

**SCHOOL ADMINISTRATIVE UNIT #13**

Tamworth, New Hampshire

FINANCIAL STATEMENTS

June 30, 2016

# SCHOOL ADMINISTRATIVE UNIT #13

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## **INDEPENDENT AUDITOR'S REPORT**

# GRZELAK AND COMPANY, P.C.

## Certified Public Accountants

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Members – American Institute of CPA’s (AICPA)  
Member – AICPA Government Audit Quality Center (GAQC)  
Member – AICPA Private Company Practice Section (PCPS)  
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### INDEPENDENT AUDITOR'S REPORT

To the SAU Board  
School Administrative Unit #13  
Tamworth, New Hampshire

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the School Administrative Unit #13 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 of material misstatement.

An audit includes 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 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 principles 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 the School Administrative Unit #13, as of June 30, 2016, and the respective changes in financial position 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, and schedule of funding progress for other postemployment benefits, schedule of the SAU's proportionate share of NHRS net pension liability, and schedule of SAU contributions on pages 7 through 19 and 51 through 58 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.

*Grzelak and Co., P.C.*

**GRZELAK & COMPANY, P.C., CPA's**

Laconia, New Hampshire

January 17, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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**School Administrative Unit #13  
For the Year Ended June 30, 2016**

The Superintendent and Business Administrator, as "management" of the School Administrative Unit #13 (the "SAU"), a special purpose government located in the County of Carroll, New Hampshire, submits this section of the SAU's annual financial report in order to present our discussion and analysis of the SAU's financial performance during the year ended June 30, 2016.

Our discussion and analysis is in accordance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). Please read it in conjunction with the financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

- The SAU's total combined net position decreased by \$14,007 or 5% between June 30, 2015 and 2016.
- The SAU's total combined net position amounted to \$(323,753) at June 30, 2016. Net position consisted of: \$16,543 net investment in capital assets; and an unrestricted balance of \$(340,296).
- Long-term liabilities outstanding as of June 30, 2016 consisted of post-employment health obligations and net pension liability in the amount of \$457,804.
- During the year, the SAU's expenses were \$14,007 more than the \$796,779 in revenues generated from charges for services, operating grants and contributions and general revenues (consisting of the SAU assessment and local contributions not restricted to specific purposes).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #13  
For the Year Ended June 30, 2016

## OVERVIEW OF THE FINANCIAL STATEMENTS

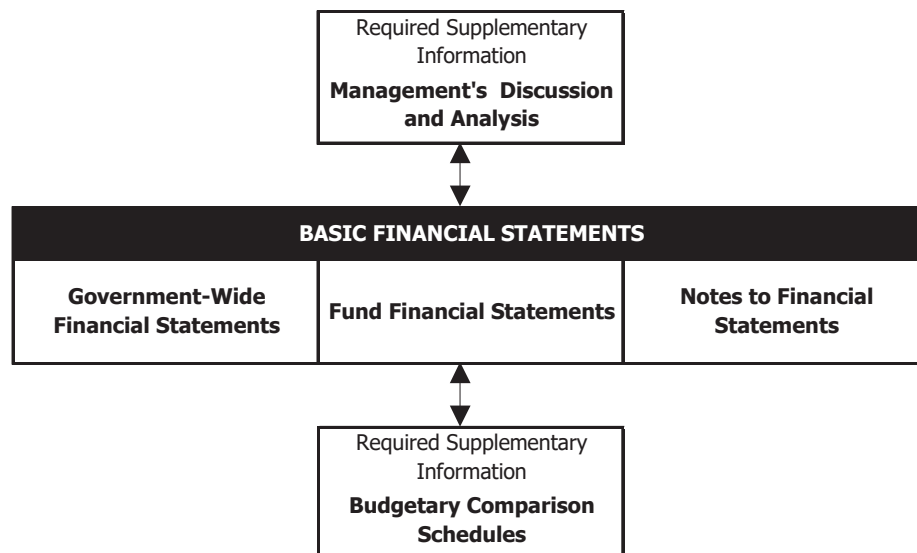
This discussion and analysis is intended to serve as an introduction to the SAU's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information. The SAU's financial statements are comprised of five primary sections or components: (1) basic government-wide financial statements, (2) basic fund financial statements, (3) notes to basic financial statements, (4) required supplementary information, and (5) notes to the required supplementary information.

The basic financial statements include two kinds of statements that present different views of the SAU based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the SAU's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the SAU, reporting the SAU's operations in more detail than the government-wide statements. The governmental funds statements tell how the SAU's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the SAU acts solely as a trustee or agent for the benefit of others, to whom the resources belong. The SAU did not report any fiduciary funds for the year.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Exhibit A-1 shows how the required parts of this annual report are arranged and related to one another.

**Exhibit A-1**





# MANAGEMENT'S DISCUSSION AND ANALYSIS

**School Administrative Unit #13  
For the Year Ended June 30, 2016**

Exhibit A-2 summarizes the major features of the SAU's financial statements, including the portion of the SAU government they cover and the types of information they contain.

**Exhibit A-2**

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
<b>SCOPE</b>	Entire government (except fiduciary funds)	All activities of the SAU that are not proprietary or fiduciary	Instances in which the SAU is the trustee or agent for someone else's resources
<b>REQUIRED FINANCIAL STATEMENTS</b>	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
<b>ACCOUNTING BASIS</b>	Accrual	Modified Accrual	Accrual
<b>MEASUREMENT FOCUS</b>	Economic Resources	Current Financial Resources	Economic Resources
<b>TYPE OF INFORMATION ASSETS AND DEFERRED OUTFLOWS, AND LIABILITIES AND DEFERRED INFLOWS</b>	All assets and deferred outflows, and liabilities and deferred inflows, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and deferred outflows, and liabilities and deferred inflows, both short-term and long-term; the Agency funds do not currently have capital assets although they can
<b>TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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School Administrative Unit #13  
For the Year Ended June 30, 2016

## SAU Wide Financial Statements:

The first two basic statements are government-wide financial statements that provide both long-term and short-term information about the SAU's overall financial status and report net position and changes in them. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is one way to measure the SAU's financial health, or financial position.

- Over time, increases or decreases in the SAU's net position are one indicator of whether its financial health is improving or deteriorating, respectively.
- In order to assess the overall health of the SAU other non-financial factors should also be considered, such as changes in the SAU's general revenues (principally the SAU assessment which is derived from member districts), and federal and state intergovernmental revenues (grant programs); the condition of the SAU's assets and other depreciable property (likelihood of emergency repairs or maintenance); and other items subject to significant financial or budgetary uncertainty.

