

**SHAKER REGIONAL SCHOOL DISTRICT**

Belmont and Canterbury, New Hampshire

FINANCIAL STATEMENTS

With Schedule of Expenditures of Federal Awards

June 30, 2016

and

Independent Auditor's Report

Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report on Compliance for Each Major Federal Program  
and on Internal Control Over Compliance Required by the Uniform Guidance

Schedule of Findings and Questioned Costs

# SHAKER REGIONAL SCHOOL DISTRICT

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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)  
Members – New Hampshire Society of CPA’s

P.O. Box 8  
Laconia, New Hampshire 03247-0008  
Tel (603) 524-6734  
GCO-Audit@gcocpas.com

### INDEPENDENT AUDITOR'S REPORT

To the School Board  
Shaker Regional School District  
Belmont, New Hampshire

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Regional School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Shaker Regional School District’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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Regional School District, 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, schedule of funding progress for other postemployment benefits, schedule of the district's proportionate share of net pension liability, and schedule of district contributions on pages 7 through 24 and 56 through 63 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shaker Regional School District's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2017, on our consideration of the Shaker Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shaker Regional School District's internal control over financial reporting and compliance.

*Grzelak and Co., P.C.*

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

Laconia, New Hampshire

January 24, 2017

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2016

The Superintendent of Schools and the Business Administrator, as "management" of the Shaker Regional School District (the "District"), a K-12 local education authority located in the Counties of Belknap and Merrimack, New Hampshire, submits this section of the District's annual financial report in order to present our discussion and analysis of the District'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 District's total combined net position increased by \$491,576 or 10% between June 30, 2015 and 2016.
- The District's total combined net position amounted to \$(4,286,777) at June 30, 2016. Net position consisted of \$8,927,538 net investment in capital assets; \$477,384 restricted for capital reserves; \$37,994 restricted for food service; and an unrestricted net deficit of (\$13,729,693).
- The District's long-term liabilities, consisting of compensated absences, special termination benefits, other postemployment benefit obligations, and net pension liability decreased by \$633,560 during the year ended June 30, 2016.
- During the year, the District's expenses were \$491,576 less than the \$21,211,648 in revenues generated from charges for services, operating grants and contributions and general revenues (consisting of the school district assessment and local, state and federal grants and contributions not restricted to specific purposes).
- In March of 2003 voters authorized the establishment of the Special Education Expendable Trust Fund, which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont. The balance in the fund as of June 30, 2016 was \$210,128.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2016

- In March of 1997 voters authorized the establishment of the School Facilities and Grounds Maintenance Expendable Trust Fund, which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont. During the year \$50,000 was added into the fund, while \$74,608 was withdrawn leaving a balance of \$71,371 in the fund as of June 30, 2016.
- In March of 2009 voters authorized the establishment of the Energy Expendable Trust Fund, for unanticipated price increases in fuel oil, diesel, and/or electricity, which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont. The School Board is designated as agents on the fund. The balance in the fund as of June 30, 2016 was \$100,697.
- In March of 2010 voters authorized the establishment of the Energy Conservation Upgrades Expendable Trust Fund, for installing energy conservation upgrades, which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont. The School Board is designated as agents on the fund. The balance in the fund was \$899 as of June 30, 2016.
- In March, 2010 voters authorized the creation of the School Technology Expendable Trust Fund, which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont. The balance in the fund as of June 30, 2016 was \$64,125.
- In March, 2011 voters authorized the creation of a Land Purchase Capital Reserve Trust Fund, which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont. The fund had a balance of \$25,120 as of June 30, 2016.
- In March, 2008 voters authorized the creation of the Gale School Renovation Fund, which, in accordance with State statute, is held by the Trustees of Trust Funds of the Town of Belmont. The fund had a balance of \$5,043 as of June 30, 2016.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
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 District's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information.

The District's financial statements are comprised of six 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,
- (5) Notes to required supplementary information,
- (6) Federal awards.

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

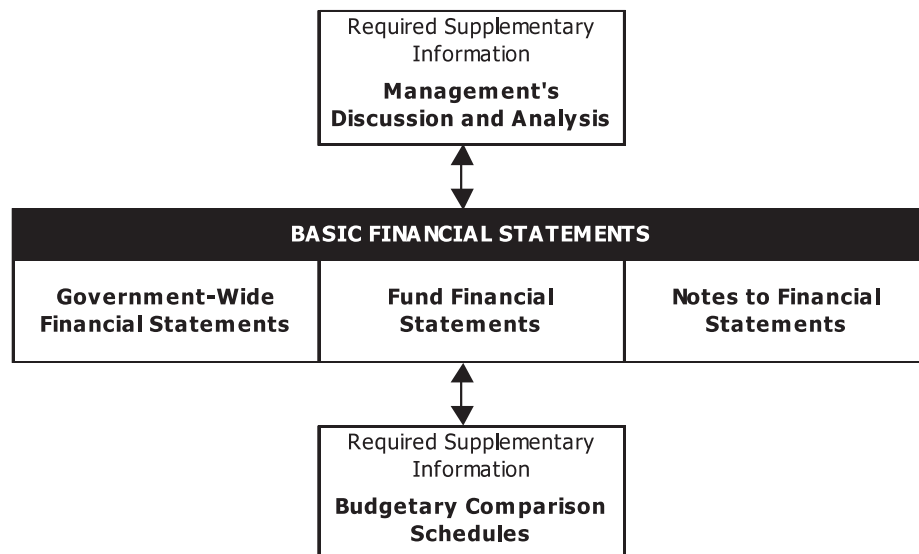
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending. Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2016

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

**Shaker Regional School District  
For the Year Ended June 30, 2016**

Exhibit A-2 summarizes the major features of the District's financial statements, including the portion of the District 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 District that are not proprietary or fiduciary	Instances in which the District 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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Shaker Regional School District  
For the Year Ended June 30, 2016

## District Wide Financial Statements:

The first two basic statements are government-wide financial statements that provide both long-term and short-term information about the District'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 District's financial health, or financial position.

- Over time, increases or decreases in the District'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 District other non-financial factors should also be considered, such as changes in the District's general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid), and federal and state intergovernmental revenues (grant programs); the condition of the District's buildings and other depreciable property (likelihood of emergency repairs or maintenance); current and long-term student population information; and other items subject to significant financial or budgetary uncertainty (out-of-District special education enrollment and the related high cost potential of the mandated services).

The government-wide financial statements of the District are included in the Governmental Activities category. Most of the District's basic services are included here, such as instruction, support services (including general and executive administration), and food services. General revenues, including the school district assessment, state aid, and federal and state grant programs, food service sales and federal reimbursements finance most of these activities.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2016

## **Fund Financial Statements:**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. State law, regulation or bond covenant requires some funds, while others are established to comply with the requirements of grantors. The District has two kinds of funds:

Governmental Funds – Most of the District'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 help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District'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.

