

SANBORN REGIONAL SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2013

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' 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, 2013, 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

The District's 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.

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, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information appearing on pages 37 through 39 is presented for purposes of additional analysis and is 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.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 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 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 the District's internal control over financial reporting and compliance.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
November 20, 2013

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, 2013.

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 and liabilities, with the difference between the two 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 \$18,637,196 (i.e., net position), a change of \$1,976,859 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$1,769,591, a change of \$67,367 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$616,450, a change of \$17,394 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$13,871,729, a change of \$(1,576,010) 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.

NET POSITION

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current assets	\$ 2,136,448	\$ 2,095,403
Capital assets	<u>32,902,746</u>	<u>32,983,816</u>
Total assets	35,039,194	35,079,219
Long-term liabilities	15,798,975	17,762,705
Other liabilities	<u>603,023</u>	<u>656,177</u>
Total liabilities	16,401,998	18,418,882
Net position:		
Net investments in capital assets	19,005,477	17,510,537
Restricted	280,096	279,661
Unrestricted	<u>(648,377)</u>	<u>(1,129,861)</u>
Total net position	<u>\$ 18,637,196</u>	<u>\$ 16,660,337</u>

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 586,564	\$ 559,306
Operating grants and contributions	4,530,619	4,733,216
General revenues:		
School district assessments	18,441,754	18,003,331
Grants and contributions not restricted to specific programs	7,225,827	7,227,067
Investment income	4,730	3,929
Miscellaneous	<u>158,577</u>	<u>33,587</u>
Total revenues	30,948,071	30,560,436

(continued)

(continued)

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Expenses:		
Instruction	17,647,795	18,118,407
Student services	2,006,661	1,948,923
Instructional staff	518,414	478,877
General administration	86,694	127,464
Executive administration	579,268	538,377
School administration	1,629,279	1,610,680
Business	380,886	411,087
Operations and maintenance	3,098,881	3,207,621
Transportation	1,099,690	1,103,470
Other	629,540	557,577
Non-instructional services	581,930	608,145
Interest	712,174	621,690
Total expenses	<u>28,971,212</u>	<u>29,332,318</u>
Change in net position	1,976,859	1,228,118
Net position - beginning of year	<u>16,660,337</u>	<u>15,432,219</u>
Net position - end of year	<u>\$ 18,637,196</u>	<u>\$ 16,660,337</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 \$18,637,196, a change of \$1,976,859 from the prior year.

The largest portion of net position \$19,005,477 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 \$280,096 represents resources that are subject to external restrictions on how they may be used. The unrestricted net position deficit of \$(648,377) primarily results from the use of fund balance in fiscal year 2013 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 position of \$1,976,859. Key elements of this change are as follows:

Fixed asset acquisitions from revenues	\$ 622,897
Debt service principal paydowns in excess of depreciation	841,415
Net OPEB obligation increase	246,637
Other	<u>265,910</u>
Total	<u>\$ 1,976,859</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 \$1,769,591, a change of \$67,367 in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures and transfers out in excess of revenues	\$ (14,895)
Special revenue fund revenues in excess of expenditures	81,827
Trust fund revenues in excess of expenditures	<u>435</u>
Total	<u>\$ 67,367</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 \$616,450, while total fund balance was \$1,187,582. 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>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 616,450	\$ 599,056	\$ 17,394	2.09%
Total fund balance	1,187,582	1,202,477	(14,895)	4.03%

The total fund balance of the general fund changed by \$(14,895) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance	\$ (579,555)
Revenues in excess of budget	90,618
Expenditures less than budget	618,365
Other	<u>(144,323)</u>
Total	<u>\$ (14,895)</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 \$32,902,746, (net of accumulated depreciation), a change of \$(81,070) 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 \$13,871,729, 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 POSITION
JUNE 30, 2013