The government-wide financial statements of the SAU are included in the Governmental Activities category. Most of the SAU's basic services are included here. General revenues, including the SAU assessment and federal, state and local programs finance most of these activities.

## Fund Financial Statements:

The fund financial statements provide more detailed information about the SAU's most significant funds, not the SAU as a whole. Funds are accounting devices that the SAU uses to keep track of specific sources of funding and spending for particular purposes. The SAU reports the following kinds of funds:

Governmental Funds - Most of the SAU's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the SAU's programs. Because information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationships (or differences) between them.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #13  
For the Year Ended June 30, 2016

## CONDENSED FINANCIAL INFORMATION AND ANALYSIS OF THE SAU AS A WHOLE

### Net Position

Exhibit B-1 shows the composition of the SAU's total combined net position, which decreased between June 30, 2015 and 2016 by \$14,007 or 5% to \$(323,753).

### Exhibit B-1 NET POSITION

	Governmental Activities		
	2015	2016	Change
<b>Assets</b>			
Current and other assets	\$ 57,455	\$ 46,751	\$ (10,704)
Noncurrent assets	19,567	16,543	(3,024)
<b>Total assets</b>	77,022	63,294	(13,728)
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	38,662	104,401	65,739
<b>Total deferred outflows of resources</b>	38,662	104,401	65,739
<b>Liabilities</b>			
Current liabilities	9,011	10,982	1,971
Noncurrent liabilities	368,795	457,804	89,009
<b>Total liabilities</b>	377,806	468,786	90,980
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	47,624	22,662	(24,962)
<b>Total deferred inflows of resources</b>	47,624	22,662	(24,962)
<b>Net Position</b>			
Net investment in capital assets	19,567	16,543	(3,024)
Restricted	-	-	-
Unrestricted	(329,313)	(340,296)	(10,983)
<b>Total net position</b>	<b>\$ (309,746)</b>	<b>\$ (323,753)</b>	<b>\$ (14,007)</b>

A portion of the net position is either invested in capital assets or restricted as to the purposes they can be used for.

- The SAU's net investment in capital assets (furniture and equipment and technology equipment, net of accumulated depreciation), is \$16,543 as of June 30, 2016.
- Restricted net position represents specific fund amounts that are restricted for their intended purposes.

Unrestricted net position was \$(340,296) at June 30, 2016.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**School Administrative Unit #13  
For the Year Ended June 30, 2016**

## Change in Net Position

The SAU's total revenues were \$796,779 while total expenses were \$810,786, resulting in a decrease in net position of \$14,007.

Exhibit B-2 shows that 78.78%, of the SAU's total revenues came from the local SAU assessment. Operating grants and contributions provided 18.82% of total revenues, while 2.40% related to local and miscellaneous revenues.

### Exhibit B-2 SOURCES OF SAU REVENUES

	Governmental Activities			Change
	2015	2016	% of Total	
<b>Program Revenues</b>				
Operating grants and contributions	\$ 147,116	\$ 149,919	18.82%	\$ 2,803
<b>General Revenues</b>				
SAU assessment to member districts	585,336	627,725	78.78%	42,389
Local sources	10,275	19,135	2.40%	8,860
	<u>\$ 742,727</u>	<u>\$ 796,779</u>	<u>100.00%</u>	<u>\$ 54,052</u>

Exhibit B-3 shows that 18.49% of the SAU's total expenses were for instructional programs and 81.06% were for administrative and business services. Unallocated expenses represented 0.44% of total expenses.

### Exhibit B-3 SAU EXPENSES

	Governmental Activities			Change
	2015	2016	% of Total	
<b>Functions / Programs</b>				
Instruction	\$ 147,116	\$ 149,919	18.49%	\$ 2,803
Administrative and business services	633,145	657,253	81.06%	24,108
<b>Unallocated</b>				
Other financing uses	(13,484)	(1,692)	-0.21%	11,792
Depreciation	5,083	5,306	0.65%	223
	<u>\$ 771,860</u>	<u>\$ 810,786</u>	<u>100.00%</u>	<u>\$ 38,926</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #13  
For the Year Ended June 30, 2016

## Governmental Activities

Exhibit B-4 presents the net cost of the SAU's largest functions based upon the total expense, less charges for services and operating grants and contributions. The net cost reflects the amount funded by general revenues (SAU assessment).

### Exhibit B-4 TOTAL AND NET COST OF SERVICES

	2015		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Functions / Programs</b>				
Instructional programs	\$ 147,116	\$ -	\$ 149,919	\$ -
Administrative and business services	633,145	633,145	657,253	657,253
<b>Unallocated</b>				
Other financing uses	(13,484)	(13,484)	(1,692)	(1,692)
Depreciation	5,083	5,083	5,306	5,306
	<u>\$ 771,860</u>	<u>\$ 624,744</u>	<u>\$ 810,786</u>	<u>\$ 660,867</u>

The total cost of all governmental activities this year was \$810,786; the total net cost was \$660,867. The primary financing for these activities of the SAU was as follows:

#### General Revenues

- The amount that was paid by member districts through the local assessment was \$627,725.
- Local and miscellaneous revenues in the amount of \$19,135.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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School Administrative Unit #13  
For the Year Ended June 30, 2016

## ANALYSIS OF BALANCES AND TRANSACTIONS OF THE SAU'S INDIVIDUAL FUNDS

### General Fund

The general fund balance decreased \$12,675 during the year from a surplus balance of \$48,444 at June 30, 2015 to a \$35,769 fund balance at June 30, 2016. The entire fund balance was unassigned.

### Major Funds

#### Grants Fund

The Grants fund is reported as a major fund in the basic financial statements and is classified as a special revenue fund. The grants fund is used to account for federal and state grants which are restricted for the specific purpose of each grant.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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School Administrative Unit #13  
For the Year Ended June 30, 2016

## GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended June 30, 2016 the SAU did not revise its statutory budgetary line items; rather, the SAU's budgetary control was managed on an aggregate total budget-to-actual basis; total estimated revenues and appropriations versus actual revenues and expenditures.

### Final Versus Original Budget Comparison

In the normal circumstances under the total budget-to-actual basis the original and final budget amounts would be the same. However, the final budget may vary from the original budget for the following items:

- Encumbrances were carried forward in the amount of \$0.