Fiduciary Funds – The District is the trustee or agent (fiduciary) for private purpose trust funds and agency (student activities) funds. It is responsible as the fiduciary for ensuring that these funds are used only for the intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these funds from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2016

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

### Net Position

Exhibit B-1 shows the composition of the District's total combined net position, which increased between June 30, 2015 and 2016 by \$491,576 or 10% to \$(4,286,777).

### Exhibit B-1 NET POSITION

	Governmental Activities		
	2015	2016	Change
<b>Assets</b>			
Current and other assets	\$ 2,322,679	\$ 2,697,634	\$ 374,955
Noncurrent assets	9,066,889	8,927,538	(139,351)
<b>Total assets</b>	11,389,568	11,625,172	235,604
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	1,126,760	1,246,279	119,519
<b>Total deferred outflows of resources</b>	1,126,760	1,246,279	119,519
<b>Liabilities</b>			
Current liabilities	438,209	327,355	(110,854)
Noncurrent liabilities	15,173,047	15,925,205	752,158
<b>Total liabilities</b>	15,611,256	16,252,560	641,304
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	1,683,425	905,668	(777,757)
<b>Total deferred inflows of resources</b>	1,683,425	905,668	(777,757)
<b>Net Position</b>			
Net investment in capital assets	9,066,889	8,927,538	(139,351)
Restricted	476,459	515,378	38,919
Unrestricted	(14,321,701)	(13,729,693)	592,008
<b>Total net position</b>	\$ (4,778,353)	\$ (4,286,777)	\$ 491,576

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

- The District's investment in capital assets (land and land improvements, buildings, vehicles, furniture and equipment, net of accumulated depreciation), net of related debt, is the largest component of the total combined net position.
- Restricted net position represents capital reserves and specific fund amounts that are not available for discretionary spending.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Shaker Regional School District  
For the Year Ended June 30, 2016**

Unrestricted net position is a negative (\$13,729,693); however, that does not mean that the District has a significant payment requirement for next year. Rather, it is the result of having long-term commitments that are more than currently available resources. This is primarily due to the recording of the District's \$13,317,307 proportionate share of the New Hampshire Retirement System net pension liability under the requirements of GASB 68.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Shaker Regional School District  
For the Year Ended June 30, 2016**

## Change in Net Position

The District's total revenues were \$21,211,648 while total expenses were \$20,720,072 and resulted in an increase in net position of \$491,576.

Exhibit B-2 shows that a significant portion, 92.20% and 92.37%, for the fiscal years ended June 30, 2016 and 2015, respectively came from sources that are primarily derived from local and state-wide property taxes and other state aid programs. Significant increases or decreases in the percentage of total revenues or percentages and amounts over or under the prior year revenue amounts for the District's revenue categories are as follows:

- School district assessment, 60.12% and 59.21% for the fiscal years ended June 30, 2016 and 2015, respectively, an increase in the percentage of total revenue of 0.91% and an increase of \$665,654 over the prior year.
- State of New Hampshire sources intergovernmental revenues, 32.08% and 33.16% for the fiscal years ended June 30, 2016 and 2015, respectively, a decrease in the percentage of total revenues of 1.08% and an increase of \$35,234 from the prior year.
- Operating grants and contributions, 4.91% and 5.51% for the fiscal years ended June 30, 2016 and 2015, respectively, a decrease in the percentage of total revenues of 0.60%, and a decrease of \$81,837 from the prior year.

**Exhibit B-2  
SOURCES OF DISTRICT REVENUES  
Governmental Activities**

	2015	% of Total	2016	% of Total	\$ Change
<b>Program Revenues</b>					
Charges for services	\$ 236,899	1.16%	\$ 260,457	1.23%	\$ 23,558
Operating grants and contributions	1,124,123	5.51%	1,042,286	4.91%	(81,837)
<b>General Revenues</b>					
School district assessment	12,087,815	59.21%	12,753,469	60.12%	665,654
Local sources	140,712	0.69%	308,928	1.46%	168,216
State of New Hampshire sources	6,769,758	33.16%	6,804,992	32.08%	35,234
Federal sources	55,989	0.27%	40,027	0.19%	(15,962)
Miscellaneous	165	0.00%	1,489	0.01%	1,324
	<u>\$ 20,415,461</u>	<u>100.0%</u>	<u>\$ 21,211,648</u>	<u>100.00%</u>	<u>\$ 796,187</u>



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2016

## Expenses

Exhibit B-3 shows that a significant portion, 96.52% and 95.52% for the fiscal years ended June 30, 2016 and 2015, respectively, of the District's total expenses were for instruction and support services.

Significant increase or decreases in the percentage of total expenses or percentages and amounts over or under the prior year expense amounts for the District's expense categories are as follows:

- Instruction expenses, 60.57% and 59.68% for the fiscal years ended June 30, 2016 and 2015, respectively, an increase in the percentage of total expenses of 0.89% and an increase of \$487,303 over the prior year.
- Support services, 35.95% and 35.84% for the fiscal years ended June 30, 2016 and 2015, respectively, an increase in the percentage of total expenses of 0.11% and an increase of \$204,972 over the prior year.
- Unallocated other uses, 0.44% and 1.05% for the fiscal years ended June 30, 2016 and 2015, respectively, a decrease in the percentage of total expenses of 0.61% and a decrease of \$120,102 from the prior year.

### Exhibit B-3 DISTRICT EXPENSES

#### Governmental Activities

	2015	%	2016	%	\$ Change
<b>Functions / Programs</b>					
Instruction	\$ 12,062,960	59.68%	\$ 12,550,263	60.57%	\$ 487,303
Support services	7,244,257	35.84%	7,449,229	35.95%	204,972
Food service program	551,001	2.73%	537,025	2.59%	(13,976)
Capital outlay	142,027	0.70%	92,307	0.45%	(49,720)
<b>Unallocated</b>					
Other uses	(128,256)	-0.63%	(259,771)	-1.25%	(131,515)
Depreciation	339,606	1.68%	351,019	1.69%	11,413
	<u>\$ 20,211,595</u>	<u>100.00%</u>	<u>\$ 20,720,072</u>	<u>100.00%</u>	<u>\$ 508,477</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2016

## Governmental Activities

Exhibit B-4 presents the net cost of the District's largest functions based upon the total expense, less charges for services and operating grants and contributions, of each function. The net cost reflects the amount that was funded by general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid).

### 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>				
Instruction	\$ 12,062,960	\$ 11,166,117	\$ 12,550,263	\$ 11,750,919
Support services	7,244,257	7,244,257	7,449,229	7,449,229
Food service program	551,001	86,822	537,025	33,626
Capital outlay	142,027	142,027	92,307	92,307
<b>Unallocated</b>				
Other uses	(128,256)	(128,256)	(259,771)	(259,771)
Depreciation	339,606	339,606	351,019	351,019
	<u>\$ 20,211,595</u>	<u>\$ 18,850,573</u>	<u>\$ 20,720,072</u>	<u>\$ 19,417,329</u>

The total cost of all governmental activities this year was \$20,720,072; the total net cost was \$19,417,329. The primary financing for these activities of the District was as follows:

#### Property taxes

- The amount that was paid by taxpayers through property taxes as \$14,743,293; which consisted of \$12,753,469 paid in the form of local property taxes and \$1,989,824 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment.

