

SCHOOL ADMINISTRATIVE UNIT #34

Financial Statements

June 30, 2016

and

Independent Auditor's Report

SCHOOL ADMINISTRATIVE UNIT #34
FINANCIAL STATEMENTS
June 30, 2016

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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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other post-employment benefits, schedule of changes in the SAU's proportionate share of the net pension liability, and schedule of SAU contributions on pages i-v and 19-23 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.

Vachon Cloutay & Company PC

Manchester, New Hampshire
May 26, 2017

**SCHOOL ADMINISTRATIVE UNIT #34
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

Presented herewith please find the Management Discussion & Analysis Report for School Administrative Unit #34 (the SAU) for the fiscal year ending June 30, 2016. 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.

**SCHOOL ADMINISTRATIVE UNIT #34
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

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 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 \$511,578 (i.e., deficit net position), an increase of \$8,850 from the previous fiscal year.

The General Fund shows an ending fund balance of \$275,800, a decrease of \$13,552 from the previous year.

**SCHOOL ADMINISTRATIVE UNIT #34
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

Government-Wide Financial Analysis

Statement of Net Position for the fiscal years ending June 30, 2016 and 2015:

	<u>FY 2016</u>	<u>FY 2015</u>
Capital and other assets:		
Capital assets, net	\$ 6,664	\$ 7,455
Other assets	275,800	292,572
Total Assets	<u>282,464</u>	<u>300,027</u>
Deferred Outflows of Resources		
Deferred outflows related to pension	59,055	63,662
Total Deferred Outflows of Resources	<u>59,055</u>	<u>63,662</u>
Long-term and other liabilities:		
Compensated absences	28,484	38,568
Other post-employment benefits	13,840	10,335
Net pension liability	751,731	714,317
Other liabilities	3,220	3,220
Total Liabilities	<u>794,055</u>	<u>766,440</u>
Deferred Inflows of Resources		
Deferred inflows related to pension	59,042	117,677
Total Deferred Inflows of Resources	<u>59,042</u>	<u>117,677</u>
Net Position:		
Net investment in capital assets	6,664	7,455
Unrestricted (deficit)	(518,242)	(527,883)
Total Net Position (deficit)	<u>\$ (511,578)</u>	<u>\$ (520,428)</u>

Statement of Activities for the fiscal years ending June 30, 2016 and 2015:

	<u>FY 2016</u>	<u>FY 2015</u>
General revenues:		
Member assessments	\$ 956,016	\$ 970,832
Total General revenues	<u>956,016</u>	<u>970,832</u>
Total Revenues	<u>956,016</u>	<u>970,832</u>
Expenses:		
General administration	947,166	967,249
Total Expenses	<u>947,166</u>	<u>967,249</u>
Change in net position	8,850	3,583
Net position (deficit), beginning of year	(520,428)	(524,011)
Net position (deficit), end of year	<u>\$ (511,578)</u>	<u>\$ (520,428)</u>

**SCHOOL ADMINISTRATIVE UNIT #34
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

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 (\$511,578), an increase of \$8,850 from the previous year. See page 4 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, \$6,664, 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 (\$518,242) 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, 2016, the General Fund reported ending fund balances of \$275,800, a net change of (\$13,552) 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.

Assigned Fund Balance for the General Fund includes \$70,000 designated to offset the subsequent fiscal year member assessments, and \$6,346 for encumbrances.

Please see Note 7 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 lower than the budgeted amounts by \$1. Actual expenditures on the budgetary basis were \$63,322 lower than expected. Savings were realized in the general administration function. See Schedule on page 19 for additional budgetary comparison information.

