

**SCHOOL ADMINISTRATIVE UNIT #34**

**Financial Statements**

**June 30, 2019**

**and**

**Independent Auditor's Report**

**SCHOOL ADMINISTRATIVE UNIT #34**  
**FINANCIAL STATEMENTS**  
**June 30, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

To the School Board  
School Administrative Unit #34

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of School Administrative Unit #34 (SAU), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the SAU's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of School Administrative Unit #34, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the SAU's proportionate share of the net OPEB liability, schedule of SAU OPEB contributions, schedule of changes in the SAU's total OPEB liability and related ratios, schedule of changes in the SAU's proportionate share of the net pension liability, and schedule of SAU pension contributions, on pages i-v and 25-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Vashon Clukay & Company PC*

Manchester, New Hampshire  
May 29, 2020



**SCHOOL ADMINISTRATIVE UNIT #34  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2019**

Presented herewith please find the Management Discussion & Analysis Report for School Administrative Unit #34 (the SAU) for the fiscal year ending June 30, 2019. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the SAU's financial position, including the results of operations of all the funds of the SAU. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the SAU's financial activities have been included.

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

**Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the SAU using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the SAU's financial statements. The basic financial statements are comprised of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the SAU's finances, in a manner similar to most private-sector companies.

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

The Statement of Activities presents information showing how the SAU's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The SAU uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All the funds of the SAU are included in one category, governmental 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

**SCHOOL ADMINISTRATIVE UNIT #34  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2019**

government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the SAU'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, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Position and Statement of Activities.

The SAU maintains one governmental fund. Information is presented separately in the governmental funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the SAU's sole governmental fund.

The SAU adopts an annual appropriation budget for its governmental fund. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

***Notes to the Basic Financial Statements***

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

***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.

**Financial Highlights**

As of the close of the fiscal year, total assets and deferred outflows of resources were less than total liabilities and deferred inflows of resources by \$675,415 (i.e., deficit net position), a decrease of \$74,304 from the previous fiscal year.

The General Fund shows an ending fund balance of \$162,639, a decrease of \$82,020 from the previous year.

**SCHOOL ADMINISTRATIVE UNIT #34  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2019**

**Government-Wide Financial Analysis**

**Statement of Net Position for the fiscal years ending June 30, 2019 and 2018:**

	<u><b>FY 2019</b></u>	<u><b>FY 2018</b></u>
Capital and other assets:		
Capital assets, net	\$ 304	\$ 2,160
Other assets	164,901	252,056
Total Assets	<u>165,205</u>	<u>254,216</u>
 Total Deferred Outflows of Resources	 <u>166,004</u>	 <u>207,601</u>
Long-term and other liabilities:		
Compensated absences	31,509	28,966
OBEP liability	98,401	92,870
Net pension liability	740,592	834,121
Other liabilities	2,262	7,397
Total Liabilities	<u>872,764</u>	<u>963,354</u>
 Total Deferred Inflows of Resources	 <u>133,860</u>	 <u>99,574</u>
Net Position:		
Net investment in capital assets	304	2,160
Unrestricted (deficit)	(675,719)	(603,271)
Total Net Position (deficit)	<u>\$ (675,415)</u>	<u>\$ (601,111)</u>

**Statement of Activities for the fiscal years ending June 30, 2019 and 2018:**

	<u><b>FY 2019</b></u>	<u><b>FY 2018</b></u>
Program revenues:		
Charges for services	\$ 22,758	\$ 38,594
Total Program revenues	<u>22,758</u>	<u>38,594</u>
General revenues:		
Member assessments	\$ 1,031,836	\$ 970,000
Interest income	11,056	5,211
Total General revenues	<u>1,042,892</u>	<u>975,211</u>
Total Revenues	<u>1,065,650</u>	<u>1,013,805</u>
Expenses:		
General administration	1,139,954	1,064,538
Total Expenses	<u>1,139,954</u>	<u>1,064,538</u>
Change in net position	(74,304)	(50,733)
Net position (deficit), beginning of year	(601,111)	(550,378)
Net position (deficit), end of year	<u>\$ (675,415)</u>	<u>\$ (601,111)</u>

**SCHOOL ADMINISTRATIVE UNIT #34  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2019**

***Financial Analysis***

**Government-Wide**

As noted in the above, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position (deficit) was (\$675,415), a decrease of \$74,304 from the previous year. See page 6 of the Basic Financial Statements for a detailed reconciliation between the government-wide and fund financial statements change in net position.