#### State sources

- \$4,773,230 was received as an "adequacy grant".
- \$21,919 was received in building aid.
- \$20,019 was received in vocational aid.

#### Local sources

- Earnings on investments in the amount of \$1,489.
- Other local sources in the amount of \$308,928.

#### Federal sources

- Other federal sources in the amount of \$40,027.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2016

## ANALYSIS OF BALANCE AND TRANSACTIONS OF THE DISTRICT'S INDIVIDUAL FUNDS

### General Fund

The total general fund balance increased \$329,759 during the year from a fund balance of \$2,050,246 at June 30, 2015 to a \$2,380,005 fund balance at June 30, 2016. The June 30, 2016 fund balance consisted of \$32,762 of nonspendable prepaid expenses, \$477,384 restricted for capital expenditures, \$790,593 assigned by the school board for contract encumbrances and an unassigned fund balance in the amount of \$1,079,266.

### Major Special Revenue Funds

#### Grants Fund

Federal and state projects are classified as special revenue funds and are reported as a major fund in the basic financial statements. They are operated on a cost reimbursement basis. As a result, there is no fund balance.

#### Food Service Fund

The food service fund is classified as a special revenue fund and is reported as a major fund in the basic financial statements. The food service total fund balance received an operating transfer of \$30,000 from the general fund during the year and had an assigned fund balance of \$37,994 at June 30, 2016.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Shaker Regional School District  
For the Year Ended June 30, 2016

## GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended June 30, 2016 the District revised its statutory budgetary line items through budgetary transfers.

### Final Versus Original Budget Comparisons

The final budget varied from the original budget for the following items:

- Encumbrances in the amount of \$496,338 were carried forward to supplement the original budget approved by voters.

### 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 a positive variance of \$613,670.
- The original budget for the general fund in the amount of \$20,165,204 consists of the total appropriation voted of \$21,800,204 less amounts representing offsets for other funds; \$575,000 for the Food Service Fund and \$1,060,000 for the Federal and State Projects Fund.
- Actual total outflows (expenditures or charges to appropriations) were less than the budgeted total appropriation by a positive variance of \$1,288,951.
- None of the currently known reasons for the budgetary variations are expected to have a significant effect on future services or liquidity.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2016

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, the District had invested \$8,927,538 (\$16,844,959 at cost or estimated cost less accumulated depreciation of \$7,917,421) in a broad range of capital assets, including land and land improvements, buildings, furniture, and general equipment assets as summarized in Exhibit C-1.

This amounts represents a net decrease of (\$139,351) or (1.54%) from the prior year. This year's major additions are also summarized in Exhibit C-1.

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

Net Capital Assets	Governmental Activities		
	2015	2016	Change
Land and improvements	\$ 371,157	371,157	0.00%
Buildings	13,192,434	13,192,434	0.00%
Vehicles	25,000	57,300	129.20%
Furniture and equipment	3,055,873	3,224,068	5.50%
<b>Capital assets, at cost</b>	<b>16,644,464</b>	<b>16,844,959</b>	<b>1.20%</b>
Accumulated depreciation	7,577,575	7,917,421	4.48%
<b>Capital assets, net</b>	<b>\$ 9,066,889</b>	<b>\$ 8,927,538</b>	<b>-1.54%</b>
<b>Increase (Decrease) in Capital Assets, Net</b>		<b>\$ (139,351)</b>	
<b>Major Changes</b>			
Vehicles		\$ 32,300	
Furniture and equipment		183,313	
Gain (Loss) of disposals		(3,945)	
Depreciation expense		(351,019)	
		<b>\$ (139,351)</b>	

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2016

## Debt

At June 30, 2016, the District had \$15,925,205 of net long-term obligations (\$15,972,925 in total obligations less the current portion of \$47,720) as summarized in Exhibit C-2.

This amount represents a net increase of \$752,158 or 4.96% over the prior year.

### Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2015	2016	Change
General obligation bonds	\$ -	\$ -	na
Compensated absences	39,437	22,879	-41.99%
Early retirement	1,517,946	1,486,623	-2.06%
Other postemployment benefit obligations	915,051	1,146,116	25.25%
Net pension liability	<u>12,866,931</u>	<u>13,317,307</u>	<u>3.50%</u>
	15,339,365	15,972,925	4.13%
Less current portion	<u>166,318</u>	<u>47,720</u>	<u>71.31%</u>
	<u>\$ 15,173,047</u>	<u>\$ 15,925,205</u>	<u>4.96%</u>
<b>Increase (Decrease), Net</b>		<u>\$ 752,158</u>	
<b>Significant Changes</b>			
Increase (Decrease) in early retirement obligations		\$ (31,323)	
Change in compensated absences		(16,558)	
Change in OPEB obligations		231,065	
Change in net pension liability		450,376	
Change in current portion		<u>118,598</u>	
		<u>\$ 752,158</u>	

State law (RSA 195:6II) limits the amount of general obligation debt that the District may incur at any one time to 10% of the locally assessed valuations (of the towns in which the District is located) as equalized by the Commissioner of the New Hampshire Department of Revenue Administration. At June 30, 2016 the District was significantly below its legal debt limit of approximately \$83,627,351.

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Shaker Regional School District  
For the Year Ended June 30, 2016

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

District management and the School Board considered many factors when submitting the fiscal year 2016-2017 budget to the District voters. One of the major factors continues to be the impact of yearly changes in revenues under the State's system of funding education on the school district assessment to be assessed to each of the two towns in the District.

These economic factors that may continue, or begin, to impact the Shaker Regional School District include:

- The national, state and local economy
- Reduction in State Aid Programs including
  - Vocational Education Tuition & Transportation
  - Building Aid
  - Medicaid Reimbursement
  - Catastrophic Aid
- The increased cost toward the New Hampshire Retirement System for the teacher's retirement
- Changes in Block Grant formula funding

Exhibit D-1 compares the actual amounts for the year ended June 30, 2016 with the amounts budgeted for fiscal year 2016-2017.

### Exhibit D-1 STATE TAX AND ADEQUACY GRANTS

	2016 Actual	2017 Budget	% Change
Town of Belmont	\$ 5,916,483	\$ 5,819,161	-1.64%
Town of Canterbury	999,369	1,028,038	2.87%
	<u>\$ 6,915,852</u>	<u>\$ 6,847,199</u>	<u>-0.99%</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Shaker Regional School District  
For the Year Ended June 30, 2016**

Another factor was the assessed valuations in each of the towns. Exhibit D-2 shows the assessed values for each of the towns in the District used by the State to set the local school district property tax rate for the fiscal years 2015-2016 and 2016-2017.