**SCHOOL ADMINISTRATIVE UNIT #34
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2016**

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. Current year additions of \$6,682 were less than depreciation expense of \$7,473, resulting in a net decrease in capital assets of \$791. 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 2016, compensated absences payable had a net decrease in potential future payments of \$10,084. The liabilities for other post-employment benefits and net pension had a net increase in potential future payments of \$3,505 and \$37,414, 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, 2016

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 275,738
Accounts receivable	<u>62</u>
Total Current Assets	<u>275,800</u>
Noncurrent assets:	
Capital assets:	
Depreciable capital assets, net	<u>6,664</u>
Total Noncurrent Assets	<u>6,664</u>
Total Assets	<u>282,464</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>59,055</u>
Total Deferred Outflows of Resources	<u>59,055</u>
LIABILITIES	
Current liabilities:	
Total Current Liabilities	<u>-</u>
Noncurrent liabilities:	
Compensated absences payable	28,484
Other post-employment benefits obligation	13,840
Net pension liability	<u>751,731</u>
Total Noncurrent Liabilities	<u>794,055</u>
Total Liabilities	<u>794,055</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>59,042</u>
Total Deferred Inflows of Resources	<u>59,042</u>
NET POSITION	
Net investment in capital assets	6,664
Unrestricted (deficit)	<u>(518,242)</u>
Total Net Position (deficit)	<u>\$ (511,578)</u>

See accompanying notes to the basic financial statements

EXHIBIT B
SCHOOL ADMINISTRATIVE UNIT #34
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	<u>Expenses</u>	Net (Expense) Revenue and Changes <u>in Net Position</u> Governmental <u>Activities</u>
Governmental Activities:		
General administration	\$ 947,166	\$ (947,166)
Total governmental activities	<u>\$ 947,166</u>	<u>(947,166)</u>
General revenues:		
Member assessments		956,016
Total general revenues		<u>956,016</u>
Change in net position		8,850
Net Position (deficit) - beginning		<u>(520,428)</u>
Net Position (deficit) - ending		<u>\$ (511,578)</u>

See accompanying notes to the basic financial statements

EXHIBIT C
SCHOOL ADMINISTRATIVE UNIT #34
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 275,738	\$ 275,738
Accounts receivable	62	62
Total Assets	<u>275,800</u>	<u>275,800</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 275,800</u>	<u>\$ 275,800</u>
LIABILITIES		
Total Liabilities	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	-	-
FUND BALANCES		
Assigned	76,346	76,346
Unassigned	199,454	199,454
Total Fund Balances	<u>275,800</u>	<u>275,800</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 275,800</u>	
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		6,664
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.		
Deferred outflows of resources attributable to net pension liability		59,055
Deferred inflows of resources attributable to net pension liability		(59,042)
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		(28,484)
Net pension liability		(751,731)
Other post-employment benefits obligation		<u>(13,840)</u>
Net Position (deficit) of Governmental Activities		<u>\$ (511,578)</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, 2016

	General Fund	Total Governmental Funds
Revenues:		
Member assessments	\$ 956,016	\$ 956,016
Total Revenues	<u>956,016</u>	<u>956,016</u>
Expenditures:		
Current operations:		
General administration	969,568	969,568
Total Expenditures	<u>969,568</u>	<u>969,568</u>
Net change in fund balances	(13,552)	(13,552)
Fund balance at beginning of year	<u>289,352</u>	<u>289,352</u>
Fund balance at end of year	<u>\$ 275,800</u>	<u>\$ 275,800</u>

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, 2016

Change in Fund Balances - Total Governmental Funds	\$ (13,552)
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.	(791)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension contributions exceeded pension expense in the current period.	16,614
Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	<u>6,579</u>
Change in Net Position of Governmental Activities	<u>\$ 8,850</u>

See accompanying notes to the basic financial statements

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016

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, 2016

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.

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. 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 have been reported as deferred inflows of resources.

3. Expenses/Expenditures:

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

Budgetary Data

The 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, 2016, the SAU applied \$80,000 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, 2016

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 fair values 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.

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

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

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.
- *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.

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

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, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	<u>\$ 275,738</u>

Deposits at June 30, 2016 consist of the following:

Cash on hand	\$ 75
Deposits with financial institutions	<u>275,663</u>
	<u>\$ 275,738</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.

Of the SAU's deposits with financial institutions at year end, \$51,059 was collateralized by securities held by the bank in the bank's name.

