverse nonbudgeted activity	<u>(3)</u>	<u>(462)</u>
Budgetary Basis	<u>\$ 29,486,923</u>	<u>\$ 28,944,190</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. RSA 48:16 limits “deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a city with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess

of the paid-up capital surplus of said bank.” The District does not have a deposit policy for custodial credit risk.

As of June 30, 2012, \$ 29,661 of the District’s bank balance of \$ 1,939,329 was exposed to custodial credit risk as uninsured or uncollateralized. Of the District’s \$ 1,324,980 deposit in repurchase agreements, all of the underlying securities are held by the investment’s counterparty, not in the name of the District.

4. Receivables

Receivables consist of reimbursements requested from Federal, State, and local agencies for expenditures incurred in fiscal 2012.

5. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2012 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 173,294	\$ 55,917
Special Revenue Funds:		
Grants Fund	-	173,294
Food Service Fund	41,662	-
Facilities Revolving Fund	<u>14,255</u>	<u>-</u>
Total	<u>\$ 229,211</u>	<u>\$ 229,211</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,039	\$ 218	\$ (60)	\$ 36,197
Machinery, equipment, and furnishings	1,116	184	-	1,300
Land improvement	362	-	-	362
	<u>37,517</u>	<u>402</u>	<u>(60)</u>	<u>37,859</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(4,665)	(594)	54	(5,205)
Machinery, equipment, and furnishings	(592)	(113)	-	(705)
Land improvement	(101)	(19)	-	(120)
	<u>(5,358)</u>	<u>(726)</u>	<u>54</u>	<u>(6,030)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	32,159	(324)	(6)	31,829
Capital assets, not being depreciated:				
Land	1,101	-	-	1,101
Construction in progress	57	54	(57)	54
	<u>1,158</u>	<u>54</u>	<u>(57)</u>	<u>1,155</u>
Total capital assets, not being depreciated				
Governmental activities capital assets, net	<u>\$ 33,317</u>	<u>\$ (270)</u>	<u>\$ (63)</u>	<u>\$ 32,984</u>

Depreciation expense was charged to functions of the District as follows (in thousands):

Governmental Activities:	
Instruction	\$ 684
Support services:	
Executive administration	11
Operation and maintenance of plant	30
Non-Instructional	<u>1</u>
Total depreciation expense - governmental activities	<u>\$ 726</u>

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses represent additional 2012 expenditures paid in the next fiscal year.

8. Unearned Revenue

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

9. Long-Term Debt

A. General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
High School	08/15/24	4.54%	\$ <u>15,447,739</u>
Total Governmental Activities:			\$ <u><u>15,447,739</u></u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,576,010	\$ 739,006	\$ 2,315,016
2014	1,495,516	819,875	2,315,391
2015	1,420,200	854,191	2,274,391
2016	1,351,421	939,470	2,290,891
2017	1,286,752	989,013	2,275,765
2018 - 2022	5,572,897	5,948,808	11,521,705
2023 - 2025	<u>2,744,943</u>	<u>4,166,470</u>	<u>6,911,413</u>
Total	\$ <u><u>15,447,739</u></u>	\$ <u><u>14,456,833</u></u>	\$ <u><u>29,904,572</u></u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2012.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 17,114	\$ -	\$ (1,666)	\$ 15,448	\$ (1,576)	\$ 13,872
Other:						
Lease payable	-	39	(13)	26	(13)	13
Compensated absences	1,041	215	(24)	1,232	(498)	734
Net OPEB obligation	<u>1,088</u>	<u>650</u>	<u>(680)</u>	<u>1,058</u>	<u>-</u>	<u>1,058</u>
Totals	\$ <u>19,243</u>	\$ <u>904</u>	\$ <u>(2,383)</u>	\$ <u>17,764</u>	\$ <u>(2,087)</u>	\$ <u>15,677</u>

10. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

11. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The District implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at the School District Meeting, capital reserve funds set aside by School District Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various District departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the District's fund balances at June 30, 2012:

	General Fund	Special Education Expendable Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted				
Restricted donations	\$ 1,071	\$ -	\$ -	\$ 1,071
Food service special revenue fund	-	-	42,394	42,394
Total Restricted	1,071	-	42,394	43,465
Committed				
Expendable trust fund	-	226,324	53,337	279,661
Facilities special revenue fund	-	-	177,692	177,692
Total Committed	-	226,324	231,029	457,353
Assigned				
Facilities acquisition and construction	298,190	-	-	298,190
Operations and maintenance of plant	262,536	-	-	262,536
Other	41,624	-	-	41,624
Total Assigned	602,350	-	-	602,350
Unassigned	599,056	-	-	599,056
Total Unassigned	599,056	-	-	599,056
Total Fund Balance	\$ 1,202,477	\$ 226,324	\$ 273,423	\$ 1,702,224

12. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the District is involved. The District's management is of the opinion that the

potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

13. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

The District implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the District provides post-employment healthcare and life insurance benefits for retired employees through the District's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of July 1, 2010, the actuarial valuation date, approximately 29 retirees and 289 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The District provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan; however, the retirees' cost is blended with active employees' rates.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal 2012 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2012, 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, 2010.

Annual Required Contribution (ARC)	\$ 630,305
Interest on net OPEB obligation	20,038
Adjustment to ARC	<u>(28,408)</u>
Annual OPEB cost	621,935
Contributions made	<u>(652,537)</u>
Change in net OPEB obligation	(30,602)
Net OPEB obligation - beginning of year	<u>1,088,333</u>
Net OPEB obligation - end of year	<u>\$ 1,057,731</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 621,935	104.9%	\$ 1,057,731
2011	\$ 617,652	110.7%	\$ 1,088,333
2010	\$ 960,320	38.8%	\$ 1,154,475
2009	\$ 922,366	38.5%	\$ 567,096

The District's net OPEB obligation as of June 30, 2012 is recorded as a component of the "noncurrent liabilities".

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 5,723,906
Actuarial value of plan assets	-
	<hr/>
Unfunded actuarial accrued liability (UAAL)	\$ 5,723,906
	<hr/> <hr/>
Funded ratio (actuarial value of plan assets/AAL)	0%
	<hr/> <hr/>
Covered payroll (active plan members)	\$ 12,114,076
	<hr/> <hr/>
UAAL as a percentage of covered payroll	47.25%
	<hr/> <hr/>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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, 2010, 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% investment rate of return and an initial annual healthcare cost trend rate of (12.8%) which increases to a 5.0% long-term rate. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open amortization period. This has been calculated assuming the amortization payment increases at a rate of 4%.

14. Retirement System

The District follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Funding Policy

Plan members are required to contribute 5% of their gross earnings to the pension plan. The District makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 9.07% for teachers and 11.09% for all other covered employees. The District's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$ 1,456,165, \$ 1,078,146, and \$ 1,013,908, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended June 30, 2012, was \$ 13,528,354. Contribution requirements for the year ended June 30, 2012, were as follows:

School District	\$ 1,456,165
Employees' contributions	<u>946,986</u>
Total	<u><u>\$ 2,403,151</u></u>

15. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

16. Implementation of New GASB Standards

- The Governmental Accounting Standards Board (GASB) has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the District's basic financial statements by reclassifying certain liabilities, such as revenues deferred on the fund basis financial statements due to unavailability provisions, to deferred inflows of resources.
- The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the District's basic financial statements, as the District will have to report a proportional share of NHRS's unfunded pension liability on their financial statements for fiscal years beginning after June 15, 2014.

**SANBORN REGIONAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2012
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 6,717,411	\$ 6,717,411	0.0%	\$ 12,330,808	54.48%
07/01/10	\$ -	\$ 5,723,906	\$ 5,723,906	0.0%	\$ 12,114,076	47.25%

See Independent Auditors' Report.