A portion of net position, \$304, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); 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 any outstanding debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. It should be noted that the SAU does not have any outstanding debt as of the current fiscal year end.

The unrestricted net position (deficit) balance of (\$675,719) represents what is available to meet the government's ongoing obligations to its citizens and creditors.

**Governmental Funds**

The focus on 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, unassigned fund balance may serve as a useful measure of a SAU's net resources available for spending at the end of the fiscal year.

As of June 30, 2019, the General Fund reported ending fund balances of \$162,639, a decrease of \$82,020 in comparison with the previous year.

Fund Balances for the SAU may fall into one of the five following classifications – Nonspendable, Restricted, Committed, Assigned and Unassigned.

Please see Note 8 of the Notes to Basic Financial Statements for additional information on components of fund balance.

**General Fund Budgetary Highlights**

Budgetary information for the major governmental funds (General Fund only, see below) is included in the Required Supplementary Information section following the notes to the financial statements.

Actual revenues on the budgetary basis were greater than the budgeted amounts by \$33,813. Actual expenditures on the budgetary basis were \$40,833 greater than expected. See Schedule on page 25 for additional budgetary comparison information.

**SCHOOL ADMINISTRATIVE UNIT #34  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2019**

**Capital Assets**

The SAU considers a capital asset to be an asset whose cost equals or exceeds \$500 and has a useful life of greater than two years. Assets are depreciated using the straight-line method over the course of their useful life. The SAU had no current year additions and depreciation expense of \$1,856, resulting in a net decrease in capital assets of \$1,856. See Note 3 in the notes to the basic financial statements for additional information on the capital assets activity.

**Long-Term Obligations**

During fiscal year 2019, compensated absences payable had a net increase in potential future payments of \$2,543. The liabilities for other postemployment benefits and pension had a net increase/(decrease) in potential future payments of \$5,531 and (\$93,529), respectively. See Notes 4, 5 and 6 in the Notes to the Basic Financial Statements for additional information on the SAU's long-term obligations.

**Contacting SAU's Financial Management**

This financial report serves to provide our citizens and creditors with a general overview of the SAU's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact SAU #34 Business Office at PO Box 2190, 78 School Street, Hillsboro, NH 03244.

EXHIBIT A  
**SCHOOL ADMINISTRATIVE UNIT #34**  
**Statement of Net Position**  
June 30, 2019

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 154,604
Due from other governments	10,297
Total Current Assets	<u>164,901</u>
Noncurrent assets:	
Capital assets:	
Depreciable capital assets, net	304
Total Noncurrent Assets	<u>304</u>
Total Assets	<u>165,205</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to OPEB	20,941
Deferred outflows related to pension	145,063
Total Deferred Outflows of Resources	<u>166,004</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,996
Accrued expenses	266
Total Current Liabilities	<u>2,262</u>
Noncurrent liabilities:	
Compensated absences payable	31,509
OPEB liability	98,401
Net pension liability	740,592
Total Noncurrent Liabilities	<u>870,502</u>
Total Liabilities	<u>872,764</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to OPEB	7,806
Deferred inflows related to pension	126,054
Total Deferred Inflows of Resources	<u>133,860</u>
<b>NET POSITION</b>	
Net investment in capital assets	304
Unrestricted (Deficit)	<u>(675,719)</u>
Total Net Position	<u>\$ (675,415)</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**SCHOOL ADMINISTRATIVE UNIT #34**  
**Statement of Activities**  
For the Year Ended June 30, 2019

Functions/Programs	<u>Expenses</u>	<u>Program</u> <u>Revenues</u>	Net (Expense) Revenue and Changes in Net Position
		<u>Charges for</u> <u>Services</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities:			
General administration	\$ 1,139,954	\$ 22,758	\$(1,117,196)
Total governmental activities	<u>\$ 1,139,954</u>	<u>\$ 22,758</u>	<u>(1,117,196)</u>
General revenues:			
Member assessments			1,031,836
Interest income			11,056
Total general revenues			<u>1,042,892</u>
Change in net position			(74,304)
Net Position at beginning of year			<u>(601,111)</u>
Net Position at end of year			<u>\$ (675,415)</u>