	Governmental Activities
ASSETS	
Current:	
Cash and cash equivalents	\$ 995,668
Accounts receivable	953,587
Intergovernmental receivable	141,806
Other assets	45,387
Noncurrent:	
Capital assets:	
Land and construction in progress	1,222,537
Other assets, net of accumulated depreciation	31,680,209
TOTAL ASSETS	35,039,194
LIABILITIES	
Current:	
Accounts payable	334,761
Accrued liabilities	250,359
Current portion of long-term liabilities:	
Bonds payable	1,495,516
Capital lease	12,550
Compensated absences	423,996
Noncurrent:	
Bonds payable, net of current portion	12,376,213
Capital lease, net of current portion	12,990
Compensated absences, net of current portion	666,616
Net OPEB obligation	811,094
DEFERRED INFLOWS OF RESOURCES	17,903
TOTAL LIABILITIES AND INFLOWS OF RESOURCES	16,401,998
NET POSITION	
Net investment in capital assets	19,005,477
Restricted for:	
Expendable permanent funds	280,096
Unrestricted	(648,377)
TOTAL POSITION	\$ 18,637,196

The accompanying notes are an integral part of these financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net(Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 17,647,795	\$ 32,757	\$ 4,385,365	\$ (13,229,673)
Support services:				
Student	2,006,661	-	-	(2,006,661)
Instructional staff	518,414	-	-	(518,414)
General administration	86,694	-	-	(86,694)
Executive administration	579,268	-	-	(579,268)
School administration	1,629,279	-	-	(1,629,279)
Business	380,886	-	-	(380,886)
Operation and maintenance of plant	3,098,881	136,856	-	(2,962,025)
Student transportation	1,099,690	-	-	(1,099,690)
Other	629,540	-	-	(629,540)
Non-instructional services	581,930	416,951	145,254	(19,725)
Interest on long-term debt	<u>712,174</u>	<u>-</u>	<u>-</u>	<u>(712,174)</u>
 Total Governmental Activities	 <u>\$ 28,971,212</u>	 <u>\$ 586,564</u>	 <u>\$ 4,530,619</u>	 (23,854,029)
 General Revenues:				
				18,441,754
				7,225,827
				4,730
				<u>158,577</u>
				25,830,888
				1,976,859
 Net Position:				
				<u>16,660,337</u>
				<u>\$ 18,637,196</u>

The accompanying notes are an integral part of these financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	Special Education Expendable <u>Trust Fund</u>	Facilities Revolving <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 466,058	\$ 226,676	\$ 249,137	\$ 53,797	\$ 995,668
Receivables:					
Accounts receivable	919,059	-	21,445	13,083	953,587
Intergovernmental	1,992	-	-	139,814	141,806
Interfund receivable	105,085	-	13,442	-	118,527
Other assets	45,387	-	-	-	45,387
TOTAL ASSETS	<u>\$ 1,537,581</u>	<u>\$ 226,676</u>	<u>\$ 284,024</u>	<u>\$ 206,694</u>	<u>\$ 2,254,975</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 324,381	\$ -	\$ 10,005	\$ 375	\$ 334,761
Accrued liabilities	14,193	-	-	-	14,193
Interfund payable	11,425	-	-	107,102	118,527
TOTAL LIABILITIES	349,999	-	10,005	107,477	467,481
DEFERRED INFLOWS OF RESOURCES	-	-	-	17,903	17,903
Fund Balances:					
Restricted	3,577	-	-	27,894	31,471
Committed	-	226,676	274,019	53,420	554,115
Assigned	567,555	-	-	-	567,555
Unassigned	616,450	-	-	-	616,450
TOTAL FUND BALANCES	<u>1,187,582</u>	<u>226,676</u>	<u>274,019</u>	<u>81,314</u>	<u>1,769,591</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,537,581</u>	<u>\$ 226,676</u>	<u>\$ 284,024</u>	<u>\$ 206,694</u>	<u>\$ 2,254,975</u>

The accompanying notes are an integral part of these financial statements.

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

JUNE 30, 2013

Total governmental fund balances	\$ 1,769,591
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,902,746
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(236,166)
• 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>(15,798,975)</u>
Net position of governmental activities	<u><u>\$ 18,637,196</u></u>