### Actual Versus Final Budget Comparison

The amounts of actual inflows (resources) and outflows (charges to appropriations) varied from the final budget for the following significant items:

- Actual inflows (resources) were more than the budgetary revenue estimates by \$24,580.
- Actual total outflows, (expenditures or charges to appropriations), were less than the budgeted appropriations by \$11,189.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #13  
For the Year Ended June 30, 2016

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, the SAU had invested \$16,543 (\$89,491 at cost or estimated cost less accumulated depreciation of \$72,948) in furniture and equipment and technology equipment as summarized in Exhibit C-1.

This amount represents a net decrease of 15.45% from the prior year. This year's changes are also summarized in Exhibit C-1.

### Exhibit C-1 NET CAPITAL ASSETS AND MAJOR ADDITIONS

Net Capital Assets	Governmental Activities		Change
	2015	2016	
Furniture and equipment	\$ 87,209	\$ 89,491	2.62%
<b>Capital assets, at cost</b>	87,209	89,491	2.62%
Accumulated depreciation	67,642	72,948	7.84%
<b>Capital assets, net</b>	<u>\$ 19,567</u>	<u>\$ 16,543</u>	<u>-15.45%</u>
<b>Increase (Decrease) in Capital Assets, Net</b>		<u>\$ (3,024)</u>	
<b>Changes</b>			
Furniture and equipment additions		\$ 2,282	
Depreciation expense		<u>(5,306)</u>	
		<u>\$ (3,024)</u>	

More detailed information about the SAU's capital assets is presented in the notes to the basic financial statements.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #13  
For the Year Ended June 30, 2016

## Debt

At June 30, 2016, the SAU had \$457,804 of long-term obligations outstanding as summarized in Exhibit C-2.

### Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		Change
	2015	2016	
Post employment health obligations	\$ 1,016	\$ 1,276	25.59%
Net pension liability	367,779	456,528	24.13%
	368,795	457,804	24.14%
Less current portion	-	-	100.00%
	<u>\$ 368,795</u>	<u>\$ 457,804</u>	<u>24.14%</u>
<b>Increase (Decrease), Net</b>		<u>\$ 89,009</u>	
<b>Significant Changes</b>			
Change in OPEB obligation		\$ 260	
Change in net pension liability		88,749	
Change in current portion		-	
		<u>\$ 89,009</u>	

More detailed information about the SAU's long-term liabilities is presented in the notes to the basic financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #13  
For the Year Ended June 30, 2016

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

District management and the Joint SAU #13 School Board considered many factors when preparing the fiscal year 2016-2017 budget.

The cost of operating the SAU is covered through assessments allocated to each of the three member school districts in the towns of Freedom, Madison, and Tamworth under a formula calculation which is based upon taking one-half of the average daily membership in attendance (ADM-A) at the end of the previous school year and one-half of the most recently published equalized valuation, including utilities, of each District as of June 30th of the previous fiscal year. The assessments for 2015-2016 for each of the three school district members in the SAU #13 joint venture are depicted below:

Member School Districts	SAU Assessment	
	%	Amount
Freedom	25.58	\$160,572
Madison	35.09	\$220,273
Tamworth	<u>39.33</u>	<u>\$246,880</u>
	<u>100.00%</u>	<u>\$627,725</u>

These assessments end up in a warrant article for each of the three towns. The warrant articles are voted upon in each of their annual school district meetings. This year's total assessment increased by \$40,003 from the 2014-2015 approved budget. In November 2014, the Joint Board authorized the hiring of a full time Business Administrator (to replace the part time contracted Business Administrator). 2015-2016 is the first full year with this position, which is what contributed significantly to the increase in the FY2015/2016 budget.

## NEW HAMPSHIRE RETIREMENT SYSTEM EMPLOYER CONTRIBUTION RATES

Legislative changes over the last few years have pushed more of the cost of the New Hampshire Retirement System onto the local municipalities/school districts.

## HEALTH INSURANCE PREMIUM HOLIDAYS

The school district is a member of the New Hampshire School Health Care Coalition ("SchoolCare"). The method of returning surplus through "Rate Stabilization" was changed to a "Premium Holiday" in order to provide greater transparency and to share such returns with currently health care premium contributors. In order to receive such premium holidays, the school district must be a participating member at the time of the effective date of the premium holiday by SchoolCare.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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**School Administrative Unit #13  
For the Year Ended June 30, 2016**

As a result of this change, for the fiscal year ending June 30, 2016, the school district received \$1,099.16 in December of 2015 as a credit to monthly health insurance premiums billed to the school district. In spite of an increase in health insurance premiums, this Premium Holiday amount resulted in a decrease in the actual amount of health insurance expended for the fiscal year; health insurance was originally budgeted without anticipation of this premium holiday.

## **CONTACTING THE SAU'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the SAU's finances and to show the SAU's accountability for the money it receives.

Questions regarding this report should be directed to Mr. Chuck Bates, Business Administrator, at (603) 323-5088, or by mail at:

SAU#13  
Attn: Chuck Bates  
881A Tamworth Road  
Tamworth, NH 03886

## **BASIC FINANCIAL STATEMENTS**

# SCHOOL ADMINISTRATIVE UNIT #13

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## Statement of Net Position June 30, 2016

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Due from other governments	46,751
Capital assets:	
Other capital assets, net of accumulated depreciation	<u>16,543</u>
Total assets	<u>63,294</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources	<u>104,401</u>
Total deferred outflows of resources	<u>104,401</u>
<b>LIABILITIES</b>	
Accounts payable	5,995
Cash overdraft	4,987
Post employment benefit obligation	1,276
Net pension liability	<u>456,528</u>
Total liabilities	<u>468,786</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources	<u>22,662</u>
Total deferred inflows of resources	<u>22,662</u>
<b>NET POSITION</b>	
Net investment in capital assets	16,543
Unrestricted	<u>(340,296)</u>
Total net position	<u>\$ (323,753)</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

# SCHOOL ADMINISTRATIVE UNIT #13

## Statement of Activities Year Ended June 30, 2016

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Governmental activities:				
Instruction				
Regular instruction	\$ -	\$ -	\$ -	\$ -
Other instruction	149,919	-	149,919	-
Support services				
Executive administration	657,253	-	-	(657,253)
Other uses / expenses	(1,692)	-	-	1,692
Depreciation (unallocated)	5,306	-	-	(5,306)
Total governmental activities	<u>810,786</u>	<u>-</u>	<u>149,919</u>	<u>(660,867)</u>
General revenues:				
Assessments				\$ 627,725
Grants and contributions not restricted to specific purposes:				
Local sources				19,127
Investment Income				8
Total general revenues				<u>646,860</u>
Change in net position				(14,007)
Net position - beginning				<u>(309,746)</u>
Net position - ending				<u>\$ (323,753)</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

# SCHOOL ADMINISTRATIVE UNIT #13

**Balance Sheet  
Governmental Funds  
June 30, 2016**

	<b>General Fund</b>	<b>Grants Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments	2,130	44,621	46,751
Due from other funds	38,863	-	38,863
Total assets	\$ 40,993	\$ 44,621	\$ 85,614
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 237	\$ 5,758	\$ 5,995
Cash overdraft	4,987	-	4,987
Due to other funds	-	38,863	38,863
Total liabilities	5,224	44,621	49,845
Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	35,769	-	35,769
Total fund balance	35,769	-	35,769
Total liabilities and fund balances	\$ 40,993	\$ 44,621	\$ 85,614

The accompanying notes to the basic financial statements are an integral part of this statement.

