

SCHOOL ADMINISTRATIVE UNIT NO. 19
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Administrative Unit Board
School Administrative Unit No. 19
Goffstown, New Hampshire

We have audited the accompanying financial statements of the governmental activities and each major fund of the School Administrative Unit No. 19 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School Administrative Unit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit 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 unmodified and adverse opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Grants Fund	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 9-B to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits of the School Administrative Unit's single employer plan in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities has not been determined.

**School Administrative Unit No. 19
Independent Auditor's Report**

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the School Administrative Unit No. 19, as of June 30, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and aggregate remaining fund information of the School Administrative Unit No. 19 as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the general and grants funds, 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 following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the School Administrative Unit's Proportionate Share of Net Pension Liability,
- Schedule of School Administrative Unit Contributions – Pensions,
- Schedule of the School Administrative Unit's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of School Administrative Unit Contributions – Other Postemployment Benefits, and
- Notes to the Required Supplementary Information

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 School Administrative Unit No. 19's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules 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 individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Plodzik & Sanderson
Professional Association*

January 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the School Administrative Unit No. 19 (SAU 19), we offer readers of SAU 19's Financial Statements this narrative overview and analysis of the financial activities of SAU 19 for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with SAU 19's financial statements.

1. Financial Highlights

- The assets and deferred outflow or resources of SAU 19 fell short of its liabilities and deferred inflows of resources at the close of the most recent year by \$(1,110,173) (*net position*). Had it been positive, it may have been used to meet the government's ongoing obligations to citizens and creditors. The negative unrestricted net position is attributable to the reporting of SAU 19's proportional share of the actuarially determined retirement system's unfunded pension liability less the system's net position ("net pension liability"). Reporting SAU 19's proportional share of the net pension liability does not impact SAU 19's ability to meet its current obligations.
- SAU 19's total net position changed by \$(38,494).
- As of the close of the current fiscal year, SAU 19's governmental funds reported a combined ending fund balance of \$355,237, a change of \$8,832 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund of \$334,594 *is available for spending* at SAU 19 Town Meeting's discretion or for tax relief.
- Per GASB Statement Nos 68 and 71, SAU 19 is required to record its related share of net pension liability of the New Hampshire Retirement System. The net pension liability is SAU 19's proportionate share of the retirement system's actuarially determined unfunded pension liability less the system's net position. This amount is reported only on the government-wide financial statements and has no impact on the fund financial statements of SAU 19. At the end of the most recent year, our net pension liability is \$1,496,651 (a reduction of \$66,014 from the prior year).

2. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SAU 19's basic financial statements. SAU 19's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of SAU 19's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of SAU 19's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the items reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of SAU 19 is improving or deteriorating.

The *statement of activities* presents information showing how SAU 19's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the time of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The governmental activities of SAU 19 include administration, support services, and operations and maintenance.

Fund Financial Statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SAU 19, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SAU 19 are governmental funds.

Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented to *government funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of SAU 19's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

SAU 19 maintains two individual governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and a grants fund, which are considered to be major funds.

SAU 19 adopts an annual appropriated budget for its general fund and grants fund. A budgetary comparison statement has been provided for the general fund and the grants fund to demonstrate compliance with this budget.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* that is required to be disclosed by accounting principles generally accepted in the United States of America which includes this management discussion and analysis, the Schedule of SAU 19's proportionate share of SAU19 Contributions. Other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. This includes the combining and individual fund schedules.

3. **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of SAU 19, assets and deferred outflows of resources fell short of the liabilities and deferred inflows of resources by \$(1,110,173) at the close of the most recent fiscal year.

The following is a summary of condensed statement of net position and statement of activities for government-wide financial data for the current and prior fiscal years.