*See accompanying notes to the basic financial statements*

EXHIBIT C  
**SCHOOL ADMINISTRATIVE UNIT #34**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2019

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 154,604	\$ 154,604
Due from other governments	10,297	10,297
Total Assets	<u>164,901</u>	<u>164,901</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total Assets and Deferred Outflows of Resources	<u>\$ 164,901</u>	<u>\$ 164,901</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,996	\$ 1,996
Accrued expenses	266	266
Total Liabilities	<u>2,262</u>	<u>2,262</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Unassigned	162,639	162,639
Total Fund Balances	<u>162,639</u>	<u>162,639</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 164,901</u>	<u>\$ 164,901</u>

*See accompanying notes to the basic financial statements*



EXHIBIT C-1  
**SCHOOL ADMINISTRATIVE UNIT #34**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2019

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 162,639
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	304
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB liability	20,941
Deferred outflows of resources related to net pension liability	145,063
Deferred inflows of resources related to OPEB liability	(7,806)
Deferred inflows of resources related to net pension liability	(126,054)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term liabilities at year end consist of:	
Compensated absences payable	(31,509)
OPEB liability	(98,401)
Net pension liability	<u>(740,592)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ (675,415)</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D  
**SCHOOL ADMINISTRATIVE UNIT #34**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended June 30, 2019

	General Fund	Total Governmental Funds
Revenues:		
Member assessments	\$ 1,031,836	\$ 1,031,836
Charges for services	22,758	22,758
Interest income	11,056	11,056
Total Revenues	<u>1,065,650</u>	<u>1,065,650</u>
Expenditures:		
Current operations:		
General administration	<u>1,147,670</u>	<u>1,147,670</u>
Total Expenditures	<u>1,147,670</u>	<u>1,147,670</u>
Net change in fund balances	(82,020)	(82,020)
Fund balance at beginning of year	<u>244,659</u>	<u>244,659</u>
Fund balance at end of year	<u>\$ 162,639</u>	<u>\$ 162,639</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D-1

**SCHOOL ADMINISTRATIVE UNIT #34**

**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, 2019

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ (82,020)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense exceeded capital outlays in the current period.	(1,856)
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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 governmental funds.

	(2,543)
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Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.

Net changes in OPEB	(27,301)
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Net changes in pension	<u>39,416</u>
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Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (74,304)</u>
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**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2019

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

The accounting policies of School Administrative Unit #34 conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The following is a summary of significant accounting policies.

***Financial Reporting Entity***

School Administrative Unit #34 (the SAU) is an independent governmental entity organized under the laws of the State of New Hampshire to provide public school administrative services to the Hillsboro-Deering Cooperative, Washington and Windsor School Districts. The SAU's legislative body consists of School Board members from the member Districts.

The SAU has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

***Basis of Presentation***

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

**1. Government-Wide Financial Statements:**

The statement of net position and the statement of activities display information about the SAU as a whole. These statements include the financial activities of the primary government.

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

**2. Fund Financial Statements:**

During the year, the SAU segregates transactions related to certain SAU functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the SAU at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

***Fund Accounting***

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

**Governmental Funds:**

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

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

***Measurement Focus***

**1. Government-Wide Financial Statements:**

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

**2. Fund Financial Statements:**

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

***Basis of Accounting***

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

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

**1. Revenues – Exchange and Non-exchange Transactions:**

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest and grants.

Grants received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

**2. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***Budgetary Data***

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

State law requires balanced budgets but allows the use of beginning fund balance to reduce the member assessments. For the year ended June 30, 2019, the SAU applied \$75,000 of its unappropriated fund balance to reduce member assessments.

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The SAU maintains a capitalization threshold of \$500. The SAU does not possess any infrastructure or intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Machinery, equipment and other	3-5

***Compensated Absences***

Employees earn vacation and sick leave based on years of employment. SAU employees may accumulate (subject to certain limitations) unused vacation and sick pay earned and upon severance of employment, will be compensated for such amounts at current rates of pay. Staff members are allowed to carry no more than 5 unused vacation days into the next year. Contracted administrators are allowed to carry up to 20 unused vacation days into the next year which must be used within the next fiscal year or be forfeited. Contracted administrators may carry up to 100 days of sick leave, of which up to 50 days is paid out at 50% of the per diem rate.