## **Exhibit D-2 ASSESSED VALUES**

	<u>2016 Actual</u>	<u>2017 Budget</u>	<u>% Change</u>
Town of Belmont	\$ 591,248,261	\$ 595,718,746	0.76%
Town of Canterbury	249,148,019	258,505,125	3.76%
	<u>\$ 840,396,280</u>	<u>\$ 854,223,871</u>	<u>1.65%</u>

As a result of the above factor, the school district assessment is allocated to each of the towns in the District under a formula calculation which is based on the relative percent to the total of the two components: (1) 50% by the equalized valuation percentage; and (2) 50% by the average daily membership (ADM-R) less home study percentage. Exhibit D-3 shows the average daily membership for each of the towns in the District used by the State to set the local school district property tax rate for the fiscal years 2015-2016 and 2016-2017.

## **Exhibit D-3 AVERAGE DAILY MEMBERSHIP**

	<u>2016 Actual</u>	<u>2017 Budget</u>	<u>% Change</u>
Town of Belmont	1,039	1,063	2.31%
Town of Canterbury	249	275	10.44%
	<u>1,288</u>	<u>1,338</u>	<u>3.88%</u>

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

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions regarding this report should be directed to Ms. Debbie Thompson, Business Administrator, at (603-267-9223) or by mail at:

Shaker Regional School District  
ATTN: Debbie Thompson  
58 School Street  
Belmont, NH 03220



## **BASIC FINANCIAL STATEMENTS**

# SHAKER REGIONAL SCHOOL DISTRICT

## Statement of Net Position June 30, 2016

Primary Government  
Governmental  
Activities

### ASSETS

Cash and cash equivalents	\$	1,808,420
Receivables, net		488,186
Due from other governments		352,850
Inventories		15,339
Prepaid		32,839
Capital assets:		
Land, improvements, and construction in progress		371,157
Other capital assets, net of accumulated depreciation		<u>8,556,381</u>
Total assets		<u>11,625,172</u>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources		<u>1,246,279</u>
Total deferred outflows of resources		<u>1,246,279</u>

### LIABILITIES

Accounts payable		140,558
Accrued expenses		29,446
Due to other governments		28,660
Deferred revenue		80,971
Current portion of long-term liabilities		47,720
Compensated absences		1,461,782
Post employment benefit obligation		1,146,116
Net pension liability		<u>13,317,307</u>
Total liabilities		<u>16,252,560</u>

### DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources		<u>905,668</u>
Total deferred inflows of resources		<u>905,668</u>

### NET POSITION

Net investment in capital assets		8,927,538
Restricted for:		
Capital reserves		477,384
Lunch program		37,994
Unrestricted		<u>(13,729,693)</u>
Total net position	\$	<u>(4,286,777)</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

## Statement of Activities Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental activities:				
Instruction				
Regular instruction	\$ 8,555,884	\$ -	\$ -	\$ (8,555,884)
Special education instruction	2,454,992	11,497	787,847	(1,655,648)
Vocational instruction	200,138	-	-	(200,138)
Other instruction	1,339,249	-	-	(1,339,249)
Support services				
Student support services	1,826,727	-	-	(1,826,727)
Instructional staff services	1,012,698	-	-	(1,012,698)
General administration	145,543	-	-	(145,543)
Executive administration	239,874	-	-	(239,874)
School administrative services	1,181,724	-	-	(1,181,724)
Business services	280,122	-	-	(280,122)
Operation and maintenance	1,820,891	-	-	(1,820,891)
Student transportation	941,650	-	-	(941,650)
Food service program	537,025	248,960	254,439	(33,626)
Capital outlay	92,307	-	-	(92,307)
Other uses / expenses	(259,771)	-	-	259,771
Depreciation (unallocated)	351,019	-	-	(351,019)
Total governmental activities	<u>20,720,072</u>	<u>260,457</u>	<u>1,042,286</u>	<u>(19,417,329)</u>

### General revenues:

School district assessment	\$ 12,753,469
Grants and contributions not restricted to specific purposes:	
Local sources	308,928
State of New Hampshire sources	6,804,992
Federal sources	40,027
Investment Income	1,489
Total general revenues	<u>19,908,905</u>
Change in net position	491,576
Net position - beginning	<u>(4,778,353)</u>
Net position - ending	<u>\$ (4,286,777)</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

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

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,466,367	\$ -	\$ 342,053	\$ 1,808,420
Held by trustees	477,384	-	-	477,384
Receivables, net	4,160	4,153	2,489	10,802
Due from other governments	17,841	315,608	19,401	352,850
Due from other funds	572,122	-	-	572,122
Inventories	-	-	15,339	15,339
Prepays	32,762	55	22	32,839
Total assets	<u>\$ 2,570,636</u>	<u>\$ 319,816</u>	<u>\$ 379,304</u>	<u>\$ 3,269,756</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 138,352	\$ 560	\$ 1,646	\$ 140,558
Accrued expenses	23,619	5,827	-	29,446
Due to other governments	28,660	-	-	28,660
Due to other funds	-	240,859	331,263	572,122
Deferred revenue	-	72,570	8,401	80,971
Total liabilities	<u>190,631</u>	<u>319,816</u>	<u>341,310</u>	<u>851,757</u>
Fund balances:				
Nonspendable	32,762	-	15,361	48,123
Restricted	477,384	-	-	477,384
Committed	-	-	-	-
Assigned	790,593	-	22,633	813,226
Unassigned	1,079,266	-	-	1,079,266
Total fund balance	<u>2,380,005</u>	<u>-</u>	<u>37,994</u>	<u>2,417,999</u>
Total liabilities and fund balances	<u>\$ 2,570,636</u>	<u>\$ 319,816</u>	<u>\$ 379,304</u>	<u>\$ 3,269,756</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

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

**Total Fund Balances - Governmental Funds** \$ 2,417,999

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	\$ 16,844,959	
Less accumulated depreciation	<u>(7,917,421)</u>	8,927,538

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:

Compensated absences	(22,879)	
Special early termination benefits	(1,486,623)	
OPEB obligation	(1,146,116)	
Net pension liability	<u>(13,317,307)</u>	(15,972,925)

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	(905,668)	
Deferred outflows of resources	<u>1,246,279</u>	<u>340,611</u>

**Total Net Position - Governmental Activities** \$ (4,286,777)

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

# SHAKER REGIONAL SCHOOL DISTRICT

## 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>Food Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
School district assessment	\$ 12,753,469	\$ -	\$ -	\$ 12,753,469
Local sources	28,552	291,174	249,659	569,385
State of New Hampshire sources	6,804,992	-	13,136	6,818,128
Federal sources	113,870	673,977	281,330	1,069,177
Investment income	1,467	-	22	1,489
Total revenues	<u>19,702,350</u>	<u>965,151</u>	<u>544,147</u>	<u>21,211,648</u>
<b>Expenditures</b>				
Current:				
Instruction	11,798,443	965,151	-	12,763,594
Support services	2,839,425	-	-	2,839,425
General administration	145,543	-	-	145,543
Executive administration	4,466,543	-	-	4,466,543
Food service program	330	-	536,695	537,025
Capital outlay	92,307	-	-	92,307
Total expenditures	<u>19,342,591</u>	<u>965,151</u>	<u>536,695</u>	<u>20,844,437</u>
Excess (deficiency) of revenues over expenditures	359,759	-	7,452	367,211
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	30,000	30,000
Transfers out	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balances	329,759	-	37,452	367,211
Fund balances - beginning of year	<u>2,050,246</u>	<u>-</u>	<u>542</u>	<u>2,050,788</u>
Fund balances - end of year	<u>\$ 2,380,005</u>	<u>\$ -</u>	<u>\$ 37,994</u>	<u>\$ 2,417,999</u>

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

# SHAKER REGIONAL SCHOOL DISTRICT

## 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** \$ 367,211

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	\$ 215,613	
Depreciation expense	(351,019)	
Loss on disposal of assets	<u>(3,945)</u>	(139,351)

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.