SAU 19's Condensed Statement of Net Position

Summary of Net Position
Governmental Activities

	<u>2020</u>	<u>2019</u>	<u>% Change 2019-2020</u>
Current and Other Assets	\$ 450,851	\$ 404,604	11.43%
Deferred Outflows of Resources	318,681	430,372	-25.95%
Long-Term Liabilities Outstanding	1,646,322	1,700,429	-3.18%
Other Liabilities	95,614	58,199	64.29%
Total Liabilities	<u>1,741,936</u>	<u>1,758,628</u>	<u>-0.95%</u>
Deferred Inflows of Resources	137,769	148,027	-6.93%
Unrestricted Net Position	<u><u>\$(1,110,173)</u></u>	<u><u>\$(1,071,679)</u></u>	<u><u>3.59%</u></u>

Summary of Changes in Net Position
Governmental Activities

	2020 Amount	2019 Amount	\$ Difference	% Difference
Revenues:				
Program Revenue:				
Operating Grants and Contributions	\$ 136,944	\$ 124,770	\$ 12,174	8.89%
General Revenue:				
School Districts' Assessments	2,233,497	2,092,688	140,809	6.30%
Miscellaneous & Interest	10,185	8,892	1,293	12.70%
Total Revenues	<u>2,380,626</u>	<u>2,226,350</u>	<u>154,276</u>	<u>6.48%</u>
Expenses:				
Instruction	428	8,680	(8,252)	-1928.04%
Support Services:				
Student	24,559	41,110	(16,551)	-67.39%
Instructional Staff	101,344	59,344	42,000	41.44%
General Administration	7,624	7,480	144	1.89%
Executive Administration	1,386,645	1,267,704	118,941	8.58%
Business	491,743	432,499	59,244	-100%
Operation and Maintenance of Pla	189,928	168,499	21,429	11.28%
Other	216,849	196,626	20,223	9.33%
Total Expenses	<u>2,419,120</u>	<u>2,181,942</u>	<u>237,178</u>	<u>9.80%</u>
Change in Net Position	(38,494)	44,408	(82,902)	215.36%
Net Positon, beginning	(1,071,679)	(1,116,087)	44,408	-4.14%
Net Position, ending	<u>\$ (1,110,173)</u>	<u>\$ (1,071,679)</u>	<u>\$ (38,494)</u>	<u>3.47%</u>

Governmental Activities. As noted above, governmental activities net position changed by \$(38,494). Key elements of this change are as follows:

Governmental Activities:	
Total net change in governmental funds fund balance:	
General Fund	<u>\$ 8,832</u>
Change in compensated absences	(16,686)
Change in net pension liability, net of deferred resources	(35,233)
Change in net OPEB liability, net of deferred resources	<u>4,593</u>
Total net change	<u><u>\$ (38,494)</u></u>

4. Financial Analysis of the Government's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of SAU 19's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing SAU 19's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end for the fiscal year.

As of the end of the current fiscal year, SAU 19's governmental funds reported *combined ending fund balance* of \$355,237 which is a change of \$8,832 in comparison with the prior year.

The general fund is the chief operating fund of SAU 19. At the end of the current fiscal year, *unassigned fund balance* of the general fund was \$334,594.

Governmental Funds:	
General Fund	<u>\$ 334,594</u>

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15 percent of total general fund expenditures, while total fund balance represents 16 percent of that same amount.

5. General Fund Budgetary Highlights

The general fund is what most people think of as "the budget" since it is the fiscal point of the First Session of Annual Meeting (Deliberative) and largely supported by locally raised taxes. The general fund ended the fiscal year with an unassigned fund balance of \$334,594 which is available to be returned to the Goffstown and New Boston School Districts in order to lower the district assessment in 2021-2022.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

- General fund expenditures (not including encumbrances) were \$2,234,850 which was \$1,936 less than the total appropriation of \$2,236,786.
- Miscellaneous revenues were \$144 less than projected. The sole source of miscellaneous revenue is grant indirect costs. Investment earnings were \$6,329.
- General administration expenses (not including encumbrances) of \$7,624 were lower than its budget by \$3,416 driven by decreases in costs associated with financial audits required to address state reporting deficiencies in prior years.
- Executive administration (not including encumbrances) was \$10,104 below budget due to savings in salary and health insurance benefits.
- The Business Office expenses (not including encumbrances) were \$470,570, resulting in a very slight underspend of that function’s budget by \$1,058.
- Operations and Maintenance of Plant expenses (not including encumbrances) totaled \$185,917 and was above budget by \$8,484. This was a result of addressing concerns related to COVID-19.