The accompanying notes are an integral part of these financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Special Education Expendable Trust Fund</u>	<u>Facilities Revolving Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
School District assessment	\$ 18,441,754	\$ -	\$ -	\$ -	\$ 18,441,754
Intergovernmental:					
Local	3,633,291	-	-	-	3,633,291
State	7,257,450	-	-	6,902	7,264,352
Federal	144,083	-	-	822,823	966,906
Charges for services	-	-	136,856	416,951	553,807
Investment income	4,272	352	20	86	4,730
Total Revenues	<u>29,480,850</u>	<u>352</u>	<u>136,876</u>	<u>1,246,762</u>	<u>30,864,840</u>
Expenditures:					
Current:					
Instruction	16,629,437	-	-	629,567	17,259,004
Support services:					
Student services	1,996,615	-	40,549	54,654	2,091,818
Instructional staff	515,013	-	-	250	515,263
General administration	82,017	-	-	-	82,017
Executive administration	578,505	-	-	-	578,505
School administration	1,643,029	-	-	-	1,643,029
Business	384,931	-	-	-	384,931
Operation and maintenance of plant	3,173,632	-	-	-	3,173,632
Student transportation	1,099,690	-	-	-	1,099,690
Other	629,540	-	-	-	629,540
Non-instructional services	2,500	-	-	606,304	608,804
Debt service	2,315,016	-	-	-	2,315,016
Facilities acquisition and construction	416,224	-	-	-	416,224
Total Expenditures	<u>29,466,149</u>	<u>-</u>	<u>40,549</u>	<u>1,290,775</u>	<u>30,797,473</u>
Excess of revenues over expenditures	14,701	352	96,327	(44,013)	67,367
Other Financing Sources (Uses):					
Transfers in	-	-	-	29,596	29,596
Transfers out	<u>(29,596)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,596)</u>
Total Other Financing Sources (Uses)	<u>(29,596)</u>	<u>-</u>	<u>-</u>	<u>29,596</u>	<u>-</u>
Change in fund balance	(14,895)	352	96,327	(14,417)	67,367
Fund Equity, at Beginning of Year, Reclassed	<u>1,202,477</u>	<u>226,324</u>	<u>177,692</u>	<u>95,731</u>	<u>1,702,224</u>
Fund Equity, at End of Year	<u>\$ 1,187,582</u>	<u>\$ 226,676</u>	<u>\$ 274,019</u>	<u>\$ 81,314</u>	<u>\$ 1,769,591</u>

The accompanying notes are an integral part of these 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, 2013

Net changes in fund balances - total governmental funds	\$ 67,367												
<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 style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay purchases, net of disposals</td> <td style="width: 20%; text-align: right;">653,525</td> </tr> <tr> <td>Depreciation, net</td> <td style="text-align: right;">(734,595)</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 position: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Repayments of debt</td> <td style="width: 20%; text-align: right;">1,576,010</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding reported until due. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">26,832</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 style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Compensated absences</td> <td style="width: 20%; text-align: right;">141,083</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;"><u>246,637</u></td> </tr> </table> 		Capital outlay purchases, net of disposals	653,525	Depreciation, net	(734,595)	Repayments of debt	1,576,010		26,832	Compensated absences	141,083	Net OPEB obligation	<u>246,637</u>
Capital outlay purchases, net of disposals	653,525												
Depreciation, net	(734,595)												
Repayments of debt	1,576,010												
	26,832												
Compensated absences	141,083												
Net OPEB obligation	<u>246,637</u>												
Change in net position of governmental activities	\$ <u><u>1,976,859</u></u>												

The accompanying notes are an integral part of these 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, 2013

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
School District Assessment	\$ 21,036,802	\$ 21,036,802	\$ 21,036,802	\$ -
Intergovernmental:				
Local	3,563,066	3,563,066	3,633,292	70,226
State	4,647,364	4,647,364	4,662,402	15,038
Federal	140,000	140,000	144,083	4,083
Investment income	3,000	3,000	4,271	1,271
Other financing sources:				
Use of fund balance	<u>579,555</u>	<u>579,555</u>	<u>579,555</u>	<u>-</u>
Total Revenues	29,969,787	29,969,787	30,060,405	90,618
Expenditures and other uses:				
Current:				
Instruction	16,889,953	17,065,999	16,681,126	384,873
Support services:				
Student services	2,061,675	2,017,059	1,996,635	20,424
Instructional staff	571,401	565,398	540,415	24,983
General administration	122,286	90,692	83,542	7,150
Executive administration	612,150	600,065	578,505	21,560
School administration	1,636,887	1,660,491	1,645,234	15,257
Business	445,781	391,940	385,286	6,654
Operation and maintenance of plant	3,309,624	3,170,976	3,133,167	37,809
Student transportation	1,217,170	1,200,434	1,099,690	100,744
Other	646,509	630,602	629,540	1,062
Non-instructional services	17,835	2,711	2,500	211
Debt service	2,315,016	2,315,016	2,315,016	-
Facilities acquisition and construction	104,000	231,171	231,170	1
Other financing uses:				
Transfers out	<u>19,500</u>	<u>27,233</u>	<u>29,596</u>	<u>(2,363)</u>
Total Expenditures	<u>29,969,787</u>	<u>29,969,787</u>	<u>29,351,422</u>	<u>618,365</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>708,983</u>	\$ <u>708,983</u>