# SCHOOL ADMINISTRATIVE UNIT #13

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## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016

**Total Fund Balances - Governmental Funds** \$ 35,769

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost	\$ 89,491	
Less accumulated depreciation	<u>(72,948)</u>	16,543

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

OPEB obligation	(1,276)	
Net pension liability	<u>(456,528)</u>	(457,804)

Deferred inflows and outflows of resources are not current financial sources and uses and therefore are not reported in the governmental funds.

Deferred inflows of resources	(22,662)	
Deferred outflows of resources	<u>104,401</u>	<u>81,739</u>

**Total Net Position - Governmental Activities** \$ (323,753)

The accompanying notes to the basic financial statements are an integral part of this statement.



# SCHOOL ADMINISTRATIVE UNIT #13

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2016

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Assessments	\$ 627,725	\$ -	\$ 627,725
Local sources	19,127	-	19,127
Federal sources	-	149,919	149,919
Investment income	<u>8</u>	<u>-</u>	<u>8</u>
Total revenues	<u>646,860</u>	<u>149,919</u>	<u>796,779</u>
<b>Expenditures</b>			
Current:			
Instruction	-	149,919	149,919
Executive administration	<u>659,535</u>	<u>-</u>	<u>659,535</u>
Total expenditures	<u>659,535</u>	<u>149,919</u>	<u>809,454</u>
Excess (deficiency) of revenues over expenditures	(12,675)	-	(12,675)
Fund balances - beginning of year	<u>48,444</u>	<u>-</u>	<u>48,444</u>
Fund balances - end of year	<u>\$ 35,769</u>	<u>\$ -</u>	<u>\$ 35,769</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

## SCHOOL ADMINISTRATIVE UNIT #13

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### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

**Total Net Change in Fund Balances - Governmental Funds** \$ (12,675)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$	2,282	
Depreciation expense		(5,306)	
Loss on disposal of assets		-	(3,024)
		<u>          </u>	

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

OPEB obligation (increase) decrease		(260)	
Net pension liability		<u>(88,749)</u>	(89,009)

The change in deferred inflows and outflows from the *Schedule of Pension Amounts by Employer* related to the New Hampshire Retirement System Cost-Sharing Employer Defined Benefit Pension Plan are reported against pension expense in the governmental activities.

Deferred inflows (increase) decrease		24,962	
Deferred outflows increase (decrease)		<u>65,739</u>	<u>90,701</u>

**Change in Net Position of Governmental Activities** \$ (14,007)

The accompanying notes to the basic financial statements are an integral part of this statement.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School Administrative Unit #13 (the "SAU" or "Government") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. The significant accounting policies established in GAAP and used by the SAU are discussed below.

### A. THE REPORTING ENTITY

The SAU is a (special-purpose) local government governed by a member SAU Board. As required by GAAP, these financial statements are required to present the SAU and its component units (if any).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government. Fiscal independency is the ability to complete certain essential fiscal events without substantive approval by a primary government: (a) determine its budget without another government's having the authority to approve and modify that budget; (b) levy taxes or set rates or charges without approval by another government; and (c) issue bonded debt without approval by another government

### B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The SAU's basic financial statements include both government-wide (reporting the SAU as a whole) and fund financial statements (reporting the SAU's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The SAU does not have any business type primary activities.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The SAU's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. The SAU first utilizes restricted resources to finance qualifying activities.

# SCHOOL ADMINISTRATIVE UNIT #13

## Notes to Basic Financial Statements June 30, 2016

The government-wide Statement of Activities reports both the gross and net cost of each of the SAU's functions / programs. The functions / programs are also supported by general revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. The net costs (by function) are normally covered by general revenue. The SAU does not allocate indirect costs.

This government-wide focus is more on the sustainability of the SAU as an entity and the change in the SAU's net position resulting from the current year's activities.

### C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the SAU are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Funds are classified into three major categories: governmental, proprietary and fiduciary.

Fund financial statements focus on major funds of the primary government in contrast to the governmental and business type (if any) activities reported in the government-wide financial statements. Major funds represent the government's most important funds and are determined based on a minimum criteria set forth in GASBS No. 34 (numerical formula using total assets, liabilities, revenues, or expenditures/expenses of either fund category or activity combined). Major individual governmental funds are reported in separate columns in the fund financial statements with a combined column for all other nonmajor funds. The general fund is required to be reported as major fund. The following fund types are used by the SAU:

1. **Governmental Funds** – The focus of governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the SAU:

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

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (such as federal and state grants and the food service program) that are legally restricted to expenditures for specific purposes.

### D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Two different measurement focuses are used under the new financial reporting model, the flow of current financial resources and the flow of economic resources. The determination of when transactions are recognized is referred to as the basis of accounting. Like measurement focus, there are two different bases of accounting used; the accrual basis and the modified accrual basis.

## Government-Wide Financial Statements

The government-wide financial statements use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, generally, all revenues, expenses, gains, losses, assets, and liabilities should be recognized when the economic exchange takes place. The government-wide financial statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the entire government. These financial statements do not report fund information. Instead they focus on two specific types of activities performed by the government, "governmental activities" and, when applicable, "business type activities". Governmental and proprietary fund types are included in the governmental and, when applicable, business type activities reported in the government-wide financial statements and therefore utilize the measurement focus and basis of accounting applicable to these statements. Fiduciary funds, if applicable, are not reported in the government-wide financial statements.

## Fund Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and assets are recognized when they susceptible to accrual; i.e., both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally within sixty days after year-end. Expenditures and liabilities are recognized in the accounting period in which the fund liability is incurred and due, with certain modifications. Debt service and capital lease payments are recognized when the payment is due and compensated absences, claims and judgments, and special termination benefits are recognized to the extent that the liabilities are "normally expected to be liquidated with expendable available financial resources". Fiduciary fund financial statements, if applicable, use the economic resources measurement focus and the full accrual basis of accounting.