6. Debt Administration

Long-Term Liabilities

The table below illustrates the long-term liabilities of SAU 19 as of June 30, 2020. The compensated balances were calculated on vacation days and retirement stipend days for all eligible employees for compensation at retirement. (See Note 7)

	Governmental Activities Long Term Debt Two Year Comparison			
	Governmental Activities		Increase (Decrease)	% Increase (Decrease)
	2020	2019		
Compensated Absences	\$ 91,176	\$ 74,490	\$ 16,686	22.40%
Other Postemployment Benefits	58,495	63,274	(4,779)	-7.55%
Net Pension Liability	1,496,651	1,562,665	(66,014)	-4.22%
Total Long Term Debt	\$ 1,646,322	\$ 1,700,429	\$ (54,107)	-3.18%

7. Future Budgetary Implications

Significant activities or events, which will have an impact on future district finances, include:

- The financial impact of COVID -19 remains a challenge in terms of expenses and revenues. The budget for fiscal year 2020-21 does not include expenses for PPE or other COVID-19 related expenses. State adequacy grants are based on student attendance, free and reduced meal counts and a variety of other factors that are directly impacted by the pandemic.

8. **Request for Information**

This financial report is designed to provide a general overview of SAU 19's financing for all those with an interest in SAU 19's finances. Questions, concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, C/O SAU #19, 11 School Street, Goffstown, New Hampshire 03045.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
SCHOOL ADMINISTRATIVE UNIT NO. 19
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 418,825
Other receivables	647
Intergovernmental receivable	28,016
Inventory	859
Prepaid items	2,504
Total assets	450,851
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	312,218
Amounts related to other postemployment benefits	6,463
Total deferred outflows of resources	318,681
LIABILITIES	
Accounts payable	37,709
Accrued salaries and benefits	54,843
Intergovernmental payable	3,062
Noncurrent obligations:	
Due in more than one year	1,646,322
Total liabilities	1,741,936
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	137,369
Amounts related to other postemployment benefits	400
Total deferred inflows of resources	137,769
NET POSITION	
Unrestricted	\$ (1,110,173)

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
SCHOOL ADMINISTRATIVE UNIT NO. 19
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental activities:			
Instruction	\$ 428	\$ 428	\$ -
Support services:			
Student	24,559	24,559	-
Instructional staff	101,344	101,344	-
General administration	7,624	-	(7,624)
Executive administration	1,386,645	-	(1,386,645)
Business	491,743	10,613	(481,130)
Operation and maintenance of plant	189,928	-	(189,928)
Other	216,849	-	(216,849)
Total governmental activities	<u>\$ 2,419,120</u>	<u>\$ 136,944</u>	<u>(2,282,176)</u>
General revenues:			
School districts' assessments			2,233,497
Miscellaneous			10,185
Total general revenues			<u>2,243,682</u>
Change in net position			(38,494)
Net position, beginning			(1,071,679)
Net position, ending			<u>\$ (1,110,173)</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-1
SCHOOL ADMINISTRATIVE UNIT NO. 19
Governmental Funds
Balance Sheet
June 30, 2020