Compensated absences (increase) decrease	16,558	
Early retirement (increase) decrease	31,323	
OPEB obligation (increase) decrease	(231,065)	
Net pension liability	<u>(450,376)</u>	(633,560)

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	777,757	
Deferred outflows increase(decrease)	<u>119,519</u>	<u>897,276</u>

**Change in Net Position of Governmental Activities** \$ 491,576

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

# SHAKER REGIONAL SCHOOL DISTRICT

**Statement of Net Position  
Fiduciary Funds  
June 30, 2016**

	<b>Student Activities</b>	<b>Total Agency Funds</b>	<b>Total Fiduciary Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 145,734	\$ 145,734	\$ 145,734
Total assets	<u>145,734</u>	<u>145,734</u>	<u>145,734</u>
<b>Liabilities</b>			
Due to student groups	<u>145,734</u>	<u>145,734</u>	<u>145,734</u>
Total liabilities	<u>145,734</u>	<u>145,734</u>	<u>145,734</u>
<b>Net Position</b>			
Held in trust for private purposes	<u>-</u>		<u>-</u>
Total net position	<u>\$ -</u>		<u>\$ -</u>

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 Shaker Regional School District (the "District" 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 District are discussed below.

### A. THE REPORTING ENTITY

The District is a primary (special-purpose) local government governed by an elected board. As required by GAAP, these financial statements are required to present the District 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. Based upon the application of these criteria, these financial statements include no component units.

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

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The District 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 District's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District'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 District does not allocate indirect costs.

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

## C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District 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 District:

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 District:

**General Fund** is the general operating fund of the District 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.

**Capital Project Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. **Fiduciary Funds** – The reporting focus of fiduciary funds is on net position and, for private purpose trust funds, changes in net position. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements. The following is a description of the fiduciary funds of the District:

**Private Purpose Trust Funds** are used to report trust arrangements under which the principal and interest benefits individuals, private organizations, or other governments. The assets are essentially held in trust for someone outside the reporting entity.

**Agency Funds** are used to report assets held in a custodial capacity for individuals or organizations outside of the reporting entity. The assets for these funds equal the liabilities and there is no operating activity to report.

## 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 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 asset 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 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 District 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 District.

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 be 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.

# SHAKER REGIONAL SCHOOL DISTRICT

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 District's capitalization policy, are reported at historical cost or estimated historical cost. The capitalization threshold represents the amount that capital assets acquired must be capitalized. The District, however, may capitalize individual or aggregate assets under the threshold. 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
Land improvements	\$ 1,500	20
Buildings and improvements	\$ 1,500	20-50
Furniture and equipment	\$ 1,500	5-20

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 District 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 District implemented Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*. As a result, the District 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 and Fund Balance Policy

The district implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement established new fund balance classifications and reporting requirements 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.

In instances where both restricted and unrestricted fund balances are available to fund expenditures, the restricted fund balances will be exhausted first, followed by committed, assigned and unassigned fund balances.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2016

## 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 District 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 school district assessment (levied by the appropriate local governments as property taxes) and aid from various State of New Hampshire 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

### Legal Debt Limit

Per state statute, the District may not incur debt at any one time in excess of 10% of its locally assessed valuation (for all municipalities in the District) as last equalized by the Commissioner of the New Hampshire Department of Revenue Administration.

For the year ended June 30, 2016, the District had not exceeded its legal debt limit.

### Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees and natural disasters. The District is a member in the *Workers' Compensation* and *Property/Liability* programs of the *New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>)*. *Primex<sup>3</sup>* is a public entity pooled risk management program under RSA 5-B and RSA 281-A. The *Primex<sup>3</sup>* board retains the statutory coverage for workers' compensation and property/liability. The District shares in contributing to the cost of, and receiving the benefits from, this pooled risk management program under a member participation agreement which permits *Primex<sup>3</sup>* to make additional assessments to members, should there be a deficiency in contributions for any year, not to exceed the member's annual contribution. At the current time, *Primex<sup>3</sup>* foresees no likelihood of an assessment for any prior year in which the District was a member.

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2016

## Claims, Judgments and Contingent Liabilities

### Grant Programs

The District 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 District 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 District. At June 30, 2016, the District 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 District is subject to various claims, and sometimes lawsuits, which arise in the normal course of operations. Management of the District 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.

## NOTE 3 - DEPOSITS 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	\$ 1,808,420
Fiduciary funds:	
Cash and investments	145,734
	<u>\$ 1,954,154</u>

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

Cash on hand	\$ -
Deposits with financial institutions	1,954,154
Investments	-
	<u>\$ 1,954,154</u>

### Credit Risk - Deposits

The District maintains deposits in accordance with RSA 197:23-a which states that the district 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.



# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2016

## Credit Risk - Investments

The District 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 school 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 District. 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 school 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 District does not have a formal investment policy that limits the amount the District may invest in any one issuer. Investments of 5% or more of the District's investments are as follows:

100.00%      Repurchase Agreement

## Interest Rate Risk

The District 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. Information about the sensitivity of the fair values of the District's investments (including investments underlying repurchase agreements) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Remaining Maturity (Months)			
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Letter of Credit	\$ -	\$ -	\$ -	\$ 2,108,191

## Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk on deposits. As of June 30, 2016, the District's bank balance of \$2,710,011 was covered by deposit insurance and collateral and \$0 was exposed to custodial credit risk because it was uninsured and the collateral for the amounts was under an agreement to repurchase which was not insured or guaranteed by the bank.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$0 in various investments, \$0 is held by the investment's counterparty, not in the name of the District.

# SHAKER REGIONAL SCHOOL DISTRICT

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	\$ 572,122	\$ -
Grants fund	-	240,859
Food service fund	-	331,263
	<u>\$ 572,122</u>	<u>\$ 572,122</u>

### Transfers

Individual interfund transfers for the year ended June 30, 2016 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ -	\$ 30,000
Food service fund	30,000	-
	<u>\$ 30,000</u>	<u>\$ 30,000</u>

The District 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.

# SHAKER REGIONAL SCHOOL DISTRICT

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>	<u>Food Service Fund</u>
Local Governments			
Town of Belmont	\$ -	\$ -	\$ -
Other	17,841	-	-
Federal / State Government			
Pass-through grants and other	-	315,608	19,401
	<u>\$ 17,841</u>	<u>\$ 315,608</u>	<u>\$ 19,401</u>

Intergovernmental receivables result primarily from federal grant and food service reimbursements (passed-through the State of New Hampshire). The amount from the Town of Belmont, reflects capital reserves and expendable trust funds required by state statute to be held by the town trustees of trust funds.