## E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

### Cash and Cash Equivalents and Investments

The SAU has defined cash and cash equivalents to include cash on hand, demand deposits as well as short-term investments with a maturity date of within three months of the date acquired by the SAU.

Investments are stated at fair value (quoted market price or the best available estimate).

### Interfund Activity

Interfund activity is reported as either, loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to at market or near market rates, are treated as revenues and expenditures / expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

# SCHOOL ADMINISTRATIVE UNIT #13

Notes to Basic Financial Statements  
June 30, 2016

## Inventories

For fund financial statements, inventories are accounted for utilizing the purchase method. Under this method, inventories are recorded as expenditures when purchased. For government-wide financial statements, inventories are carried at cost using the first-in, first-out method.

## Capital Assets

For government-wide financial statements, capital assets purchased or acquired, in accordance with the SAU's capitalization policy, are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the assets estimated useful lives.

ASSET	Capitalization Threshold	Estimated Useful Lives
Machinery, equipment and other	\$ 500	5-20
Technology equipment	\$ 500	5-7

For fund financial statements, capital assets purchased for governmental operations are accounted for as capital expenditures of the governmental fund at the time of purchase.

## Compensated Absences

The SAU accrued accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

## Long-term Obligations

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt generally consists of bonds payable, capital leases and accrued compensated absences and special termination benefits. Governmental funds reported in the fund financial statements are concerned with current financial resources only and do not report long-term debt. Instead, debt proceeds are reported as other financing sources when received and payments of principal and interest are reported as expenditures when due.

## Pensions

The SAU implemented Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*. As a result, the SAU is required to report its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the New Hampshire Retirement System, (NHRS) a Cost-Sharing Multiple Employer Defined Benefit Pension Plan.

## Governmental Fund Equity

For governmental funds the classification and reporting requirements for fund balances are as follows:

**Nonspendable** – Are fund balances that cannot be spent because they are either; not in spendable form, such as inventories or prepaid amounts, or are legally or contractually required to be maintained intact, such as the principal of a permanent fund.

**Restricted** – Are amounts that can only be used for specific purposes because of enabling legislation or externally imposed constraints, such as grant requirements or laws or regulations.

**Committed** – Are amounts that can be used for specific purposes because of a formal action by the entities highest level of decision-making authority. This would include contractual obligations if existing resources have been committed. Formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

**Assigned** – Are amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, or by an official whom authority has been given. This is the residual fund balance classification of all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative "unassigned" general fund balance.

**Unassigned** – Is the residual classification for the general fund. The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

## Revenues

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 the modified accrual basis, revenue is recorded when the exchange takes place and in the period in which the resources are measurable and available. Revenue resulting from non-exchange transactions, in which the SAU receives value without directly giving equal value in return, generally includes grants and donations and is recognized when applicable grantor requirements, including purpose, eligibility, timing, and matching have been met.

General revenues on the Statement of Activities include the SAU assessment (levied against the member districts) and revenues from various local sources that are not program revenues (charges for services, or related to operating or capital grant programs).

## Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.



## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Risk Management

The SAU is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees and natural disasters. The SAU purchases, through an agent, coverage from an insurance company for Commercial Property and Liability, Errors and Omissions and Public Officials / Treasurer Bond. There have no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

### Claims, Judgments and Contingent Liabilities

#### Grant Programs

The SAU participates in numerous state, federal and private funded programs, which are governed by various laws, regulations, contracts and agreements of the grantor. Costs charged to these programs are subject to audit or review by the grantor; therefore, to the extent that the SAU has not complied with laws, regulations, contracts and agreements of the grantor, refunds of money for any disallowed claims, including amounts already collected, may constitute a contingent liability of the SAU. At June 30, 2016, the SAU believes that there are no significant contingent liabilities relating to compliance with the laws, regulations, contracts, and agreements governing these programs; therefore, no provision has been recorded in the financial statements for such contingencies.

#### Litigation

The SAU is subject to various claims, and sometimes lawsuits, which arise in the normal course of operations. Management of the SAU believes that the outcome of these contingencies will not have a materially adverse effect on the financial statements and accordingly, no provision for loss has been recorded.

# SCHOOL ADMINISTRATIVE UNIT #13

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ (4,987)
	<u>\$ (4,987)</u>

Deposits and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ -
Deposits with financial institutions	(4,987)
	<u>\$ (4,987)</u>

### Credit Risk - Deposits

The SAU maintains deposits in accordance with RSA 197:23-a which states that the treasurer shall deposit the moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in solvent banks in the state, except that funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the regional federal reserve bank collateral security for such deposits United States government obligations, United States government agency obligations, or obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case.

### Credit Risk - Investments

The SAU maintains investments in accordance with RSA 197:23-a which states that whenever the treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the SAU board, invest the same in obligations of the United States government, in participation units in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under the laws of the state of New Hampshire or in certificates of deposits and repurchase agreements of banks incorporated under the laws of the state of New Hampshire or in banks recognized by the state treasurer. Any person who directly or indirectly receives any such funds for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the SAU. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. At least yearly, the SAU board shall review and adopt an investment policy for the investment of public funds in conformance with the provisions of applicable statutes.

## **Concentration of Credit Risk**

The SAU does not have a formal investment policy that limits the amount the SAU may invest in any one issuer.

## **Interest Rate Risk**

The SAU does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

## **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 does not have a policy for custodial credit risk on deposits. As of June 30, 2016, \$0 of the SAU's bank balance of \$26,066 was exposed to custodial credit risk because it was uninsured and the collateral for the amounts was held by the depository's agent but not in the SAU's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the SAU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The SAU did not have any investments as of June 30, 2016.

# SCHOOL ADMINISTRATIVE UNIT #13

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 4 - INTERFUND BALANCES AND TRANSFERS

### Balances

Individual interfund balances at June 30, 2016 consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 38,863	\$ -
Grants Fund	-	38,863
Nonmajor Funds:		
Governmental funds	-	-
	<u>\$ 38,863</u>	<u>\$ 38,863</u>

All balances generally result from the time lag between dates that interfund goods and services are provided and payments or offsets between funds are completed.

### Transfers

There were no individual interfund transfers for the year ended June 30, 2016:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ -	\$ -
Nonmajor Funds:		
Governmental funds	-	-
	<u>\$ -</u>	<u>\$ -</u>

The SAU makes routine transfers during the year between the general fund and other funds based upon statutory or budgetary authorization. There were no significant transfers made during the year that were not routine or were inconsistent with the activities of the fund making the transfer.