	General	Grants	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 281,999	\$ 136,826	\$ 418,825
Accounts receivable	647	-	647
Intergovernmental receivable	714	27,302	28,016
Interfund receivables	144,491	-	144,491
Inventory	859	-	859
Prepaid items	2,504	-	2,504
Total assets	<u>\$ 431,214</u>	<u>\$ 164,128</u>	<u>\$ 595,342</u>
LIABILITIES			
Accounts payable	\$ 18,072	\$ 19,637	\$ 37,709
Accrued salaries and benefits	54,843	-	54,843
Intergovernmental payable	3,062	-	3,062
Interfund payable	-	144,491	144,491
Total liabilities	<u>75,977</u>	<u>164,128</u>	<u>240,105</u>
FUND BALANCES			
Nonspendable	3,363	-	3,363
Assigned	17,280	-	17,280
Unassigned	334,594	-	334,594
Total fund balances	<u>355,237</u>	<u>-</u>	<u>355,237</u>
Total liabilities and fund balances	<u>\$ 431,214</u>	<u>\$ 164,128</u>	<u>\$ 595,342</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
SCHOOL ADMINISTRATIVE UNIT NO. 19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2020

Total fund balances of governmental funds (Exhibit C-1)		\$ 355,237
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 312,218	
Deferred inflows of resources related to pensions	(137,369)	
Deferred outflows of resources related to OPEB	6,463	
Deferred inflows of resources related to OPEB	<u>(400)</u>	
		180,912
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$(144,491)	
Payables	<u>144,491</u>	
		-
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Compensated absences	\$ 91,176	
Net pension liability	1,496,651	
Other postemployment benefits	<u>58,495</u>	
		<u>(1,646,322)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (1,110,173)</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-3
SCHOOL ADMINISTRATIVE UNIT NO. 19
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2020

	General	Grants	Total Governmental Funds
REVENUES			
School districts' assessments	\$ 2,233,497	\$ -	\$ 2,233,497
Other local	10,185	-	10,185
Federal	-	136,944	136,944
Total revenues	<u>2,243,682</u>	<u>136,944</u>	<u>2,380,626</u>
EXPENDITURES			
Current:			
Instruction	-	428	428
Support services:			
Student	-	24,559	24,559
Instructional staff	-	101,344	101,344
General administration	7,624	-	7,624
Executive administration	1,359,837	-	1,359,837
Business	470,570	10,613	481,183
Operation and maintenance of plant	185,917	-	185,917
Other	210,902	-	210,902
Total expenditures	<u>2,234,850</u>	<u>136,944</u>	<u>2,371,794</u>
Net change in fund balances	8,832	-	8,832
Fund balances, beginning	346,405	-	346,405
Fund balances, ending	<u>\$ 355,237</u>	<u>\$ -</u>	<u>\$ 355,237</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
SCHOOL ADMINISTRATIVE UNIT NO. 19
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 8,832
Amounts reported for governmental activities in the Statement of Activities are different because:		
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Increase in compensated absences payable		\$(16,686)
Net change in net pension liability and deferred outflows and inflows of resources related to pensions		(35,233)
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits		<u>4,593</u>
		<u>(47,326)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$(38,494)</u></u>

EXHIBIT D-1
SCHOOL ADMINISTRATIVE UNIT NO. 19
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
School district assessment	\$ 2,232,786	\$ 2,232,786	\$ 2,233,497	\$ 711
Other local	4,000	4,000	10,185	6,185
Total revenues	<u>2,236,786</u>	<u>2,236,786</u>	<u>2,243,682</u>	<u>6,896</u>
EXPENDITURES				
Current:				
Support services:				
General administration	11,040	11,040	(2,400)	13,440
Executive administration	1,359,663	1,369,941	1,357,737	12,204
Business	489,373	471,628	487,850	(16,222)
Operation and maintenance of plant	176,619	177,433	146,642	30,791
Other	200,091	206,744	210,902	(4,158)
Total expenditures	<u>2,236,786</u>	<u>2,236,786</u>	<u>2,200,731</u>	<u>36,055</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	42,951	<u>\$ 42,951</u>
Increase in nonspendable fund balance			(683)	
Unassigned fund balance, beginning			<u>292,326</u>	
Unassigned fund balance, ending			<u>\$ 334,594</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT D-2
SCHOOL ADMINISTRATIVE UNIT NO. 19
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Federal	\$ 175,000	\$ 136,944	\$(38,056)
EXPENDITURES			
Current:			
Instruction	-	428	(428)
Support services:			
Student	-	24,559	(24,559)
Instructional staff	175,000	101,344	73,656
Business	-	10,613	(10,613)
Total expenditures	<u>175,000</u>	<u>136,944</u>	<u>38,056</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ -</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