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

***Accrued Liabilities and Long-Term Obligations***

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

***Postemployment Benefits Other Than Pensions (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

***Pensions***

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

***Net Position***

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

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

***Fund Balance Policy***

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

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts that can only be spent for specific purposes stipulated by applicable state and local laws and regulations, external resource providers or through enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes pursuant to a formal action by the SAU itself using its highest level of decision-making authority (the School Board). To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same formal action to remove or change the constraint.
- *Assigned Fund Balance*: Amounts the SAU intends to use for specific purposes, but do not meet the criteria to be classified as restricted or committed. For governmental funds other than the General Fund, assigned fund balance represents the remaining balance that is not restricted or committed.



**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

- Unassigned Fund Balance: Amounts that are available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

Authority to Assign

The School Board delegates to the Superintendent of Schools, the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available fund balance in any particular fund.

Spending Prioritizations

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

Estimates

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

**NOTE 2—DEPOSITS**

Deposits as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	<u>\$ 154,604</u>

Deposits at June 30, 2019 consist of the following:

Cash on hand	\$ 75
Deposits with financial institutions	<u>154,529</u>
	<u>\$ 154,604</u>

The School Administrative Unit's investment policy for its governmental funds requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The SAU's deposits with financial institutions consist solely of demand deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the SAU's deposits may not be returned to it. The SAU's investment policy stipulates that all deposits and investments be covered by federal depository insurance, with all balances in excess of FDIC insurance limits collateralized. As of June 30, 2019 all of the SAU's funds were insured by the FDIC.

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

**NOTE 3—CAPITAL ASSETS**

The following is a summary of changes in capital assets of the governmental activities:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Capital assets:				
Machinery, equipment and other	\$ 53,751			\$ 53,751
Total capital assets at historical cost	53,751	\$ -	\$ -	53,751
Less accumulated depreciation for:				
Machinery, equipment and other	(51,591)	(1,856)		(53,447)
Total accumulated depreciation	(51,591)	(1,856)	-	(53,447)
Total capital assets, net	\$ 2,160	\$ (1,856)	\$ -	\$ 304

Depreciation expense was charged to governmental functions as follows:

General administration	\$ 1,856
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**NOTE 4—LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

Changes in the long-term obligations of the governmental activities for the year ended June 30, 2019 are as follows:

Type	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Compensated absences payable	\$ 28,966	\$ 5,221	\$ (2,678)	\$ 31,509	\$ -

Payments on compensated absences will be paid from the General Fund.

**NOTE 5—OTHER POST EMPLOYMENT BENEFITS**

*Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense*

	Deferred Outflows	OPEB Liability	Deferred Inflows	OPEB Expense
Cost-Sharing Multiple Employer Plan	\$ 3,115	\$ 18,217	\$ 58	\$ 5,378
Single Employer Plan	17,826	80,184	7,748	25,617
Total	\$ 20,941	\$ 98,401	\$ 7,806	\$ 30,995

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$13,135.

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

**COST-SHARING MULTIPLE EMPLOYER PLAN**

***Plan Description***

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at [www.nhrs.org](http://www.nhrs.org).

The OPEB Plan is divided into four membership types. Political subdivision employees, teachers and State employees belong to Group I. Police officers and firefighters belong to Group II. The OPEB plan is closed to new entrants.

***Benefits Provided***

Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two-person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

***Funding Policy***

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The SAU's contribution rates for the covered payroll of employees was 0.30% for the year ended June 30, 2019. Contributions to the OPEB plan for the SAU were \$2,047 for the year ended June 30, 2019. Employees are not required to contribute to the OPEB plan.

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2019, the SAU reported a liability of \$18,217 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2017. The SAU's proportion of the net OPEB liability was based on actual contributions by the SAU during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2018, the SAU's proportion was approximately 0.0040 percent, which was an increase of 0.0010 percentage points from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the SAU recognized OPEB expense of \$5,378. At June 30, 2019, the SAU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 107	
Net difference between projected and actual earnings on OPEB plan investments		\$ 58
Changes in proportion and differences between SAU contributions and proportionate share of contributions	961	
SAU contributions subsequent to the measurement date	<u>2,047</u>	
Totals	<u>\$ 3,115</u>	<u>\$ 58</u>