The accompanying notes are an integral part of these financial statements.

SANBORN REGIONAL SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 15,855	\$ 134,930
Total Assets	15,855	134,930
<u>LIABILITIES</u>		
Due to student groups	-	134,930
Total Liabilities	-	134,930
<u>NET POSITION</u>		
Total net position	\$ 15,855	\$ -

The accompanying notes are an integral part of these financial statements.

SANBORN REGIONAL SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ <u>16,955</u>
Total additions	<u>16,955</u>
 Deductions:	
Scholarships	<u>12,550</u>
Total deductions	<u>12,550</u>
Net increase	4,405
 Net position:	
Beginning of year	<u>11,450</u>
End of year	\$ <u><u>15,855</u></u>

The accompanying notes are an integral part of these 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.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) 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 is 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 *facilities revolving fund* is used to account for the revenue collected by the District for use of the facilities and equipment from outside parties.

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 are 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 Position.

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 position".

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 Position - Net position represents the difference between assets and liabilities/deferred inflows. Net investment in capital assets, net of related debt, consists 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 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. The remaining net position is 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)	\$ 29,480,850	\$ 29,466,149
Other financing sources/uses (GAAP Basis)	-	<u>29,596</u>
Subtotal (GAAP Basis)	29,480,850	29,495,745
Reverse beginning of year appropriation carryforwards from expenditures	-	(580,283)
Add end of year appropriation carryforwards to expenditures	-	435,960
Recognize use of fund balance as funding source	<u>579,555</u>	<u>-</u>
Budgetary Basis	<u>\$ 30,060,405</u>	<u>\$ 29,351,422</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, 2013, none of the District's bank balance of \$1,837,279 was exposed to custodial credit risk as uninsured or uncollateralized. Of the District's \$1,144,474 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 2013.

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, 2013 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 105,085	\$ 11,425
Special Revenue Funds:		
Grants Fund	-	-
Food Service Fund	13,442	2,018
Facilities Revolving Fund	<u>-</u>	<u>105,084</u>
Total	<u>\$ 118,527</u>	<u>\$ 118,527</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,197	\$ -	\$ -	\$ 36,197
Machinery, equipment, and furnishings	1,300	453	-	1,753
Land improvement	<u>362</u>	<u>133</u>	<u>-</u>	<u>495</u>
Total capital assets, being depreciated	37,859	586	-	38,445
Less accumulated depreciation for:				
Buildings and improvements	(5,205)	(14)	-	(5,219)
Machinery, equipment, and furnishings	(705)	(601)	-	(1,306)
Land improvement	<u>(120)</u>	<u>(119)</u>	<u>-</u>	<u>(239)</u>
Total accumulated depreciation	<u>(6,030)</u>	<u>(734)</u>	<u>-</u>	<u>(6,764)</u>
Total capital assets, being depreciated, net	31,829	(148)	-	31,681
Capital assets, not being depreciated:				
Land	1,101	-	-	1,101
Construction in progress	<u>54</u>	<u>121</u>	<u>(54)</u>	<u>121</u>
Total capital assets, not being depreciated	<u>1,155</u>	<u>121</u>	<u>(54)</u>	<u>1,222</u>
Governmental activities capital assets, net	<u>\$ 32,984</u>	<u>\$ (27)</u>	<u>\$ (54)</u>	<u>\$ 32,903</u>

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

Governmental Activities:

Instruction	\$ 674
Support services:	
Executive administration	7
Operation and maintenance of plant	49
Non-Instructional	<u>4</u>
Total depreciation expense - governmental activities	<u>\$ 734</u>

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses represent additional 2013 expenditures paid in the next fiscal year.