SCHOOL ADMINISTRATIVE UNIT NO. 19
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School Administrative Unit No. 19, in Goffstown, New Hampshire, have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

1-A Reporting Entity

The School Administrative Unit No. 19 is a separate entity established by State statute to provide administrative services for the Goffstown and New Boston School Districts. The School Administrative Unit No. 19 is governed by the respective schools' boards (School Administrative Unit Board) of the Goffstown and New Boston School Districts. In evaluating how to define the School Administrative Unit for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School Administrative Unit has no component units to include in its reporting entity.

The following is a summary of the more significant accounting policies:

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School Administrative Unit at year-end. This Statement includes all of the School Administrative Unit's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and are presented in the other governmental column of the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Administrative Unit generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. Member Districts' assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

SCHOOL ADMINISTRATIVE UNIT NO. 19
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Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Financial Statement Presentation – A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The School Administrative Unit reports the following major governmental funds:

General Fund – is the School Administrative Unit’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include member districts’ assessments and other local sources. The primary expenditures are for support services.

Grants Fund – accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

1-D Cash and Cash Equivalents

The School Administrative Unit considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

New Hampshire statutes require that the School Administrative Unit treasurer have custody of all money belonging to the School Administrative Unit and pay out the same only upon orders of the School Administrative Unit Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or 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.

1-E Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School Administrative Unit at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

1-F Inventory

Inventories are valued at cost (first-in, first-out) which approximates market. The School Administrative Unit’s inventories include various items consisting of materials and supplies held for subsequent use. Inventorial items are recorded as expenditures when consumed (the consumption method). The nonspendable fund balance at the governmental fund level includes inventories at year-end to indicate the portion of the governmental fund balance that is nonspendable.

1-G Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used. The nonspendable fund balance at the governmental fund level also includes prepaid items at year-end to indicate the portion of the governmental fund balance that is nonspendable.

1-H Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

SCHOOL ADMINISTRATIVE UNIT NO. 19
NOTES TO THE BASIC FINANCIAL STATEMENTS
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1-I Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2020.

1-J Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-K Long-term Obligations

In the government-wide financial statements other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

1-L Compensated Absences

General leave for the School Administrative Unit includes vacation pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the School Administrative Unit's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

1-M Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-N Postemployment Benefits Other Than Pensions (OPEB)

The School Administrative Unit maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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Single Employer Plan – The School Administrative Unit maintains a single employer plan, but has not obtained an actuarial report calculating the other postemployment benefit liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board pronouncement No. 75.

1-O Net Position/Fund Balances

Government-wide statements – Equity is classified as net position and displayed in one component, unrestricted net position. This classification typically includes unrestricted liquid assets.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Assigned – Amounts that are constrained by the School Administrative Unit's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

Unassigned – The portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

When multiple net position/fund balance classifications are available for use, it is the School Administrative Unit's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable and recoverability of inventory, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School Administrative Unit's operations. At its annual meeting, the School Administrative Unit adopts a budget for the current year for the general and grant funds. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2020, none of the beginning general fund unassigned fund balance was applied for this purpose.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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2-B Budgetary Reconciliation to GAAP Basis