The SAU reported \$2,047 as deferred outflows of resources related to OPEB resulting from SAU contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2019	\$ 1,050
2020	(18)
2021	(18)
2022	<u>(4)</u>
	<u>\$ 1,010</u>

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

***Actuarial Assumptions***

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Wage inflation	3.25 percent
Salary increases	5.60 percent, average, including inflation
Investment rate of return	7.25 percent, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on OPEB Plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

***Sensitivity of the SAU's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the SAU's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the SAU's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB Liability	\$ 18,961	\$ 18,217	\$ 16,135

**SINGLE EMPLOYER PLAN**

***Plan Description***

The SAU administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

***Benefits Provided***

The SAU provides postemployment medical benefits to its eligible retirees and their spouses. The benefits are provided through fully insured plans that are sponsored by SchoolCare a non-profit, employee benefits pool devoted exclusively to serving New Hampshire municipal, school and county governments. Employees hired before July 1, 2011 must meet one of the following eligibility requirements: age 60 or older with no minimum service requirement, age 50 with 10 years of service, or age plus service equals 70 with a minimum of 20 years of service. Employees hired on or after July 1, 2011 must meet the following eligibility requirements: age 65 regardless of years of creditable service, or age 60 with at least 30 years of service. Retirees and their covered spouses pay the full cost of the medical premium. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50.

***Employees Covered By Benefit Terms***

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	9
	<u>9</u>

***Total OPEB Liability***

The SAU's total OPEB liability of \$80,184 was measured as of July 1, 2018 and was determined by a rollforward valuation as of July 1, 2017.

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

***Actuarial Assumptions and Other Inputs for OPEB***

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.00%
Discount rate	3.58%
Healthcare cost trend rates	(0.80)% for 2018, increasing to 9.50% for 2019, then decreasing 0.50% per year to an ultimate rate of 5.00%

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index based on the 20 year AA municipal bond rate as of July 1, 2017.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2017.

***Changes in the Total OPEB Liability***

	Total OPEB Liability
Balance at June 30, 2018	\$ 79,192
Changes for the year:	
Service cost	5,003
Interest	2,806
Differences between expected and actual experience	(5,171)
Benefit payments	(1,646)
Net changes	992
Balance at June 30, 2019	<u>\$ 80,184</u>

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the SAU, as well as what the SAU's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	\$ 84,033	\$ 80,184	\$ 76,407

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following presents the total OPEB liability of the SAU, as well as what the SAU's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (10.50 percent decreasing to 6.00 percent) than the current healthcare cost trend rate:

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

	1% Decrease (8.50% decreasing to 4.00%)	Healthcare Cost Trend Rates (9.50% decreasing to 5.00%)	1% Increase (10.50% decreasing to 6.00%)
Total OPEB Liability	\$ 73,624	\$ 80,184	\$ 87,609

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2019, the SAU recognized OPEB expense of \$25,617. At June 30, 2019, the SAU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,427	\$ 7,748
Changes of assumptions	1,399	
Totals	<u>\$ 17,826</u>	<u>\$ 7,748</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>June 30,</u>	
2020	\$ 10,078
	<u>\$ 10,078</u>

**NOTE 6—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

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

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at [www.nhrs.org](http://www.nhrs.org).

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



**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members.

***Benefits Provided***

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members vested by January 1, 2012, who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have not attained status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by 1/4 of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

***Funding Policy***

Plan members are required to contribute 7.0% of their covered salary and the SAU is required to contribute at an actuarially determined rate. The SAU's pension contribution rate for the covered payroll of general employees was 11.08% for the year ended June 30, 2019. The SAU contributes 100% of the employer cost for general employees of the SAU.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. Contributions to the pension plan for the SAU were \$75,603 for the year ended June 30, 2019.