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

NOTE 3—CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets:				
Machinery, equipment and other	\$ 128,022	\$ 6,682	\$ (84,289)	\$ 50,415
Total capital assets at historical cost	<u>128,022</u>	<u>6,682</u>	<u>(84,289)</u>	<u>50,415</u>
Less accumulated depreciation for:				
Machinery, equipment and other	(120,567)	(7,473)	84,289	(43,751)
Total accumulated depreciation	<u>(120,567)</u>	<u>(7,473)</u>	<u>84,289</u>	<u>(43,751)</u>
Total capital assets, net	<u>\$ 7,455</u>	<u>\$ (791)</u>	<u>\$ -</u>	<u>\$ 6,664</u>

Depreciation expense was charged to governmental functions as follows:

General administration	<u>\$ 7,473</u>
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NOTE 4—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

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

Type	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Compensated absences payable	<u>\$ 38,568</u>	<u>\$ 5,212</u>	<u>\$ (15,296)</u>	<u>\$ 28,484</u>	<u>\$ -</u>

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

NOTE 5—DEFINED BENEFIT PENSION PLAN

Plan Description

The SAU contributes to the New Hampshire Retirement System (NHRS), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The New Hampshire Retirement System is a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

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

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

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.

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

Benefits Provided

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

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

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

Funding Policy

Plan members are required to contribute 7.0% of their covered salary and the SAU is required to contribute at an actuarially determined rate. The SAU's pension contribution rates for the covered payroll of general employees was 10.86% for the year ended June 30, 2016. 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. The SAU's contribution to the NHRS for the year ending June 30, 2016 were \$59,055.

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

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

At June 30, 2016, the SAU reported a liability of \$751,731 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2014. The 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, 2015, the SAU's proportion was approximately 0.0190 percent, which was a decrease of 0.00005 percentage points from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the SAU recognized pension expense of \$42,440. At June 30, 2016, 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		\$ 16,496
Net difference between projected and actual earnings on pension plan investments		20,091
Changes in proportion and differences between SAU contributions and proportionate share of contributions		22,455
SAU contributions subsequent to the measurement date	<u>\$ 59,055</u>	<u> </u>
Total	<u>\$ 59,055</u>	<u>\$ 59,042</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 \$13. The SAU reported \$59,055 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 year ended June 30, 2017. 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>	
2016	\$ (20,604)
2017	(20,604)
2018	(20,604)
2019	4,420
2020	<u>(1,650)</u>
	<u>\$ (59,042)</u>

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

Actuarial Assumptions

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

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

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

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

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

Discount Rate

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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 7.75 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 (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
SAU's proportionate share of the net pension liability	\$ 989,556	\$ 751,731	\$ 548,984

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the SAU provides post-employment health insurance benefits to its eligible retirees and their spouses. The SAU provides medical, prescription drug, mental health and substance abuse benefits to retirees and their covered dependents. Retirees under the age of 65 are assumed to elect coverage under the Matthew Thornton Blue plan for fiscal year 2016 and the Access Blue NE plan for all future years. Upon termination of employment with the SAU, if an employee is not eligible for immediate or vested deferred pension benefits through NHRS, the individual will still qualify as a retiree of the SAU for group health plan coverage. To qualify for these benefits 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 at least 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 be age 60 and have 30 years of service. To qualify, or to continue to qualify as a retiree, the individual must also not be actively working more than 20 hours per week or covered under another employer-sponsored group health plan. Retirees are required to pay 100% of the cost for coverage. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50.

As of July 1, 2015, the most recent actuarial valuation date, no retirees and 9 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The SAU's annual OPEB expense for the fiscal year ended June 30, 2016 is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period not to exceed thirty years. The SAU's annual OPEB cost for the year ending June 30, 2016 including the amount actually contributed to the plan, and the change in the SAU's net OPEB obligation based on an actuarial valuation as of July 1, 2015 is as follows:

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

Annual Required Contribution (ARC)	\$ 3,678
Interest on net OPEB obligation	413
Adjustment to ARC	<u>(586)</u>
Annual OPEB cost	3,505
Contributions made	<u>-</u>
Increase in net OPEB obligation	3,505
Net OPEB obligation - beginning of year	<u>10,335</u>
Net OPEB obligation - end of year	<u>\$ 13,840</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 3,505	0.0%	\$ 13,840
6/30/2015	\$ 1,831	0.0%	\$ 10,335
6/30/2014	\$ 1,653	0.0%	\$ 8,504