# SCHOOL ADMINISTRATIVE UNIT #13

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

### Intergovernmental Receivables

Intergovernmental receivables at June 30, 2016 consisted of the following:

	<u>General Fund</u>	<u>Grants Fund</u>
Local Governments		
Tamworth School District	\$ 918	\$ -
Freedom School District	897	-
Madison School District	222	-
Other	93	-
State Governments		
New Hampshire	-	44,621
	<u>\$ 2,130</u>	<u>\$ 44,621</u>

Receivables result from grant reimbursements (passed-through the State of New Hampshire) not received until after year-end and indirect cost reimbursements.

### Intergovernmental Payables

There were no intergovernmental payables at June 30, 2016:

	<u>General Fund</u>	<u>Grants Fund</u>
Local Governments		
Tamworth School District	\$ -	\$ -
Freedom School District	-	-
	<u>\$ -</u>	<u>\$ -</u>

All intergovernmental payables result from reimbursements not paid until after year-end.

# SCHOOL ADMINISTRATIVE UNIT #13

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the SAU for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities (at cost)</b>				
<b>Capital assets being depreciated:</b>				
Furniture and equipment	\$ 38,209	\$ 2,282	\$ -	\$ 40,491
Other	49,000	-	-	49,000
	<u>87,209</u>	<u>2,282</u>	<u>-</u>	<u>89,491</u>
Less accumulated depreciation:				
Furniture and equipment	18,642	5,306	-	23,948
Other	49,000	-	-	49,000
Accumulated depreciation	<u>67,642</u>	<u>5,306</u>	<u>-</u>	<u>72,948</u>
Capital assets being depreciated, net	<u>19,567</u>	<u>(3,024)</u>	<u>-</u>	<u>16,543</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u>\$ 19,567</u>	<u>\$ (3,024)</u>	<u>\$ -</u>	<u>\$ 16,543</u>
Depreciation expense for the year ended June 30, 2016 (unallocated)				<u>\$ 5,306</u>

# SCHOOL ADMINISTRATIVE UNIT #13

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 7 - LONG-TERM LIABILITIES

A summary of long-term liabilities outstanding at June 30, 2016 is as follows:

	<u>OPEB Liability</u>	<u>Net Pension Liability</u>	<u>Total</u>
Beginning balance	\$ 1,016	\$ 367,779	\$ 368,795
Additions	260	88,749	89,009
Reductions	-	-	-
Ending balance	<u>1,276</u>	<u>456,528</u>	<u>457,804</u>
Current portion	-	-	-
Noncurrent portion	<u>1,276</u>	<u>456,528</u>	<u>457,804</u>
	<u>\$ 1,276</u>	<u>\$ 456,528</u>	<u>\$ 457,804</u>

Long-term liabilities outstanding at June 30, 2016 consisted of the following:

	<u>Amount Outstanding 6/30/16</u>
<u>Other Long-Term Obligations</u>	
OPEB Liability	\$ 1,276
Net pension liability	<u>456,528</u>
	<u>\$ 457,804</u>

## NOTE 8 - PENSION PLAN

The SAU participates in the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan and trust established in 1967 by RSA 100-A:2 administered by a Board of Trustees. The plan is a contributory plan that provides service, disability, death and vested retirement benefits to members and their beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to New Hampshire Retirement System, 4 Chenell Drive, Concord, New Hampshire 03301.

The System is funded by contributions from both the employees and the SAU. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature while the employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Plan members are required to contribute 7.0% of their covered salary. The SAU's contribution rates for the year ended June 30, 2016 were 15.67% and 11.17% of covered payroll for teachers and other employees, respectively. The SAU's contributions to the System for the years ending June 30, 2016, 2015, and 2014 were \$48,448, \$41,512, and \$34,349, respectively, equal to the required contributions for each year.

## NOTE 9 – PROPORTIONATE SHARE OF NET PENSION LIABILITY

The SAU implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense information about the fiduciary net position of the New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS.

### General Information about the Pension Plan

Plan description. The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), 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 Pension Plan was established in 1967 by RSA 100-A: 2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two member 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 available to each group are summarized below.

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



## SCHOOL ADMINISTRATIVE UNIT #13

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### Notes to Basic Financial Statements June 30, 2016

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 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 nonvested 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  $\frac{1}{4}$  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.

Contributions. By Statute, the Board of Trustees of the System is responsible for the certification of employer contribution rates, which are determined through the preparation of biennial valuation of the System's assets by the System's actuary using the entry age normal cost method.

The employer contributions used in the schedules of employer allocations as of and for the years ended June 30, 2015 and 2014 are a component of total employer contributions presented in the System's financial statements for the corresponding periods.

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

As of June 30, 2016, the SAU reported a liability of \$456,528 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 an actuarial valuation as of that date. The SAU's proportion of the net pension liability was based on the SAU's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. At June 30, 2015, the SAU's proportion was 0.01152405 percent, which was an increase of 0.00172597 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the SAU recognized pension expense of \$42,921. At June 30, 2016, the SAU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# SCHOOL ADMINISTRATIVE UNIT #13

## Notes to Basic Financial Statements June 30, 2016

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 10,018
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	12,201
Changes in proportion and differences between Employer contributions and proportionate share of contributions	59,528	443
Employer contributions subsequent to the measurement date	44,873	-
<b>Total</b>	<b>\$ 104,401</b>	<b>\$ 22,662</b>

\$44,873 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date 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 pensions will be recognized in pension expense as follows:

Year ended June 30:	<b>Amount</b>
2017	\$ (7,250)
2018	(7,250)
2019	(7,250)
2020	(7,250)
2021	-
Thereafter	-
<b>Total</b>	<b>\$ (29,000)</b>

Actuarial assumptions. The collective pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions which, accordingly, apply to the 2015 measurement:

Inflation	3.00%
Salary increases	3.75 - 5.8% average, including inflation
Investment rate of return	7.75%, 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.

## SCHOOL ADMINISTRATIVE UNIT #13

### Notes to Basic Financial Statements June 30, 2016

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005–June 30, 2010.

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 long-term rates of return for 2015:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
Large Cap Equities	22.50%	3.00%
Small /Mid Cap Equities	7.50%	3.00%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.00%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	-0.70%
Short Duration	2.50%	-1.00%
Global Multi-Sector Fixed Income	11.00%	0.28%
Unconstrained Fixed Income	7.00%	0.16%
High-Yield Bonds	-	-
Global Bonds (unhedged)	-	-
Emerging Market Debt (external)	-	-
Total fixed income	25.00%	
Private Equity	5.00%	5.50%
Private Debt	5.00%	4.50%
Real Estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
Total alternative investments	25.00%	
Total	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. 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 service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy and as required by RSA 100-A:16. 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 benefits payments to determine the collective total pension liability.