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

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

At June 30, 2019, the SAU reported a liability of \$740,592 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2017. The SAU's proportion of the net pension liability was based on actual contributions by the SAU during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2018, the SAU's proportion was approximately 0.0154 percent, which was a decrease of 0.0016 percentage points from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the SAU recognized pension expense of \$36,187. At June 30, 2019, the SAU reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 5,911	\$ 5,997
Changes of assumptions	51,253	
Net difference between projected and actual earnings on pension plan investments		17,138
Changes in proportion and differences between SAU contributions and proportionate share of contributions	12,296	102,919
SAU contributions subsequent to the measurement date	<u>75,603</u>	<u></u>
Totals	<u>\$ 145,063</u>	<u>\$ 126,054</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$19,009. The SAU reported \$75,603 as deferred outflows of resources related to pension resulting from SAU contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense for the measurement periods as follows:

<u>June 30,</u>	
2019	\$ (5,288)
2020	(9,498)
2021	(27,427)
2022	(14,381)
	<u>\$ (56,594)</u>

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Inflation	2.50 percent
Wage inflation	3.25 percent
Salary increases	5.60 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumption used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	<u>100%</u>	

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

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

The following presents the SAU's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the SAU's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
SAU's proportionate share of the net pension liability	\$ 985,364	\$ 740,592	\$ 535,466

**NOTE 7—FUND BALANCE COMPONENTS**

The components of the SAU's fund balance for its governmental funds at June 30, 2019 are as follows:

	General <u>Fund</u>
<b>Unassigned:</b>	
Unassigned - General operations	<u>\$ 162,639</u>

**NOTE 8—RISK MANAGEMENT**

The SAU is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2019, the SAU was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2019.

***Property and Liability Insurance***

The Trust provides certain property and liability insurance coverage to member school districts, school administrative units, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the SAU shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
For the Year Ended June 30, 2019

aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***Worker's Compensation***

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

**NOTE 9—CONTINGENT LIABILITIES**

***Litigation***

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

## SCHEDULE 1

## SCHOOL ADMINISTRATIVE UNIT #34

## Schedule of Revenues, Expenditures and Changes in Fund Balance

## Budget and Actual (Budgetary Basis) - General Fund

For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget -
				Favorable
				(Unfavorable)
Revenues:				
Member assessments	\$ 1,031,837	\$ 1,031,837	\$ 1,031,836	\$ (1)
Charges for services	-	-	22,758	22,758
Interest income	-	-	11,056	11,056
Total Revenues	<u>1,031,837</u>	<u>1,031,837</u>	<u>1,065,650</u>	<u>33,813</u>
Expenditures:				
Current operations:				
General administration	<u>1,106,837</u>	<u>1,106,837</u>	<u>1,147,670</u>	<u>(40,833)</u>
Total Expenditures	<u>1,106,837</u>	<u>1,106,837</u>	<u>1,147,670</u>	<u>(40,833)</u>
Net change in fund balance	(75,000)	(75,000)	(82,020)	(7,020)
Fund balance at beginning of year				
- Budgetary Basis	<u>244,659</u>	<u>244,659</u>	<u>244,659</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 169,659</u>	<u>\$ 169,659</u>	<u>\$ 162,639</u>	<u>\$ (7,020)</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

SCHOOL ADMINISTRATIVE UNIT #34

Schedule of Changes in the SAU's Proportionate Share of the Net OPEB Liability

For the Year Ended June 30, 2019

Measurement Period Ended	Cost-Sharing Multiple Employer Plan Information Only				
	SAU's Proportion of the Net OPEB Liability	SAU's Proportionate Share of the Net OPEB Liability	SAU's Covered Payroll	SAU's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2018	0.00397893%	\$ 18,217	\$ 586,699	3.10%	7.53%
June 30, 2017	0.00299139%	\$ 13,678	\$ 572,132	2.39%	7.91%
June 30, 2016	0.00290159%	\$ 14,047	\$ 543,787	2.58%	5.21%

See accompanying notes to the required supplementary information

SCHEDULE 3  
**SCHOOL ADMINISTRATIVE UNIT #34**  
**Schedule of SAU OPEB Contributions**  
For the Year Ended June 30, 2019

<b>Cost-Sharing Multiple Employer Plan Information Only</b>						
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>SAU's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>	
June 30, 2019	\$ 2,047	\$ (2,047)	\$ -	\$ 682,341	0.30%	
June 30, 2018	\$ 1,760	\$ (1,760)	\$ -	\$ 586,699	0.30%	
June 30, 2017	\$ 1,773	\$ (1,773)	\$ -	\$ 572,132	0.31%	
June 30, 2016	\$ 1,686	\$ (1,686)	\$ -	\$ 543,787	0.31%	