8. 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</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/13</u>
High School	08/15/24	4.54%	\$ <u>13,871,729</u>
Total Governmental Activities:			\$ <u>13,871,729</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,225,785	1,079,726	2,305,511
2019 - 2023	5,306,955	6,209,629	11,516,584
2024 - 2025	<u>1,785,100</u>	<u>2,825,923</u>	<u>4,611,023</u>
Total	<u>\$ 13,871,729</u>	<u>\$ 13,717,827</u>	<u>\$ 27,589,556</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, 2013.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	Additions	Reductions	Total Balance <u>6/30/13</u>	Less Current Portion <u>6/30/13</u>	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 15,448	\$ -	\$ (1,576)	\$ 13,872	\$ (1,496)	\$ 12,376
Other:						
*Lease payable	26	-	-	26	(13)	13
Compensated absences	1,232	18	(159)	1,091	(424)	667
Net OPEB obligation	<u>1,058</u>	<u>696</u>	<u>(943)</u>	<u>811</u>	<u>-</u>	<u>811</u>
Totals	<u>\$ 17,764</u>	<u>\$ 714</u>	<u>\$ (2,678)</u>	<u>\$ 15,800</u>	<u>\$ (1,933)</u>	<u>\$ 13,867</u>

*The first lease payment was made during FY12. However, the asset was not actually received until September of 2012. A revised payment plan was created with the first payment being due on 9/15/2012. The payment made during the prior year was applied to the payment due on 9/15/12; therefore, no actual payment was made as of June 30, 2013.

9. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2013:

	<u>Entity-wide Basis</u>	<u>Fund Basis</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Nonmajor</u>
Unearned Revenue	\$ 17,903	\$ 17,903

10. Restricted Net Position

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

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, 2013:

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, 2013:

	General Fund	Special Education Expendable Trust Fund	Facilities Revolving Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted					
Restricted donations	\$ 3,577	\$ -	\$ -	\$ -	\$ 3,577
Food service special revenue fund	-	-	-	27,894	27,894
Total Restricted	3,577	-	-	27,894	31,471
Committed					
Expendable trust fund	-	226,676	-	53,420	280,096
Facilities special revenue fund	-	-	274,019	-	274,019
Total Committed	-	226,676	274,019	53,420	554,115
Assigned					
Facilities acquisition and construction	228,700	-	-	-	228,700
Operations and maintenance of plant	220,301	-	-	-	220,301
Other	118,554	-	-	-	118,554
Total Assigned	567,555	-	-	-	567,555
Unassigned					
Total Unassigned	616,450	-	-	-	616,450
Total Fund Balance	\$ 1,187,582	\$ 226,676	\$ 274,019	\$ 81,314	\$ 1,769,591

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 Position 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, 2012, the actuarial valuation date, approximately 26 retirees and 292 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 2013 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, 2013, 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, 2012.

Annual Required Contribution (ARC)	\$ 653,513
Interest on net OPEB obligation	42,309
Adjustment to ARC	<u>(59,981)</u>
Annual OPEB cost	635,841
Contributions made	<u>(882,478)</u>
Change in net OPEB obligation	(246,637)
Net OPEB obligation - beginning of year	<u>1,057,731</u>
Net OPEB obligation - end of year	<u><u>\$ 811,094</u></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>
2013	\$ 635,841	138.8%	\$ 811,094
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, 2013 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, 2012, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 5,628,175
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 5,628,175</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>\$ 13,690,325</u></u>
UAAL as a percentage of covered payroll	<u><u>41.11%</u></u>

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 deter-

mined 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, 2012, 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 health-care 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, 2013, 2012, and 2011 were \$1,490,976, \$1,456,165, and \$1,078,146, 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, 2013, was \$13,528,354. Contribution requirements for the year ended June 30, 2013, were as follows:

School District	\$ 1,490,976
Employees' contributions	<u>973,482</u>
Total	<u>\$ 2,464,458</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.