While the School Administrative Unit reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis and GAAP basis of accounting for the major grants fund. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Expenditures:	
Per Exhibit D-1 (budgetary basis)	\$ 2,200,731
Adjustments:	
Basis difference:	
Encumbrances, beginning	51,399
Encumbrances, ending	<u>(17,280)</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 2,234,850</u></u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School Administrative Unit’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School Administrative Unit’s agent in the School Administrative Unit’s name. The FDIC currently insures the first \$250,000 of the School Administrative Unit’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School Administrative Unit’s deposits was \$418,825 and the bank balances totaled \$436,593.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2020, consisted of accounts and intergovernmental amounts arising from indirect costs and grants. Receivables are recorded on the School Administrative Unit’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 5 – INTERFUND BALANCES

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2020 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Grants	<u>\$ 144,491</u>

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at June 30, 2020 consist of amounts related to pensions totaling \$312,218 and amounts related to OPEB totaling \$6,463. For further discussion on these amounts, see Notes 8 and 9, respectively.

Deferred inflows of resources reported are as follows:

	<u>Governmental</u>
	<u>Activities</u>
Amounts related to pensions, see Note 8	\$ 137,369
Amounts related to OPEB, see Note 9	400
Total deferred inflows of resources	<u><u>\$ 137,769</u></u>

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NOTE 7 – LONG-TERM LIABILITIES

Changes in the School Administrative Unit’s long-term liabilities consisted of the following for the year ended June 30, 2020:

	Balance			Balance	Due Within
	July 1, 2019	Additions	Reductions	June 30, 2020	One Year
Compensated absences	\$ 74,490	\$ 16,686	\$ -	\$ 91,176	\$ -
Pension related liability	1,562,665	-	(66,014)	1,496,651	-
Net other postemployment benefits	63,274	-	(4,779)	58,495	-
Total long-term liabilities	<u>\$ 1,700,429</u>	<u>\$ 16,686</u>	<u>\$ (70,793)</u>	<u>\$ 1,646,322</u>	<u>\$ -</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have 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 member attains 52.5 years of age by ¼ 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 – The System is financed by contributions from both the employees and the School Administrative Unit. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2020, the School Administrative Unit contributed 15.99% for teachers and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$140,354, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the School Administrative Unit reported a liability of \$1,496,651 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Administrative Unit’s proportion of the net pension

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liability was based on a projection of the School Administrative Unit's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the School Administrative Unit's proportion was 0.03110471% which was a decrease of 0.00134803% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School Administrative Unit recognized pension expense of \$175,062. At June 30, 2020, the School Administrative Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 109,890	\$ 92,962
Net difference between projected and actual investment earnings on pension plan investments	-	12,225
Changes in assumptions	53,699	-
Differences between expected and actual experience	8,275	32,182
Contributions subsequent to the measurement date	140,354	-
Total	\$ 312,218	\$ 137,369

The \$140,354 reported as deferred outflows of resources related to pensions results from the School Administrative Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2020	\$ 73,921
2021	(4,032)
2022	(28,421)
2023	(6,973)
Thereafter	-
Totals	\$ 34,495

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2018, rolled forward to June 30, 2019, using the following assumptions:

- Inflation: 2.5% per year
- Wage inflation 3.25% per year (3.00% for Teachers)
- Salary increases: 5.6% average, including inflation
- Investment rate of return: 7.25% net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and long-term rates of return for 2019:

Asset Class	Target	Weighted average long-term expected real rate of return
	Allocation	2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer 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 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 investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the School Administrative Unit’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School Administrative Unit’s proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the School Administrative Unit’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease	Current Single Rate Assumption	1% Increase
	6.25%	7.25%	8.25%
June 30, 2019	\$ 2,004,078	\$ 1,496,651	\$ 1,077,267

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

9-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

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

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2019 were as follows:

- For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.
- For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2019, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2020, the School Administrative Unit contributed 1.81% for teachers and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$6,463, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2020, the School Administrative Unit reported a liability of \$58,495 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School Administrative Unit’s proportion of the net OPEB liability was based on a projection of the School Administrative Unit’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the School Administrative Unit’s proportion was 0.01334255% which was a decrease of 0.00047746% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School Administrative Unit recognized OPEB expense of \$1,856. At June 30, 2020, the School Administrative Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 232
Net difference between projected and actual investment earnings on OPEB plan investments	-	66
Changes in assumptions	-	-
Differences between expected and actual experience	-	102
Contributions subsequent to the measurement date	6,463	-
Total	\$ 6,463	\$ 400

SCHOOL ADMINISTRATIVE UNIT NO. 19
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The \$6,463 reported as deferred outflows of resources related to OPEB results from the School Administrative Unit contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2020	\$ (377)
2021	(44)
2022	5
2023	16
Thereafter	-
Totals	<u>\$ (400)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2019. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5% per year
Wage inflation:	3.25% per year (3.00% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment 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 rate 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 2019:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	<u>100.00%</u>	

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Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the School Administrative Unit’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the School Administrative Unit’s proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the School Administrative Unit’s proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	<u>\$ 63,447</u>	<u>\$ 58,495</u>	<u>\$ 54,192</u>

Sensitivity of the School Administrative Unit’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rate – GASB No. 75 requires the sensitivity of the Net OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are a fixed spend, there is no sensitivity to the change in the healthcare cost trend assumption.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

9-B Retiree Health Benefit Program

The School Administrative Unit provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the School Administrative Unit’s contractual agreements. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in the general fund of the funds financial statements as payments are made.

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in 2015. GASB Statement No. 75 requires State and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The School Administrative Unit has not fully implemented GASB Statement No. 75 at June 30, 2020, or contracted with an actuarial firm to assist in evaluating the impact of this standard on the School Administrative Unit’s single employer plan. The amounts that should be recorded as the net OPEB liability and the OPEB expense for the single employer plan is unknown.

NOTE 10 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2020 in the general fund are as follows:

Current:	
Support services:	
Business	<u>\$ 17,280</u>

SCHOOL ADMINISTRATIVE UNIT NO. 19
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2020 consist of the following:

	General Fund
Nonspendable:	
Inventory	\$ 859
Prepaid items	2,504
Total nonspendable fund balance	3,363
Assigned:	
Encumbrances	17,280
Unassigned	334,594
Total governmental fund balances	\$ 355,237

NOTE 12 – RISK MANAGEMENT

The School Administrative Unit is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2020, the School Administrative Unit was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs is a pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2019 to June 30, 2020 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2019-20 the School Administrative Unit paid \$3,373 and \$4,439, respectively, to Primex for workers' compensation and property/liability. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The School Administrative Unit continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 – CONTINGENT LIABILITIES

The School Administrative Unit has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School Administrative Unit believes such disallowances, if any, will be immaterial.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 8, 2021, the date the June 30, 2020 financial statements were available to be issued, and noted the following event occurred that requires recognition or disclosure.

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a global pandemic. In response to the pandemic, the State of New Hampshire's Governor, issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the School Administrative Unit, though such impact is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
SCHOOL ADMINISTRATIVE UNIT NO. 19
Schedule of the School Administrative Unit's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
School Administrative Unit's:							
Proportion of the net pension liability	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Proportionate share of the net pension liability	\$ 1,533,607	\$ 1,051,661	\$ 1,088,352	\$ 1,492,043	\$ 1,674,886	\$ 1,562,665	\$ 1,496,651
Covered payroll	\$ 758,054	\$ 869,884	\$ 909,527	\$ 1,034,108	\$ 1,156,923	\$ 1,139,829	\$ 1,197,634
Proportionate share of the net pension liability as a percentage of its covered payroll	202.31%	120.90%	119.66%	144.28%	144.77%	137.10%	124.97%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%