### Intergovernmental Payables

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

	<u>General Fund</u>
Local Governments	
Town of Belmont	\$ -
Other	28,660
Federal / State Government	
Pass-through grants and other	-
	<u>\$ 28,660</u>

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District 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 not being depreciated:</b>				
Land and improvements	\$ 353,257	\$ -	\$ -	\$ 353,257
Construction in progress	-	-	-	-
	<u>353,257</u>	<u>-</u>	<u>-</u>	<u>353,257</u>
<b>Capital assets being depreciated:</b>				
Land improvements	17,900	-	-	17,900
Buildings	13,192,434	-	-	13,192,434
Vehicles	25,000	32,300	-	57,300
Furniture and equipment	3,055,873	183,313	15,118	3,224,068
	<u>16,291,207</u>	<u>215,613</u>	<u>15,118</u>	<u>16,491,702</u>
Less accumulated depreciation:				
Land improvements	8,875	895	-	9,770
Buildings	5,127,501	193,526	-	5,321,027
Vehicles	9,635	7,163	-	16,798
Furniture and equipment	2,431,564	149,435	11,173	2,569,826
Accumulated depreciation	<u>7,577,575</u>	<u>351,019</u>	<u>11,173</u>	<u>7,917,421</u>
Capital assets being depreciated, net	<u>8,713,632</u>	<u>(135,406)</u>	<u>3,945</u>	<u>8,574,281</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>				
	<u>\$ 9,066,889</u>	<u>\$ (135,406)</u>	<u>\$ 3,945</u>	<u>\$ 8,927,538</u>

Depreciation expense for the year ended June 30, 2016 (unallocated)

\$ 351,019

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 7 - LONG-TERM LIABILITIES

The District can issue general obligation debt instruments to provide funds for the acquisition and construction of major capital equipment, infrastructure and other facilities. General obligation debt instruments are "direct government obligations" and consequently are a pledge of the full faith and credit of the District. Other long-term obligations include compensated absences and early retirement obligations.

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

	<b>Compensated Absences</b>	<b>Early Termination Benefits</b>	<b>OPEB Obligations</b>	<b>Net Pension Liability</b>	<b>Total</b>
Beginning balance	\$ 39,437	\$ 1,517,946	\$ 915,051	\$ 12,866,931	\$ 15,339,365
Additions	-	-	231,065	450,376	681,441
Reductions	(16,558)	(31,323)	-	-	(47,881)
Ending balance	<u>22,879</u>	<u>1,486,623</u>	<u>1,146,116</u>	<u>13,317,307</u>	<u>15,972,925</u>
Current portion	-	47,720	-	-	47,720
Noncurrent portion	22,879	1,438,903	1,146,116	13,317,307	15,925,205
	<u>\$ 22,879</u>	<u>\$ 1,486,623</u>	<u>\$ 1,146,116</u>	<u>\$ 13,317,307</u>	<u>\$ 15,972,925</u>

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

<u>Other Long-Term Obligations</u>	<u>Issue Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Amount Outstanding 6/30/16</u>
Compensated absences					\$ 22,879
Early termination benefits					1,486,623
OPEB obligations					1,146,116
Net pension liability					<u>13,317,307</u>
					<u>15,972,925</u>
					<u>\$ 15,972,925</u>

## NOTE 8 - PENSION PLAN

The District 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 District. 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 District'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 District's contributions to the System for the years ending June 30, 2016, 2015, and 2014 were \$1,497,189, \$1,310,934, and \$1,294,770, respectively, equal to the required contributions for each year.

## NOTE 9 - COLLECTIVE BARGAINING AGREEMENTS

The District normally negotiates long-term agreements with qualifying employee groups through a formal collective bargaining process. The District voters must ratify the agreement. State budgetary statutes require disclosure of certain aggregate cost items / cost item increases to be incurred during the term of the agreement. Cost items include levels of compensation and related fringe benefits (such as the District portion of employee health, dental, group life and disability insurances) and sick, vacation and other compensated absences or special termination benefits.

## NOTE 10 – PROPORTIONATE SHARE OF NET PENSION LIABILITY

The District 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,

# SHAKER REGIONAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2016

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 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  $1/4$  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 District reported a liability of \$13,317,307 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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.33616600 percent, which was a decrease of 0.00662438 from its proportion measured as of June 30, 2014.

# SHAKER REGIONAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$800,417. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 292,235
Changes of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	355,921
Changes in proportion and differences between Employer contributions and proportionate share of contributions Employer contributions subsequent to the measurement date	-	257,512
	<u>1,246,279</u>	<u>-</u>
Total	<u>\$ 1,246,279</u>	<u>\$ 905,668</u>

\$1,246,279 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, 2016. 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	\$ (213,750)
2018	(213,750)
2019	(213,750)
2020	(213,750)
2021	-
Thereafter	-
Total	<u>\$ (855,000)</u>

Actuarial assumptions. The collective pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2013, using the following actuarial assumptions which, accordingly, apply to both 2015 and 2014 measurements:

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.

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.



# SHAKER REGIONAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2016

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.

# SHAKER REGIONAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2016

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District'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	\$ 17,530,502	\$ 13,317,307	\$ 9,725,531
June 30, 2015	\$ 16,947,840	\$ 12,866,931	\$ 9,424,071

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.

## NOTE 11 - POST-RETIREMENT HEALTH CARE

### POST EMPLOYMENT BENEFITS

#### Plan description and annual OPEB cost

Benefits provided to retirees follow New Hampshire Statute 100-A:50 (Medical Insurance Coverage). This statute states that the district "shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees..." In addition, the statute states "Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees, or may require each retiree to pay any part or all of the cost of the retiree's participation."

The school district provides medical benefits to its eligible retirees. The school district acquires health insurance through the School Care Health Benefit Plans of the New Hampshire Health Care Coalition (the "Coalition"). Benefits provided by Coalition are administered by CIGNA. Employees are eligible to retire after reaching age 55. Retirees contribute 100% for coverage.

The school district implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. This required the school district to calculate and record a net other post-employment benefit obligation at year end. The school district 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.

As of the most recent valuation date, 13 retired employees receive health benefits from the school district. The school district 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 school district recognized \$48,294 for its share of the implicit rate subsidy.

The school district has obtained a valuation report which indicates that the total liability for other post-employment benefits is \$3,142,537 (\$318,077 related to retirees and \$2,824,460 related to employees).

The school district'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.