SANBORN REGIONAL SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	Special Revenue Funds			Facilities Expendable Trust Fund	Total
	Grants Fund	Food Service	Facilities Revolving		
ASSETS					
Cash and cash equivalents	\$ -	\$ 9,127	\$ 167,191	\$ 53,337	\$ 229,655
Receivables:					
Accounts receivable	-	-	3,247	-	3,247
Intergovernmental	173,294	6,181	-	-	179,475
Interfund receivable	-	41,662	14,255	-	55,917
TOTAL ASSETS	\$ 173,294	\$ 56,970	\$ 184,693	\$ 53,337	\$ 468,294
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 9,442	\$ 7,001	\$ -	\$ 16,443
Interfund payable	173,294	-	-	-	173,294
Deferred revenue	-	5,134	-	-	5,134
TOTAL LIABILITIES	173,294	14,576	7,001	-	194,871
Fund Balances:					
Restricted	-	42,394	-	-	42,394
Committed	-	-	177,692	53,337	231,029
TOTAL FUND BALANCES	-	42,394	177,692	53,337	273,423
TOTAL LIABILITIES AND FUND BALANCES	\$ 173,294	\$ 56,970	\$ 184,693	\$ 53,337	\$ 468,294

See Independent Auditors' report.

SANBORN REGIONAL SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			Facilities	Total
	Grants Fund	Food Service	Facilities Revolving	Expendable Trust Fund	
Revenues:					
Intergovernmental:					
State	\$ 2,067	\$ 7,025	\$ -	\$ -	\$ 9,092
Federal	872,827	131,117	-	-	1,003,944
Charges for services	-	425,664	114,977	-	540,641
Investment income	-	14	78	173	265
Total Revenues	<u>874,894</u>	<u>563,820</u>	<u>115,055</u>	<u>173</u>	<u>1,553,942</u>
Expenditures:					
Instruction	812,343	-	-	-	812,343
Support services:					
Student services	62,451	-	90,229	-	152,680
Instructional staff	3,457	-	-	-	3,457
Non-instructional services	-	585,030	-	-	585,030
Total Expenditures	<u>878,251</u>	<u>585,030</u>	<u>90,229</u>	<u>-</u>	<u>1,553,510</u>
Excess (deficiency) of revenues over expenditures	(3,357)	(21,210)	24,826	173	432
Other Financing Sources (Uses):					
Transfers in	3,357	21,210	-	-	24,567
Total Other Financing Sources (Uses)	<u>3,357</u>	<u>21,210</u>	<u>-</u>	<u>-</u>	<u>24,567</u>
Change in fund balance	-	-	24,826	173	24,999
Fund Equity, at Beginning of Year	-	42,394	152,866	53,164	248,424
Fund Equity, at End of Year	<u>\$ -</u>	<u>\$ 42,394</u>	<u>\$ 177,692</u>	<u>\$ 53,337</u>	<u>\$ 273,423</u>

See Independent Auditors' report.

SANBORN REGIONAL SCHOOL DISTRICT

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
Assets:				
Cash and cash equivalents:				
Athletic account	\$ -	\$ 99,990	\$ 99,990	\$ -
High School	50,240	179,644	176,345	53,539
Middle School	30,959	70,863	69,085	32,737
Memorial School	25,280	18,765	20,086	23,959
Daniel Bakie School	18,789	46,441	48,231	16,999
Total Assets	<u>\$ 125,268</u>	<u>\$ 415,703</u>	<u>\$ 413,737</u>	<u>\$ 127,234</u>
Liabilities:				
Due to student groups	<u>\$ 125,268</u>	<u>\$ 415,703</u>	<u>\$ 413,737</u>	<u>\$ 127,234</u>
Total liabilities	<u>\$ 125,268</u>	<u>\$ 415,703</u>	<u>\$ 413,737</u>	<u>\$ 127,234</u>

See Independent Auditors' report.