EXHIBIT F
SCHOOL ADMINISTRATIVE UNIT NO. 19
Schedule of School Administrative Unit Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 88,605	\$ 90,895	\$ 92,169	\$ 100,472	\$ 124,763	\$ 137,164	\$ 135,362
Contributions in relation to the contractually required contributions	(88,605)	(90,895)	(92,169)	(100,472)	(124,763)	(137,164)	(135,362)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School Administrative Unit's covered payroll	\$ 758,054	\$ 869,884	\$ 909,527	\$ 1,034,108	\$ 1,156,923	\$ 1,139,829	\$ 1,197,634
Contributions as a percentage of covered payroll	11.69%	10.45%	10.13%	9.72%	10.78%	12.03%	11.30%

EXHIBIT G
SCHOOL ADMINISTRATIVE UNIT NO. 19
Schedule of the School Administrative Unit's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	June 30,			
	2017	2018	2019	2020
School Administrative Unit's proportion of the net OPEB liability	0.01%	0.01%	0.01%	0.01%
School Administrative Unit's proportionate share of the net OPEB liability (asset)	\$ 43,557	\$ 63,304	\$ 63,274	\$ 58,495
School Administrative Unit's covered payroll	\$1,034,108	\$ 1,156,923	\$1,139,829	\$ 1,197,634
School Administrative Unit's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	4.21%	5.47%	5.55%	4.88%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

The Note to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

EXHIBIT H
SCHOOL ADMINISTRATIVE UNIT NO. 19
Schedule of School Administrative Unit Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	June 30,			
	2017	2018	2019	2020
Contractually required contribution	\$ 5,228	\$ 8,206	\$ 6,113	\$ 6,089
Contributions in relation to the contractually required contribution	(5,228)	(8,206)	(6,113)	(6,089)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School Administrative Unit's covered payroll	\$1,034,108	\$ 1,156,923	\$1,139,829	\$ 1,197,634
Contributions as a percentage of covered payroll	0.51%	0.71%	0.54%	0.51%

The Note to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

SCHOOL ADMINISTRATIVE UNIT NO. 19
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

Schedule of the School Administrative Unit’s Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of School Administrative Unit Contributions – Other Postemployment Benefits

As required by GASB Statement No. 75, Exhibits G and H represent the actuarial determined costs associated with the School Administrative Unit’s other postemployment benefits at June 30, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
SCHOOL ADMINISTRATIVE UNIT NO. 19
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

	Estimated	Actual	Variance Positive (Negative)
School districts' assessment:			
Current appropriation	\$ 2,232,786	\$ 2,233,497	\$ 711
Other local sources:			
Investment earnings	-	6,329	6,329
Miscellaneous	4,000	3,856	(144)
Total from other local sources	4,000	10,185	6,185
Total revenues	\$ 2,236,786	\$ 2,243,682	\$ 6,896

SCHEDULE 2
SCHOOL ADMINISTRATIVE UNIT NO. 19
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Support services:					
General administration	\$ 10,024	\$ 11,040	\$ 7,624	\$ -	\$ 13,440
Executive administration	2,100	1,369,941	1,359,837	-	12,204
Business	-	471,628	470,570	17,280	(16,222)
Operation and maintenance of plant	39,275	177,433	185,917	-	30,791
Other	-	206,744	210,902	-	(4,158)
Total support services	<u>\$ 51,399</u>	<u>\$ 2,236,786</u>	<u>\$ 2,234,850</u>	<u>\$ 17,280</u>	<u>\$ 36,055</u>

SCHEDULE 3
SCHOOL ADMINISTRATIVE UNIT NO. 19
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

Unassigned fund balance, beginning		\$ 292,326
2019-2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 6,896	
Unexpended balance of appropriations (Schedule 2)	<u>36,055</u>	
2019-2020 Budget surplus		42,951
Increase in nonspendable fund balance		<u>(683)</u>
Unassigned fund balance, ending		<u><u>\$ 334,594</u></u>