# SCHOOL ADMINISTRATIVE UNIT #13

## Notes to Basic Financial Statements June 30, 2016

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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<b>1% Decrease to 6.75%</b>	<b>Current single rate assumption 7.75%</b>	<b>1% Increase to 8.75%</b>
Employer's proportionate share of the net pension liability:			
June 30, 2016	\$ 600,960	\$ 456,528	\$ 333,399
June 30, 2015	\$ 484,425	\$ 367,779	\$ 269,371

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

Changes of assumptions. The change in assumptions about future economic or demographic factors or other inputs is amortized over the average of the expected remaining service life of active and inactive members, which is 5.3941 years in 2015. The first year of amortizations is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

# SCHOOL ADMINISTRATIVE UNIT #13

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 10 - JOINT VENTURE

School Administrative Unit (SAU). GASB Statement #14's definition of a joint venture requires that member districts account for the SAU as a joint venture. However, because the SAU does not accumulate significant financial resources and maintains minimal assets, it is not reported in the government wide financial statements of the member districts under the equity method of accounting for joint ventures (full accrual basis of accounting). In addition, the measurement focus of the governmental funds of the member districts (current financial resources measurement focus) and the modified accrual basis of accounting do not provide for the use and application of the equity method of accounting for a joint venture within governmental funds. The following disclosures are made by each of the member districts for the SAU joint venture.

"The District is a member of a joint venture, School Administrative Unit #13, (SAU). The District has an ongoing financial responsibility to fund the annual operations of the SAU along with the other members of the SAU. The SAU administers the operations of the member districts on a shared fee arrangement calculated under a cost allocation formula which is based on equalized property value and average daily enrollment of the member districts. The SAU does not accumulate financial resources and maintains minimal net position."

The member districts and their respective financial responsibility to the SAU for the year ended June 30, 2016 are as follows:

Member School Districts	SAU ASSESSMENT	
	%	Amount
Freedom	25.58%	\$ 160,572
Madison	35.09%	220,269
Tamworth	39.33%	246,884
	<u>100.00%</u>	<u>\$ 627,725</u>

The financial statements of each of the member Districts are available for public review, by request, at the SAU Office on 881A Tamworth Road, Tamworth, NH 03886.

## NOTE 11 – POST EMPLOYMENT BENEFITS

### Plan description and annual OPEB cost

New Hampshire law requires municipalities to permit retired employees and their spouses to continue medical coverage after retirement if they pay the full premium rate charged for active employees. When the same premiums are charged to active employees and retirees, and the SAU is unable to obtain age adjusted premium information for the retirees, GASB 45 requires the SAU to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees. This report values the implicit rate subsidy, which is the amount by which the age-adjusted premium exceeds the actual premium.

The SAU provides access medical benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a state-wide health insurance consortium. Retirees are required to pay 100% of the premium cost for coverage. This valuation does not account for the cost of benefits to retirees or their spouses after age 65. Surviving beneficiaries continue to receive coverage after the death of the eligible retired employee but are required to pay 100% of the premium.

Eligibility: Employees that were hired prior to July 1, 2011 must meet one of the following eligibility criteria: (1) Attain age 60, regardless of years of service; or (2) Members with at least 10 years of Creditable Service may retire beginning at age 50; or (3) Members with at least 20 years of Creditable Service may retire before age 50 under the "Rule of 70". This rule stipulates that the employee's age plus service must add up to 70 or more. Employees on or after July 1, 2011 must be age 60 and have 30 years of service.

The SAU implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. This required the SAU to calculate and record a net other post-employment benefit obligation at year end. The SAU used the alternative measurement method to prepare this valuation permitted by Statement 45. The net other post-employment benefit obligation is basically the cumulative difference between the required contribution and the actual contributions made.

Currently, 0 retired employee(s) receive health benefits from the SAU. The SAU recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2016, the SAU recognized \$0 for its share of insurance premiums for currently enrolled retirees.

The SAU has obtained a valuation report which indicates that the total liability for other postemployment benefits is \$909 (\$0 related to retirees and \$909 related to employees).

The SAU's annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the annual required contribution of the employer (ARC), an amount 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 normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

# SCHOOL ADMINISTRATIVE UNIT #13

## Notes to Basic Financial Statements June 30, 2016

The following table shows the components of the SAU's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the SAU's net OPEB obligation:

	For the Year Ended June 30, 2016
Annual required contribution (ARC)	\$ 277
Interest on Net OPEB	41
Less Adjustment to ARC	58
Annual OPEB Cost	\$ 260
Contributions made	-
Increase in net OPEB obligation	\$ 260
Net OPEB obligation - beginning of year	1,016
Net OPEB obligation - end of year	\$ 1,276

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 260	0.0%	\$ 1,276

### Funding Policy

The SAU offers benefits that require the retiree to pay 100% of the cost of premiums. The Underlying OPEB obligation for the SAU arises from an implied subsidy based on the fact that the benefits provided to the active and retired employees are identical. As a result, the active employees are subsidizing the cost of the benefits provided to the retired employees. The funding policy used by the SAU is based on the pay-as-you-go methodology with the exception that the funding for the cost of retiree benefits is recognized annually through the payment of the premiums for the active employees. This funding practice results in no Net OPEB Obligation being carried to the balance sheet for the retirees.

As of the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$909 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$909. The covered payroll (annual payroll of active employees covered by the plan) was \$413,432, and the ratio of the UAL to the covered payroll was 0.2%. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

## Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The cost methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the most recent valuation, the Projected Unit Credit cost method was used, the assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date.

The annual healthcare cost trend rates below were applied:

<u>Year</u>	<u>Medical</u>
June 30, 2016	5.60%
June 30, 2017	9.00%
June 30, 2018	8.00%
June 30, 2019	7.00%
June 30, 2020	6.00%
June 30, 2021	5.00%

The remaining amortization period at June 30, 2016 was 29 years.