# SHAKER REGIONAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2016

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

	<b>For the Year Ended June 30, 2016</b>
Annual Required Contribution (ARC)	\$ 294,647
Interest on Net OPEB Obligation	\$ 36,602
Adjustment to ARC (if Applicable)	<u>\$ (51,890)</u>
Annual OPEB Cost (Expense)	\$ 279,359
Contributions Made - Active Employees Premium Subsidy Paid	<u>\$ 48,294</u>
Increase (Decrease) in Net OPEB Obligation	\$ 231,065
Net OPEB Obligation - Beginning of Year	<u>\$ 915,051</u>
Net OPEB Obligation - End of Year	<u><u>\$ 1,146,116</u></u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 279,359	17.29%	\$1,146,116

As of the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$3,142,537 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$3,142,537. The covered payroll (annual payroll of active employees covered by the plan) was \$8,940,574, and the ratio of the UAL to the covered payroll was 35.1%. 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.

# SHAKER REGIONAL SCHOOL DISTRICT

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

## Cost 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>
6/30/2016	3.88%
6/30/2017	9.00%
6/30/2018	8.50%
6/30/2019	8.00%
6/30/2020	7.50%
6/30/2021	7.00%
6/30/2022	6.50%
6/30/2023	6.00%
6/30/2024	5.50%
6/30/2025	5.00%

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

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2016

## NOTE 12 - FUND BALANCE COMPONENTS

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

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventories	\$ -	\$ 15,339	\$ 15,339
Prepaid expenditures	32,762	22	32,784
Restricted:			
Capital reserves	477,384	-	477,384
Committed:			
District vote	-	-	-
Assigned:			
Residual fund balance	-	22,633	22,633
Encumbrances	790,593	-	790,593
Unassigned:	1,079,266	-	1,079,266
	<u>\$ 2,380,005</u>	<u>\$ 37,994</u>	<u>\$ 2,417,999</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# SHAKER REGIONAL SCHOOL DISTRICT

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Budgetary Fund Balance - Beginning</b>	\$ 506,748	\$ 1,003,086	\$ 1,574,329	\$ 571,243
Resources (inflows):				
School district assessment				
Local school tax	12,753,469	12,753,469	12,753,469	-
Local sources				
Tuition	-	-	11,497	11,497
Other	5,000	5,000	17,055	12,055
State of New Hampshire sources				
School building aid	21,919	21,919	21,919	-
Vocational aid	15,014	15,014	20,019	5,005
Adequacy grant	4,773,230	4,773,230	4,773,230	-
State education tax	1,989,824	1,989,824	1,989,824	-
Federal sources				
Medicaid distribution	100,000	100,000	113,870	13,870
Amounts available for appropriation	<u>20,165,204</u>	<u>20,661,542</u>	<u>21,275,212</u>	<u>613,670</u>
Charges to appropriations (outflows):				
Instruction				
Regular instruction	8,965,240	8,965,240	8,724,174	241,066
Special education instruction	2,544,365	2,544,365	2,500,033	44,332
Vocational instruction	267,252	267,252	200,138	67,114
Other instruction	392,407	392,407	367,183	25,224
Community / After school program	10,902	10,902	6,915	3,987
Support services				
Student support services	1,863,434	1,863,434	1,826,727	36,707
Instructional staff services	1,032,064	1,032,064	1,012,698	19,366
General administration				
Other school board	99,972	99,972	145,543	(45,571)
Executive administration				
SAU management services	225,638	225,638	239,874	(14,236)
School administrative services	1,190,775	1,190,775	1,181,724	9,051
Business services	290,370	290,370	280,122	10,248
Operation and maintenance	1,639,211	2,135,549	1,823,173	312,376
Student transportation	1,146,912	1,146,912	941,650	205,262
Support services	416,662	416,662	-	416,662
Food service program				
Food service expenditures	-	-	330	(330)
Capital outlay				
Buildings	50,000	50,000	92,307	(42,307)
Operating transfers out				
Special revenue funds	30,000	30,000	30,000	-
Total charges to appropriations	<u>20,165,204</u>	<u>20,661,542</u>	<u>19,372,591</u>	<u>1,288,951</u>
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,902,621</u>	<u>\$ 1,902,621</u>

See the accompanying notes to the required supplementary information.



# SHAKER REGIONAL SCHOOL DISTRICT

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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	\$ -	\$ 2,312,628	\$ 2,312,628	NA	\$ 7,550,355	30.6%
July 1, 2014	\$ -	\$ 2,380,753	\$ 2,380,753	NA	\$ 7,701,362	30.9%
July 1, 2015	\$ -	\$ 3,142,537	\$ 3,142,537	NA	\$ 8,940,574	35.1%

See the accompanying notes to the required supplementary information.

# SHAKER REGIONAL SCHOOL DISTRICT

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

	2014	2015	2016
District's proportion of the net pension liability (asset)	0.34383923%	0.34279038%	0.33616600%
District's proportionate share of the net pension liability (asset)	\$ 14,798,099	\$ 12,866,931	\$ 13,317,307
District's covered-employee payroll	\$ 9,521,976	\$ 9,465,307	\$ 9,606,369
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	155.41%	135.94%	138.63%
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.

# SHAKER REGIONAL SCHOOL DISTRICT

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required pension contribution	\$ 1,112,116	\$ 1,126,760	\$ 1,246,279
Contributions reported by the PLAN	<u>(1,112,091)</u>	<u>(1,127,797)</u>	NA
Contribution (deficiency) excess	<u>\$ 25</u>	<u>\$ (1,037)</u>	NA
District's covered-employee payroll	\$ 9,465,307	\$ 9,606,369	\$ 10,050,220
Contributions as a percentage of covered-employee payroll	11.75%	11.73%	12.40%

See the accompanying notes to the required supplementary information.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

# SHAKER REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
June 30, 2016

## 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 District budget by voters at the annual District meeting. Subsequent regulatory reviews by departments of the State of New Hampshire are made of the budgetary process (warrant articles, required results of votes, etc.), adopted budget and the estimated revenues of the District. After final allocation of state aid programs to the District and approval of final estimated revenues (including the use of beginning unassigned general fund balance), a balanced District budget is achieved in accordance with State statute (the "original" budget). The original budget is the first complete, legally appropriated budget adjusted for appropriate changes occurring *before* the beginning of the year. The original budget for the general fund in the amount of \$20,165,204 consists of the total appropriation voted of \$21,800,204 less amounts representing offsets for other funds; \$575,000 for the Food Service Fund, \$1,060,000 for the federal and state projects fund. The final budget is \$496,338 higher and is based on adding the prior year reserve for encumbrance carried forward.

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

#### Budgetary Changes

In accordance with RSA 198:20-b, appropriations may be made by the school board by applying for, accepting and expending unanticipated funds (money from a state, federal or other governmental unit or a private source) which become available during the year without further action by the District. Such money may be used only for legal purposes for which a school district may appropriate money; shall not require the expenditure of other school district funds except those funds lawfully appropriated for the same purpose; and shall be exempt from the provisions of RSA 32 relative to the limitation of expenditure of school district moneys. The statute requires the school board to hold a public hearing on the action to be taken and to comply with various public notice requirements.

#### Transfers

The school 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 appropriations allowable under RSA 198:20-b, 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 a reservation 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.