*See accompanying notes to the required supplementary information*



SCHEDULE 4

SCHOOL ADMINISTRATIVE UNIT #34

Schedule of Changes in the SAU's Total OPEB Liability and Related Ratios

For the Year Ended June 30, 2019

<u>Single Employer Plan Information Only</u>		
	<u>2019</u>	<u>2018</u>
Total OPEB Liability:		
Service cost	\$ 5,003	\$ 4,906
Interest	2,806	2,784
Differences between expected and actual experience	(5,171)	(5,586)
Benefit payments	<u>(1,646)</u>	<u>(1,377)</u>
Net change in total OPEB liability	992	727
Total OPEB liability - beginning	<u>79,192</u>	<u>78,465</u>
Total OPEB liability - ending	<u>\$ 80,184</u>	<u>\$ 79,192</u>
Covered employee payroll	\$ 645,157	\$ 632,507
Total OPEB liability as a percentage of covered employee payroll	12.43%	12.52%

See accompanying notes to the required supplementary information

SCHEDULE 5

**SCHOOL ADMINISTRATIVE UNIT #34**

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

For the Year Ended June 30, 2019

<u>Measurement Period Ended</u>	<u>SAU's Proportion of the Net Pension Liability</u>	<u>SAU's Proportionate Share of the Net Pension Liability</u>	<u>SAU's Covered Payroll</u>	<u>SAU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2018	0.01538029%	\$ 740,592	\$ 586,699	126.23%	64.73%
June 30, 2017	0.01696059%	\$ 834,121	\$ 572,132	145.79%	62.66%
June 30, 2016	0.01649217%	\$ 876,987	\$ 543,787	161.27%	58.30%
June 30, 2015	0.01897579%	\$ 751,731	\$ 609,785	123.28%	65.47%
June 30, 2014	0.01903025%	\$ 714,317	\$ 591,365	120.79%	66.32%
June 30, 2013	0.01977340%	\$ 851,005	\$ 579,803	146.77%	59.81%

*See accompanying notes to the required supplementary information*

SCHEDULE 6  
**SCHOOL ADMINISTRATIVE UNIT #34**  
**Schedule of SAU Pension Contributions**  
For the Year Ended June 30, 2019

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>SAU's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	\$ 75,603	\$ (75,603)	\$ -	\$ 682,341	11.08%
June 30, 2018	\$ 65,006	\$ (65,006)	\$ -	\$ 586,699	11.08%
June 30, 2017	\$ 62,134	\$ (62,134)	\$ -	\$ 572,132	10.86%
June 30, 2016	\$ 59,055	\$ (59,055)	\$ -	\$ 543,787	10.86%
June 30, 2015	\$ 63,662	\$ (63,662)	\$ -	\$ 609,785	10.44%
June 30, 2014	\$ 61,739	\$ (61,739)	\$ -	\$ 591,365	10.44%
June 30, 2013	\$ 49,167	\$ (49,167)	\$ -	\$ 579,803	8.48%

*See accompanying notes to the required supplementary information*

**SCHOOL ADMINISTRATIVE UNIT #34**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2019

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the SAU. Those amounts may differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). There were no such differences in reporting for the year ended June 30, 2019.

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

During the year ended June 30, 2019, the SAU overdrafted its statutory appropriations for the General Fund as follows:

Total General Fund appropriations	\$ 1,106,837
General Fund budgetary expenditures	<u>(1,147,670)</u>
Statutory overdraft	<u>\$ (40,833)</u>

**NOTE 3—SCHEDULE OF CHANGES IN THE SAU'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF SAU OPEB CONTRIBUTIONS**

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the SAU is required to disclose historical information for each of the prior ten years within a schedule of changes in the SAU's proportionate share of the net OPEB liability and schedule of SAU OPEB contributions. The SAU implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

**NOTE 4—SCHEDULE OF CHANGES IN THE SAU'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the SAU is required to disclose historical information for each of the prior ten years within a schedule of changes in the SAU's total OPEB liability and related ratios. The SAU implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**NOTE 5—SCHEDULE OF CHANGES IN THE SAU'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF SAU PENSION CONTRIBUTIONS**

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the SAU is required to disclose historical information for each of the prior ten years within a schedule of changes in the SAU's proportionate share of the net pension liability and schedule of SAU pension contributions.

**SCHOOL ADMINISTRATIVE UNIT #34****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

For the Year Ended June 30, 2019

The SAU implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

***Change in Actuarial Assumptions***

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.