# SCHOOL ADMINISTRATIVE UNIT #13

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 12 - FUND BALANCE COMPONENTS

The SAU's governmental fund balance components under GASB 54 are comprised of the following:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$ -	\$ -	\$ -
Restricted:	-	-	-
Committed:	-	-	-
Assigned:			
Residual fund balance	-	-	-
Unassigned:	<u>35,769</u>	<u>-</u>	<u>35,769</u>
	<u>\$ 35,769</u>	<u>\$ -</u>	<u>\$ 35,769</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# SCHOOL ADMINISTRATIVE UNIT #13

## Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	<u>Original</u>			
	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Budgetary Fund Balance - Beginning</b>	\$ 42,999	\$ 42,999	\$ 48,444	\$ 5,445
Resources (inflows):				
Assessments				
SAU assessment	627,725	627,725	627,725	-
Local sources				
Earnings on investments	-	-	8	8
Other	-	-	19,127	19,127
Amounts available for appropriation	<u>670,724</u>	<u>670,724</u>	<u>695,304</u>	<u>24,580</u>
Charges to appropriations (outflows):				
Support services				
Student support services	-	-	-	-
General administration				
Other school board	-	-	-	-
Executive administration				
SAU management services	670,724	670,724	659,535	11,189
Business services	-	-	-	-
Operation and maintenance	-	-	-	-
Support services	-	-	-	-
Total charges to appropriations	<u>670,724</u>	<u>670,724</u>	<u>659,535</u>	<u>11,189</u>
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,769</u>	<u>\$ 35,769</u>

See the accompanying notes to the required supplementary information.

## SCHOOL ADMINISTRATIVE UNIT #13

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### Schedule of Funding Progress for Other Postemployment Benefits Year Ended June 30, 2016

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrual Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Estimated Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll (AAL)</b>
July 1, 2013	\$ -	\$ 548	\$ 548	NA	\$ 373,920	0.1%
July 1, 2014	\$ -	\$ 926	\$ 926	NA	\$ 381,398	0.2%
July 1, 2015	\$ -	\$ 909	\$ 909	NA	\$ 413,432	0.2%

See the accompanying notes to the required supplementary information.

## SCHOOL ADMINISTRATIVE UNIT #13

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### Schedule of the SAU's Proportionate Share of NHRS Net Pension Liability Year Ended June 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
SAU's proportion of the net pension liability (asset)	0.00981409%	0.00979808%	0.01152405%
SAU's proportionate share of the net pension liability (asset)	\$ 422,377	\$ 367,779	\$ 456,528
SAU's covered-employee payroll	\$ 287,259	\$ 292,035	\$ 357,314
SAU's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	147.04%	125.94%	127.77%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%

See the accompanying notes to the required supplementary information.

## SCHOOL ADMINISTRATIVE UNIT #13

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### Schedule of SAU Contributions Year Ended June 30, 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required pension contribution	\$ 31,787	\$ 38,662	\$ 44,873
Contributions reported by the PLAN	<u>(31,787)</u>	<u>(38,662)</u>	<u>NA</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>NA</u>
SAU's covered-employee payroll	\$ 292,035	\$ 357,314	\$ 398,006
Contributions as a percentage of covered-employee payroll	10.88%	10.82%	11.27%

See the accompanying notes to the required supplementary information.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

## NOTE 1 - BUDGETARY INFORMATION

### A. Original Budget

Governmental budgetary appropriations and estimated revenues are accounted for on a fund basis in accordance with state statutes, administrative rules and local laws, policies or procedures. The budgetary process results in a formally adopted SAU budget adopted by SAU board. Subsequent regulatory reviews by departments of the State of New Hampshire are made of the budgetary process, adopted budget and the estimated revenues of the SAU. After approval of final estimated revenues, a balanced SAU budget is achieved (the "original" budget). The original budget is the first complete, legally appropriated budget adjusted for appropriate changes occurring before the beginning of the year.

### B. Budgetary Changes, Transfers, Encumbrances and Continuing Appropriations

#### Transfers

The SAU board may authorize budgetary transfers between allowable appropriations (programs, functions or categories); however, total expenditures may not exceed the total allowable appropriations budgeted (which consists of the original budget plus encumbrances carried forward from the prior year and continuing appropriations, if any).

#### Encumbrances and Continuing Appropriations

All annual appropriations lapse at year-end unless encumbered. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are not expenditures and are reported as an assignment of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

Certain appropriations that are not "annual appropriations" do not lapse at year-end. These continuing appropriations include those from special or unanticipated revenues, capital projects and specific items that are not required to have been completed at year-end. Continuing appropriations are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

### C. Final Budget

The final budget consists of the original budget adjusted for appropriate legal changes applicable to the year, including those occurring during and after the end of the year.



# SCHOOL ADMINISTRATIVE UNIT #13

Notes to Required Supplementary Information  
June 30, 2016

## NOTE 2 - EXPLANATION OF BUDGETARY TO GAAP DIFFERENCES

### Basis and Timing Differences

The basis of accounting or the timing of transactions used or applied by the funds in the basic financial statements (fund financial statements) differs from the basis of accounting or timing of transactions used or applied by the funds for budgetary purposes. The following is an explanation of the differences between budgetary inflows and outflows and GAAP revenues and expenditures.

<u>Budgetary Fund</u>	<u>General Fund</u>
<u>Financial Statement Major Fund</u>	<u>General Fund</u>
<b>Sources / Inflows of Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 695,304
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning unreserved fund (balance) deficit	<u>(48,444)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 646,860</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 659,535
Differences - Budget to GAAP:	
Budgetary outflows that are not expenditures for financial reporting purposes	
Transfers to other funds	-
Expenditures for financial reporting purposes that are not budgetary outflows	
Capital leases	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 659,535</u>

## NOTE 3 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

The SAU is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the SAU is required to disclose its obligations for post-employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees. Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 45 - "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" (GASB No. 45). As part of that disclosure the SAU is required to include as required supplementary information the Schedule of Funding Progress for the most recent actuarial valuation and the two preceding valuations.

# SCHOOL ADMINISTRATIVE UNIT #13

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Notes to Required Supplementary Information  
June 30, 2016

## NOTE 4 – GASB 68 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

In accordance with GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, the SAU is required to disclose historical data for each of the prior ten years within the following schedules:

- **Schedule of the SAU’s Proportionate Share of Net Pension Liability**
- **Schedule of SAU Contributions**

The information presented in the *Schedule of the SAU’s Proportionate Share of Net Pension Liability* is determined as of the measurement date of the collective net pension liability.

The information presented in the *Schedule of SAU Contributions* is determined as of the employer’s most recent fiscal year-end.

GASB Statement 68 was implemented during the year ended June 30, 2015, therefore, only the two prior year’s information is available for presentation. Subsequent year’s information will be added as it becomes available until the ten-year requirement is met.