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

Funded Status and Funding Progress for OPEB

The funded status of the plan as of July 1, 2015, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 39,287
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 39,287</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 563,242
UAAL as a percentage of covered payroll	7.0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other key assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

Actuarial Methods and Assumptions for OPEB

Projections of benefits for financial reporting purposes are based on the plan as understood by the SAU 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 SAU and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the July 1, 2015 actuarial valuation the Projected Unit Credit Method was used. The actuarial value of assets was not determined as the SAU has not advance funded its obligation. The SAU employs the Pay-as-you-go Cash Basis to fund the plan. The actuarial assumptions included a 4.0% investment rate of return and an initial annual medical cost trend of 6.24% which decreases to a 5.0% long-term rate for all medical benefits after nine years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level dollar amortization for a period of thirty years on a closed basis.

NOTE 7—FUND BALANCE COMPONENTS

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

	General Fund
Assigned for:	
Encumbrances	\$ 6,346
Designated to offset subsequent fiscal year member assessments	70,000
Unassigned:	
Unassigned - General operations	199,454
	<u>\$ 275,800</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, 2016, 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, 2016.

SCHOOL ADMINISTRATIVE UNIT #34
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2016

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 \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member 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, 2016

	<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	\$ 956,017	\$ 956,017	\$ 956,016	\$ (1)
Total Revenues	<u>956,017</u>	<u>956,017</u>	<u>956,016</u>	<u>(1)</u>
Expenditures:				
Current operations:				
General administration	<u>1,036,017</u>	<u>1,036,017</u>	<u>972,695</u>	<u>63,322</u>
Total Expenditures	<u>1,036,017</u>	<u>1,036,017</u>	<u>972,695</u>	<u>63,322</u>
Net change in fund balance	(80,000)	(80,000)	(16,679)	63,321
Fund balance at beginning of year				
- Budgetary Basis	<u>286,133</u>	<u>286,133</u>	<u>286,133</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 206,133</u>	<u>\$ 206,133</u>	<u>\$ 269,454</u>	<u>\$ 63,321</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

SCHOOL ADMINISTRATIVE UNIT #34

Schedule of Funding Progress for Other Post-Employment Benefits

For the Year Ended June 30, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2009	\$ -	\$ 6,974	\$ 6,974	0.0%	\$ 273,859	2.5%
7/1/2012	\$ -	\$ 9,377	\$ 9,377	0.0%	\$ 242,937	3.9%
7/1/2015	\$ -	\$ 39,287	\$ 39,287	0.0%	\$ 563,242	7.0%

See accompanying notes to the required supplementary information

SCHEDULE 3

SCHOOL ADMINISTRATIVE UNIT #34

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

For the Year Ended June 30, 2016

	<u>For the Measurement Period Ended June 30:</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
SAU's proportion of the net pension liability (asset)	0.0190%	0.0190%	0.0198%
SAU's proportionate share of the net pension liability (asset)	\$ 751,731	\$ 714,317	\$ 851,005
SAU's covered-employee payroll	\$ 609,785	\$ 591,365	\$ 579,803
SAU's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	123.28%	120.79%	146.77%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 4
SCHOOL ADMINISTRATIVE UNIT #34
Schedule of SAU Contributions
For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 59,055	\$ 63,662	\$ 61,739	\$ 49,167
Contributions in relation to the contractually required contribution	<u>(59,055)</u>	<u>(63,662)</u>	<u>(61,739)</u>	<u>(49,167)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SAU's covered-employee payroll	\$ 543,787	\$ 609,785	\$ 591,365	\$ 579,803
Contributions as a percentage of covered-employee payroll	10.86%	10.44%	10.44%	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, 2016

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 differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). General Fund budgetary expenditures were adjusted for encumbrances as follows:

	<u>Expenditures</u>
Per Exhibit D	\$ 969,568
Encumbrances - June 30, 2016	6,346
Encumbrances - June 30, 2015	<u>(3,219)</u>
Per Schedule 1	<u>\$ 972,695</u>

NOTE 2—SCHEDULE OF CHANGES IN THE SAU'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF SAU 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 contributions. 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.