Beginning Fund Balance Reclassification

The District's major governmental funds for fiscal year 2013, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/12 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity 6/30/12 (as restated)
General Fund	\$ 1,202,477	\$ -	\$ 1,202,477
Special Education Expendable Trust	226,324	-	226,324
Facilities Revolving	-	177,692	177,692
Nonmajor	<u>273,423</u>	<u>(177,692)</u>	<u>95,731</u>
Total	<u>\$ 1,702,224</u>	<u>\$ -</u>	<u>\$ 1,702,224</u>

16. Implementation of New GASB Standard

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 New Hampshire Retirement System'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, 2013
(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)	UAAL 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	\$ -	\$ 5,623,589	\$ 5,623,589	0.0%	\$ 12,855,555	43.74%
07/01/12	\$ -	\$ 5,628,175	\$ 5,628,175	0.0%	\$ 13,690,325	41.11%

See Independent Auditors' Report.

SANBORN REGIONAL SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2013

	Special Revenue Funds		Facilities Expendable Trust Fund	Total
	Grants Fund	Food Service		
ASSETS				
Cash and cash equivalents	\$ -	\$ 377	\$ 53,420	\$ 53,797
Receivables:				
Accounts receivable	-	13,083	-	13,083
Intergovernmental	113,322	26,492	-	139,814
TOTAL ASSETS	\$ 113,322	\$ 39,952	\$ 53,420	\$ 206,694
LIABILITIES				
Accounts payable	\$ -	\$ 375	\$ -	\$ 375
Interfund payable	105,084	2,018	-	107,102
TOTAL LIABILITIES	105,084	2,393	-	107,477
DEFERRED INFLOWS OF RESOURCES	8,238	9,665	-	17,903
FUND BALANCES				
Restricted	-	27,894	-	27,894
Committed	-	-	53,420	53,420
TOTAL FUND BALANCES	-	27,894	53,420	81,314
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 113,322	\$ 39,952	\$ 53,420	\$ 206,694

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, 2013

	<u>Special Revenue Funds</u>		Facilities	
	<u>Grants</u>	<u>Food</u>	<u>Expendable</u>	
	<u>Fund</u>	<u>Service</u>	<u>Trust Fund</u>	<u>Total</u>
Revenues:				
Intergovernmental:				
State	\$ -	\$ 6,902	\$ -	\$ 6,902
Federal	684,471	138,352	-	822,823
Charges for services	-	416,951	-	416,951
Investment income	-	3	83	86
Total Revenues	<u>684,471</u>	<u>562,208</u>	83	<u>1,246,762</u>
Expenditures:				
Instruction	629,567	-	-	629,567
Support services:				
Student services	54,654	-	-	54,654
Instructional staff	250	-	-	250
Non-instructional services	-	606,304	-	606,304
Total Expenditures	<u>684,471</u>	<u>606,304</u>	-	<u>1,290,775</u>
Excess (deficiency) of revenues over expenditures	-	(44,096)	83	(44,013)
Other Financing Sources (Uses):				
Transfers in	-	29,596	-	29,596
Total Other Financing Sources (Uses)	<u>-</u>	<u>29,596</u>	-	<u>29,596</u>
Change in fund balance	-	(14,500)	83	(14,417)
Fund Equity, at Beginning of Year, Reclassed	<u>-</u>	<u>42,394</u>	<u>53,337</u>	<u>95,731</u>
Fund Equity, at End of Year	<u>\$ -</u>	<u>\$ 27,894</u>	<u>\$ 53,420</u>	<u>\$ 81,314</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, 2013

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>
Assets:				
Cash and cash equivalents:				
Athletic account	\$ -	\$ 79,786	\$ 79,786	\$ -
High School	53,539	133,336	121,478	65,397
Middle School	32,737	83,209	87,656	28,290
Memorial School	23,959	17,650	18,194	23,415
Daniel Bakie School	<u>16,999</u>	<u>25,635</u>	<u>24,806</u>	<u>17,828</u>
Total Assets	<u>\$ 127,234</u>	<u>\$ 339,616</u>	<u>\$ 331,920</u>	<u>\$ 134,930</u>
Liabilities:				
Due to student groups	<u>\$ 127,234</u>	<u>\$ 339,616</u>	<u>\$ 331,920</u>	<u>\$ 134,930</u>
Total liabilities	<u>\$ 127,234</u>	<u>\$ 339,616</u>	<u>\$ 331,920</u>	<u>\$ 134,930</u>

See Independent Auditors' report.