# SHAKER REGIONAL SCHOOL DISTRICT

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	\$ 21,275,212
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning unreserved fund (balance) deficit - used to reduce taxes	(1,574,329)
Capital reserve transfers	-
Financial reporting revenues that are not inflows for budgetary purposes	
Earnings on capital reserve investments	<u>1,467</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 19,702,350</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 19,372,591
Differences - Budget to GAAP:	
Budgetary outflows that are not expenditures for financial reporting purposes	
Capital reserve transfers	-
Transfers to other funds	<u>(30,000)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 19,342,591</u>

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

The district is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the school district 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 district is required to include as required supplementary information the Schedule of Funding Progress for the most recent actuarial valuation and the two preceding valuations.

# SHAKER REGIONAL SCHOOL DISTRICT

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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 district is required to disclose historical data for each of the prior ten years within the following schedules:

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

The information presented in the *Schedule of the District’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 District 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 last two 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.

**FEDERAL AWARDS SUPPLEMENTARY INFORMATION**



# 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)  
Members – New Hampshire Society of CPA’s

P.O. Box 8  
Laconia, New Hampshire 03247-0008  
Tel (603) 524-6734  
GCO-Audit@gcocpas.com

### **INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the School Board  
Shaker Regional School District  
Belmont, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shaker Regional School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Shaker Regional School District’s basic financial statements, and have issued our report thereon dated January 24, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shaker Regional School District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shaker Regional School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Shaker Regional School District’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shaker Regional School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Grzelak and Co., P.C.*

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

Laconia, New Hampshire

January 24, 2017

# 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)  
Members – New Hampshire Society of CPA’s

P.O. Box 8  
Laconia, New Hampshire 03247-0008  
Tel (603) 524-6734  
GCO-Audit@gcocpas.com

### **INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the School Board  
Shaker Regional School District  
Belmont, New Hampshire

#### **Report on Compliance for Each Major Federal Program**

We have audited Shaker Regional School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shaker Regional School District’s major federal programs for the year ended June 30, 2016. Shaker Regional School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

#### **Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of Shaker Regional School District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shaker Regional School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Shaker Regional School District’s compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Shaker Regional School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of Shaker Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Shaker Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shaker Regional School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Grzelak and Co., P.C.*

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

Laconia, New Hampshire  
January 24, 2017

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**SHAKER REGIONAL SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016**

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass Through ID #	Expenditures of Federal Awards	Expenditures to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through the NH Surplus Distribution Section</i>				
Fresh Fruit and Vegetable Program	10.582		\$ 40,027	\$ -
<b>CHILD NUTRITION CLUSTER</b>				
School Breakfast Program	10.553		50,740	-
National School Lunch Program	10.555		190,563	-
National School Lunch Program - Commodities	10.555		35,681	-
			<u>276,984</u>	<u>-</u>
			<u>317,011</u>	<u>-</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed through the NH Department of Education</i>				
Title I, Grants to Local Educational Agencies	84.010	50130	16,106	-
Title I, Grants to Local Educational Agencies	84.010	60130	266,623	-
			<u>282,729</u>	<u>-</u>
<b>SPECIAL EDUCATION CLUSTER</b>				
Special Education - Grants to States (IDEA, Part B)	84.027	62562	276,439	-
Special Education - Grants to States (IDEA, Preschool)	84.173	62562	357	-
			<u>276,796</u>	<u>-</u>
Rural and Low Income	84.358	46466	9,528	-
Rural and Low Income	84.358	56466	13,174	-
Rural and Low Income	84.358	66466	6,659	-
			<u>29,361</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	44930	14,798	-
Improving Teacher Quality State Grants	84.367	54930	70,292	-
			<u>85,090</u>	<u>-</u>
			<u>673,976</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 990,987</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

# SHAKER REGIONAL SCHOOL DISTRICT

## Notes to Schedule of Expenditures of Federal Awards June 30, 2016

### 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of the Shaker Regional School District under programs of the federal government for the year ended June 30, 2016. The Shaker Regional School District's reporting entity is defined in Note 1 to the District's basic financial statements. The information in the Schedule of Expenditures of Federal Awards is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of the Shaker Regional School District and is not intended to and does not present the financial position or changes in net position of the Shaker Regional School District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting within the governmental funds (general and special revenue) of the District. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The expenditures reported in the Schedule of Expenditures of Federal Awards are recognized following the applicable cost principles of OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and include, but are not limited to, expenditure transactions associated with grants, cost reimbursement grants and contracts, the receipt or use of program income and the distribution or consumption of food commodities (non-cash transactions) and cost reimbursements for nutrition goods and services programs.

Indirect costs included in the Schedule of Expenditures of Federal Awards of the Shaker Regional School District, when applicable, are based upon an annual indirect cost rate calculation that is approved by the New Hampshire Department of Education and is specifically identified in each grant program award passed through the New Hampshire Department of Education. Accordingly, the Shaker Regional School District has not elected to use the ten percent (10%) de minimis indirect cost rate allowed under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

### 3. RELATIONSHIP AND RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The total expenditures of federal awards per the accompanying schedule of expenditures of federal awards reconciles to the Statement of Revenues, Expenditures and Changes in Fund Balances – Major and Other Governmental Funds as follows:

<b>Schedule of Expenditures of Federal Awards</b>	\$ 990,987
Federal Commodities Food Distribution	(35,681)
	<u>\$ 955,306</u>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	
Major Fund	
Grants Fund	\$ 673,976
Nonmajor Funds	
Food Service Fund	281,330
	<u>\$ 955,306</u>



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# SHAKER REGIONAL SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs 1 - Summary of Auditor's Results June 30, 2016

### **Financial Statements**

The type of auditor's report issued – Unmodified – All Reporting Units

Internal control over financial reporting:

- Material weaknesses identified – No.
- Significant deficiencies identified – None Reported.
- Noncompliance material to financial statements noted? – No.

### **Federal Awards**

Internal control over major programs:

- Material weaknesses identified – No.
- Significant deficiencies identified – None Reported.

Type of auditor's report issued on compliance for major programs – Unmodified.

Are there any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings – No.

Identification of major programs:

- CHILD NUTRITION CLUSTER
  - CFDA # 10.553 – School Breakfast Program
  - CFDA # 10.555 – National School Lunch Program
- SPECIAL EDUCATION CLUSTER
  - CFDA # 84.027 - Special Education - Grants to States (IDEA, Part B)
  - CFDA # 84.173 - Special Education - Preschool Grants (IDEA Preschool)

Dollar Threshold used to distinguish between type A and type B Programs - \$750,000.

Auditee qualified as a low-risk auditee – No.

# SHAKER REGIONAL SCHOOL DISTRICT

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**Schedule of Findings and Questioned Costs  
2 - Financial Statement Findings  
June 30, 2016**

There we no findings relating to the financial statements required to be reported by standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

# SHAKER REGIONAL SCHOOL DISTRICT

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## Schedule of Findings and Questioned Costs 3 – Federal Award Findings and Questioned Costs June 30, 2016

There we no findings or questioned costs required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings.