

**SCHOOL ADMINISTRATIVE UNIT #2**

Meredith, New Hampshire

FINANCIAL STATEMENTS

June 30, 2022

and

Independent Auditor's Report

# SCHOOL ADMINISTRATIVE UNIT #2

---

## Table of Contents June 30, 2022

<b>Independent Auditor's Report</b>	4-5
<b>Management's Discussion and Analysis</b>	7-18
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Notes to Basic Financial Statements	27-53
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	55
Schedule of Changes in Implicit and Explicit Rate Subsidy OPEB Liability	56
Schedules of Proportionate Share and Contributions of the NHRS Net OPEB Liability	57
Schedules of Proportionate Share and Contributions of the Net Pension Liability	58
Notes to Required Supplementary Information	60-62

## **INDEPENDENT AUDITOR'S REPORT**

# ROBERGE AND COMPANY, P.C.

## Certified Public Accountants

---

Member – American Institute of CPA's (AICPA)  
Member – AICPA Government Audit Quality Center (GAQC)  
Member – AICPA Private Company Practice Section (PCPS)  
Member – New Hampshire Society of CPA's

P.O. Box 129  
Franklin, New Hampshire 03235  
Tel (603) 524-6734  
jroberge@rcopc.com

### INDEPENDENT AUDITOR'S REPORT

To the SAU Board  
School Administrative Unit #2  
Meredith, New Hampshire

#### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the School Administrative Unit #2 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SAU's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the School Administrative Unit #2, as of June 30, 2022, 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.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School Administrative Unit #2, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School Administrative Unit #2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School Administrative Unit #2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School Administrative Unit #2's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in Implicit and Explicit Rate Subsidy OPEB liability, schedules of proportionate share and contributions of the NHRS net OPEB liability, and schedules of the proportionate share and contributions of net pension liability, as listed in the table of contents 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.

*Roberge and Co., P.C.*

### **ROBERGE & COMPANY, P.C.**

Franklin, New Hampshire  
December 14, 2022

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

**School Administrative Unit #2  
For the Year Ended June 30, 2022**

The Superintendent and Assistant Superintendent of Schools, as "management" of the School Administrative Unit #2 (the "SAU"), a special purpose government located in the County of Belknap, New Hampshire, submits this section of the SAU's annual financial report in order to present our discussion and analysis of the SAU's financial performance during the year ended June 30, 2022.

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

## **FINANCIAL HIGHLIGHTS**

- The SAU's total combined net position increased by \$128,902 or 5% between June 30, 2021, and 2022.
- The SAU's total combined net position amounted to a deficit of \$(2,251,245) as of June 30, 2022. Net position consisted of; \$934 net investment in capital assets; \$934 restricted for grant programs and an unrestricted deficit of \$(2,253,113).
- Long-term liabilities outstanding as of June 30, 2022, consisted of postemployment health obligations and net pension liability in the amount of \$2,043,421.
- During the year, the SAU's expenses were \$128,902 less than the \$1,257,314 in revenues generated from charges for services, operating grants and contributions and general revenues (consisting of the SAU assessment and local contributions not restricted to specific purposes).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #2  
For the Year Ended June 30, 2022

## OVERVIEW OF THE FINANCIAL STATEMENTS

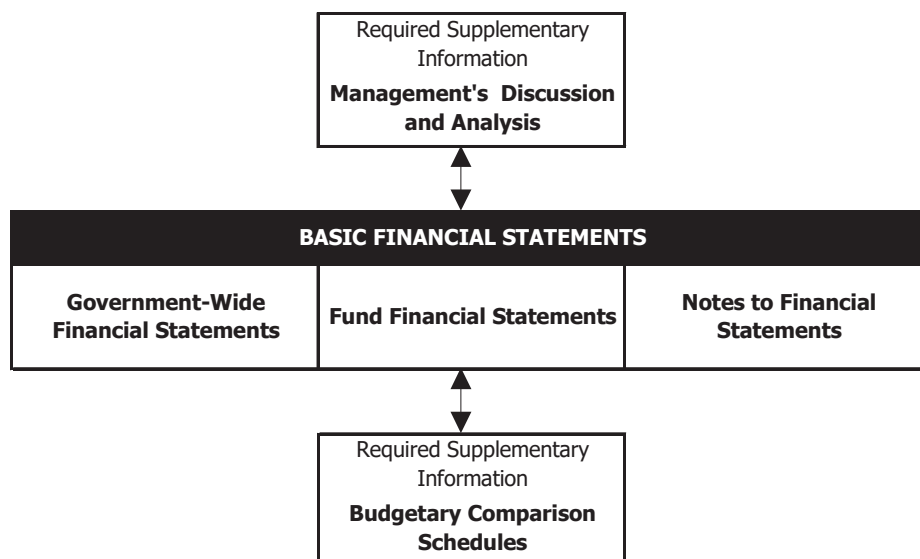
This discussion and analysis is intended to serve as an introduction to the SAU's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information. The SAU's financial statements are comprised of five primary sections or components: (1) basic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

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

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

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

**Exhibit A-1**



# MANAGEMENT'S DISCUSSION AND ANALYSIS

**School Administrative Unit #2  
For the Year Ended June 30, 2022**

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

## Exhibit A-2

	Government-Wide	Fund Statements
		Governmental
<b>SCOPE</b>	Entire government (except fiduciary funds)	All activities of the SAU that are not proprietary or fiduciary
<b>REQUIRED FINANCIAL STATEMENTS</b>	Statement of Net Position	Balance Sheet
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances
<b>ACCOUNTING BASIS</b>	Accrual	Modified Accrual
<b>MEASUREMENT FOCUS</b>	Economic Resources	Current Financial 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
<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

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

---

School Administrative Unit #2  
For the Year Ended June 30, 2022

## SAU Wide Financial Statements:

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

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

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

## Fund Financial Statements:

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

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #2  
For the Year Ended June 30, 2022

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

### Net Position

Exhibit B-1 shows the composition of the SAU's total combined net position, which increased between June 30, 2021, and 2022 by \$128,902 or 5% to (2,251,245).

### Exhibit B-1 NET POSITION

	Governmental Activities		
	2021	2022	Change
<b>Assets</b>			
Current and other assets	\$ 109,734	\$ 176,080	\$ 66,346
Noncurrent assets	<u>1,589</u>	<u>934</u>	<u>(655)</u>
<b>Total assets</b>	111,323	177,014	65,691
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	<u>582,503</u>	<u>292,705</u>	<u>(289,798)</u>
<b>Total deferred outflows of resources</b>	582,503	292,705	(289,798)
<b>Liabilities</b>			
Current liabilities	61,871	16,426	(45,445)
Noncurrent liabilities	<u>2,876,186</u>	<u>2,043,421</u>	<u>(832,765)</u>
<b>Total liabilities</b>	2,938,057	2,059,847	(878,210)
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	<u>135,916</u>	<u>661,117</u>	<u>525,201</u>
<b>Total deferred inflows of resources</b>	135,916	661,117	525,201
<b>Net Position</b>			
Net investment in capital assets	1,589	934	(655)
Restricted	-	934	934
Unrestricted	<u>(2,381,736)</u>	<u>(2,253,113)</u>	<u>128,623</u>
<b>Total net position</b>	<u>\$ (2,380,147)</u>	<u>\$ (2,251,245)</u>	<u>\$ 128,902</u>

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

- The SAU's net investment in capital assets (furniture and equipment and technology equipment, net of accumulated depreciation), is \$934 as of June 30, 2022.
- Restricted net position represents specific fund amounts that are restricted for their intended purposes.

Unrestricted net position was a negative \$(2,251,245) as of June 30, 2022.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**School Administrative Unit #2**  
**For the Year Ended June 30, 2022**

## Change in Net Position

The SAU's total revenues were \$1,257,314 while total expenses were \$1,128,412, resulting in an increase in net position of \$128,902.

Exhibit B-2 shows that 87.35% of the SAU's total revenues came from the local SAU assessment. Operating grants and contributions provided 2.43% of total revenues, while 10.21% related to local and miscellaneous revenues.

### Exhibit B-2 SOURCES OF SAU REVENUES

	Governmental Activities			Change
	2021	2022	% of Total	
<b>Program Revenues</b>				
Operating grants and contributions	\$ 312,196	\$ 30,589	2.43%	\$ (281,607)
<b>General Revenues</b>				
SAU assessment to member districts	993,075	1,098,305	87.35%	105,230
Local sources	50,482	110,654	8.80%	60,172
Other financing sources	-	17,766	1.41%	17,766
	<u>\$ 1,355,753</u>	<u>\$ 1,257,314</u>	<u>100.00%</u>	<u>\$ (98,439)</u>

Exhibit B-3 shows that 2.63% of the SAU's total expenses were for instructional programs and 97.31% were for administrative and business services. Unallocated expenses represented 0.06% of total expenses.

### Exhibit B-3 SAU EXPENSES

	Governmental Activities			Change
	2021	2022	% of Total	
<b>Functions / Programs</b>				
Instruction	\$ 312,196	\$ 29,655	2.63%	\$ (282,541)
Administrative and business services	1,039,244	1,098,102	97.31%	58,858
<b>Unallocated</b>				
Other financing uses	272,202	-	0.00%	(272,202)
Depreciation	440	655	0.06%	215
	<u>\$ 1,624,082</u>	<u>\$ 1,128,412</u>	<u>100.00%</u>	<u>\$ (495,670)</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #2  
For the Year Ended June 30, 2022

## Governmental Activities

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

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

	2021		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Functions / Programs</b>				
Instructional programs	\$ 312,196	\$ -	\$ 29,655	\$ (934)
Administrative and business services	1,039,244	1,039,244	1,098,102	1,098,102
<b>Unallocated</b>				
Other financing uses	272,202	272,202	-	-
Depreciation	440	440	655	655
	<u>\$ 1,624,082</u>	<u>\$ 1,311,886</u>	<u>\$ 1,128,412</u>	<u>\$ 1,097,823</u>

The total cost of all governmental activities this year was \$1,128,412; the total net cost was \$1,097,823. The primary financing for these activities of the SAU was as follows:

#### General Revenues

- The amount that was paid by member districts through the local assessment was \$1,098,305.
- Local and miscellaneous revenues in the amount of \$128,420.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

School Administrative Unit #2  
For the Year Ended June 30, 2022

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

### General Fund

The general fund balance increased \$110,857 during the year from a surplus balance of \$47,863 as of June 30, 2021, to a \$158,720 fund balance as of June 30, 2022. \$2,050 of the fund was assigned for encumbrances and \$156,670 was unassigned.

### Major Funds

#### Grants Fund

The Grants fund is reported as a major fund in the basic financial statements and is classified as a special revenue fund.

The grants are funded through the New Hampshire Department of Education to enhance assistance in the implementation of individual education programs in order to maximize student participation and achievement toward Adequate Yearly Progress, (AYP) within the "Least Restrictive Environment" by providing additional psychological services, positive behavioral interventions, staff training and coordination/integration of student services for the Ashland and Inter-Lakes School Districts.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

School Administrative Unit #2  
For the Year Ended June 30, 2022

## GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended June 30, 2022, the SAU did not revise its statutory budgetary line items; rather, the SAU's budgetary control was managed on an aggregate total budget-to-actual basis; total estimated revenues and appropriations versus actual revenues and expenditures.

### Final Versus Original Budget Comparison

The total budget-to-actual basis original and final budget amounts were the same.

### 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 \$123,017. A significant portion was indirect costs received in excess of estimates.
- Actual total outflows, (expenditures or charges to appropriations), were less than the budgeted appropriations by \$35,703.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #2  
For the Year Ended June 30, 2022

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2022, the SAU had invested \$934 (\$20,896 at cost or estimated cost less accumulated depreciation of \$19,962) in furniture and equipment and technology equipment as summarized in Exhibit C-1.

This amount represents a net decrease of 41.22% from the prior year. This year's changes are also summarized in Exhibit C-1.

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

Net Capital Assets	Governmental Activities		
	2021	2022	Change
Furniture and equipment	\$ 12,901	\$ 12,901	0.00%
Technology equipment	22,462	7,995	-64.41%
<b>Capital assets, at cost</b>	<b>35,363</b>	<b>20,896</b>	<b>-40.91%</b>
Accumulated depreciation	33,774	19,962	-40.90%
<b>Capital assets, net</b>	<b>\$ 1,589</b>	<b>\$ 934</b>	<b>-41.22%</b>
<b>Increase (Decrease) in Capital Assets, Net</b>		<b>\$ (655)</b>	
<b>Changes</b>			
Depreciation expense		\$ (655)	
		<b>\$ (655)</b>	

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

School Administrative Unit #2  
For the Year Ended June 30, 2022

## Debt

As of June 30, 2022, the SAU had \$2,043,421 of long-term obligations outstanding as summarized in Exhibit C-2.

### Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2021	2022	Change
Postemployment health obligations	\$ 1,838,472	\$ 1,318,601	-28.28%
Net pension liability	<u>1,037,714</u>	<u>724,820</u>	<u>-30.15%</u>
	2,876,186	2,043,421	-28.95%
Less current portion	<u>-</u>	<u>-</u>	<u>na</u>
	<u>\$ 2,876,186</u>	<u>\$ 2,043,421</u>	<u>-28.95%</u>
<b>Increase (Decrease), Net</b>		<u>\$ (832,765)</u>	
<b>Significant Changes</b>			
Change in OPEB obligation		\$ (519,871)	
Change in net pension liability		<u>(312,894)</u>	
		<u>\$ (832,765)</u>	

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

School Administrative Unit #2  
For the Year Ended June 30, 2022

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

SAU management and the SAU Board considered many factors when preparing the fiscal year 2022-2023 budget.

The SAU management and Board presented a budget with an increase of 13.04% or \$147,868, with an increase in assessment of 12.10% or \$132,868. The overall increase for current staff salary adjustments was 6.9% and an Administrative Assistant to the Assistant Superintendent and Human Resource Director position was added.

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

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the SAU's finances and to show the SAU's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the SAU office at 103 Main Street, Suite 2, Meredith, New Hampshire 03253.

## **BASIC FINANCIAL STATEMENTS**

## SCHOOL ADMINISTRATIVE UNIT #2

---

### Statement of Net Position June 30, 2022

Primary Government  
Governmental  
Activities

---

#### ASSETS

Cash and cash equivalents	\$	108,443
Due from other governments		67,637
Capital assets:		
Other capital assets, net of accumulated depreciation		934
Total assets		<u>177,014</u>

#### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	216,852
Deferred outflows of resources related to other post employment benefits	<u>75,853</u>
Total deferred outflows of resources	<u>292,705</u>

#### LIABILITIES

Accounts payable	9,262
Accrued expenses	7,164
Postemployment benefit obligation	1,318,601
Net pension liability	<u>724,820</u>
Total liabilities	<u>2,059,847</u>

#### DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	264,505
Deferred inflows of resources related to other post employment benefits	<u>396,612</u>
Total deferred inflows of resources	<u>661,117</u>

#### NET POSITION

Net investment in capital assets	934
Restricted for:	
Grant programs	934
Unrestricted	<u>(2,253,113)</u>
Total net position	<u>\$ (2,251,245)</u>

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

## SCHOOL ADMINISTRATIVE UNIT #2

### Statement of Activities Year Ended June 30, 2022

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating	Primary
			Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction				
Other instruction	\$ 29,655	\$ -	\$ 30,589	\$ 934
Support services				
Executive administration	1,098,102	-	-	(1,098,102)
Depreciation (unallocated)	<u>655</u>	<u>-</u>	<u>-</u>	<u>(655)</u>
Total governmental activities	<u>1,128,412</u>	<u>-</u>	<u>30,589</u>	<u>(1,097,823)</u>
General revenues:				
Assessment				\$ 1,098,305
Grants and contributions not restricted to specific purposes:				
Local sources				110,484
Investment Income				170
Other financing sources				<u>17,766</u>
Total general revenues				<u>1,226,725</u>
Change in net position				128,902
Net position, beginning				<u>(2,380,147)</u>
Net position, ending				<u>\$ (2,251,245)</u>

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

# SCHOOL ADMINISTRATIVE UNIT #2

**Balance Sheet  
Governmental Funds  
June 30, 2022**

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 108,443	\$ -	\$ 108,443
Due from other governments	56,997	10,640	67,637
Due from other funds	497	-	497
Total assets	<u>\$ 165,937</u>	<u>\$ 10,640</u>	<u>\$ 176,577</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 53	\$ 9,209	\$ 9,262
Accrued expenses	7,164	-	7,164
Due to other funds	-	497	497
Total liabilities	<u>7,217</u>	<u>9,706</u>	<u>16,923</u>
Deferred Inflows of Resources:			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	2,050	934	2,984
Unassigned	<u>156,670</u>	<u>-</u>	<u>156,670</u>
Total fund balance	<u>158,720</u>	<u>934</u>	<u>159,654</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 165,937</u>	<u>\$ 10,640</u>	<u>\$ 176,577</u>

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

## SCHOOL ADMINISTRATIVE UNIT #2

---

### Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2022

**Total Fund Balances - Governmental Funds** \$ 159,654

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	\$ 20,896	
Less accumulated depreciation	<u>(19,962)</u>	934

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

OPEB obligation	(1,318,601)	
Net pension liability	<u>(724,820)</u>	(2,043,421)

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	(661,117)	
Deferred outflows of resources	<u>292,705</u>	<u>(368,412)</u>

**Total Net Position - Governmental Activities** \$ (2,251,245)

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

## SCHOOL ADMINISTRATIVE UNIT #2

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2022

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Assessment	\$ 1,098,305	\$ -	\$ 1,098,305
Local sources	110,484	-	110,484
Federal sources	-	30,589	30,589
Investment income	170	-	170
Total revenues	<u>1,208,959</u>	<u>30,589</u>	<u>1,239,548</u>
<b>Expenditures</b>			
Instruction	-	29,655	29,655
Executive administration	1,098,102	-	1,098,102
Total expenditures	<u>1,098,102</u>	<u>29,655</u>	<u>1,127,757</u>
Net change in fund balances	110,857	934	111,791
Fund balance, beginning	47,863	-	47,863
Fund balance, ending	<u>\$ 158,720</u>	<u>\$ 934</u>	<u>\$ 159,654</u>

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

## SCHOOL ADMINISTRATIVE UNIT #2

---

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2022

**Total Net Change in Fund Balances - Governmental Funds** \$ 111,791

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	\$ -	
Depreciation expense	<u>(655)</u>	(655)

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

OPEB obligation (increase) decrease	519,871	
Net pension liability (increase) decrease	<u>312,894</u>	832,765

The change in deferred inflows and outflows related to the New Hampshire Retirement System Cost-Sharing Employer Defined Benefit Pension Plan and from Other Post Employment Benefits are reported against pension expense and other financing uses in the governmental activities.

Deferred inflows (increase) decrease	(525,201)	
Deferred outflows increase (decrease)	<u>(289,798)</u>	<u>(814,999)</u>

**Change in Net Position of Governmental Activities** \$ 128,902

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School Administrative Unit #2 (the "SAU" or "Government") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB), (when applicable), that do not conflict or contradict GASB pronouncements. The significant accounting policies established in GAAP and used by the SAU are discussed below.

### A. THE REPORTING ENTITY

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

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government. Fiscal independency is the ability to complete certain essential fiscal events without substantive approval by a primary government: (a) determine its budget without another government's having the authority to approve and modify that budget; (b) levy taxes or set rates or charges without approval by another government; and (c) issue bonded debt without approval by another government. The SAU does not report any component units.

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

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

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

## NOTE 1 – (continued)

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

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

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

The financial transactions of the SAU are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures. 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 minimum criteria set forth in GASBS No. 34 (numerical formula using total assets, liabilities, revenues, or expenditures/expenses of either fund category or activity combined). Major individual governmental funds are reported in separate columns in the fund financial statements with a combined column for all other nonmajor funds. The general fund is required to be reported as major fund. The following fund types are used by the SAU:

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

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

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The SAU reports a special revenue fund for grants received.

### 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.

## NOTE 1 – (continued)

### Government-Wide Financial Statements

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

### Fund Financial Statements

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

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

### Cash and Cash Equivalents and Investments

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

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

### Interfund Activity

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

**NOTE 1 – (continued)****Capital Assets**

For government-wide financial statements, capital assets purchased or acquired, in accordance with the SAU's capitalization policy, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition 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.

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

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

**Long-term Obligations**

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt consisted of other postemployment benefit obligations and net pension liabilities. 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.

The SAU implemented Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit.

### NOTE 1 – (continued)

#### Pensions

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

#### Governmental Fund Equity

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

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

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

**Committed** – Are amounts that can be used for specific purposes because of a formal action by the entities highest level of decision-making authority (SAU Board). 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 and official whom authority has been given (Superintendent). 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 to overspending for specific purposes for which amounts had been restricted, committed, or assigned.

#### Revenues

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

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

**NOTE 1 – (continued)**

**Use of Estimates**

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

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Risk Management

The SAU is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees and natural disasters. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The SAU is a member in both the *Workers' Compensation* and *Property/Liability* programs of the *New Hampshire Public Risk Management Exchange (Primex)*. *Primex* is a public entity pooled risk management program under RSA 5-B and RSA 281-A. The *Primex* Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The Worker's Compensation Section of the Self-Insurance Membership Agreement permits *Primex* 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.

#### Claims, Judgments and Contingent Liabilities

##### Grant Programs

The SAU may participate in state, federal and private funded programs, which are governed by various laws, regulations, contracts and agreements of the grantor. Costs charged to these programs are subject to audit or review by the grantor; therefore, to the extent that the SAU has not complied with laws, regulations, contracts and agreements of the grantor, refunds of money for any disallowed claims, including amounts already collected, may constitute a contingent liability of the SAU. As of June 30, 2022, the SAU believes that there are no significant contingent liabilities relating to compliance with the laws, regulations, contracts, and agreements governing these programs; therefore, no provision has been recorded in the financial statements for such contingencies.

##### Litigation

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

# SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 3 - CASH AND INVESTMENTS

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 108,443
	<u>\$ 108,443</u>

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand	\$ 200
Deposits with financial institutions	108,243
	<u>\$ 108,443</u>

### Credit Risk - Deposits

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

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the SAU's deposits may not be returned to it. The SAU does not have a policy for custodial credit risk on deposits. As of June 30, 2022, \$0 of the SAU's bank balance of \$128,027 was exposed to custodial credit risk because it was uninsured and the collateral for the amounts was held by the depository's agent but not in the SAU's name.

# SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 4 - INTERFUND BALANCES AND TRANSFERS

### Balances

Individual interfund balances as of June 30, 2022, consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 497	\$ -
Grants Fund	-	497
	<u>\$ 497</u>	<u>\$ 497</u>

The balance due from the grants fund to the general fund is the result of an overdraft of the pooled cash account.

### Transfers

There were no individual interfund transfers for the year ended June 30, 2022.

# SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

### Intergovernmental Receivables

Intergovernmental receivables as of June 30, 2022, consisted of the following:

	<u>General Fund</u>	<u>Grants Fund</u>
Local Governments		
Member Districts	\$ 56,997	\$ -
State Governments		
New Hampshire	-	10,640
	<u>\$ 56,997</u>	<u>\$ 10,640</u>

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

### Intergovernmental Payables

There were no intergovernmental payables as of June 30, 2022.

# SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the SAU for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities (at cost)</b>				
<b>Capital assets being depreciated:</b>				
Furniture and equipment	\$ 12,901	\$ -	\$ -	\$ 12,901
Technology equipment	22,462	-	14,467	7,995
	<u>35,363</u>	<u>-</u>	<u>14,467</u>	<u>20,896</u>
Less accumulated depreciation:				
Furniture and equipment	12,411	655	-	13,066
Technology equipment	21,363	-	14,467	6,896
Accumulated depreciation	<u>33,774</u>	<u>655</u>	<u>14,467</u>	<u>19,962</u>
Capital assets being depreciated, net	<u>1,589</u>	<u>(655)</u>	<u>-</u>	<u>934</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u>\$ 1,589</u>	<u>\$ (655)</u>	<u>\$ -</u>	<u>\$ 934</u>
Depreciation expense for the year ended June 30, 2022 (unallocated)				<u>\$ 655</u>

# SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 7 - LONG-TERM LIABILITIES

A summary of long-term liabilities outstanding as of June 30, 2022, is as follows:

	<u>OPEB Liability</u>	<u>Net Pension Liability</u>	<u>Total</u>
Beginning balance	\$ 1,838,472	\$ 1,037,714	\$ 2,876,186
Additions	79,580	-	79,580
Reductions	(599,451)	(312,894)	(912,345)
Ending balance	<u>1,318,601</u>	<u>724,820</u>	<u>2,043,421</u>
Current portion	-	-	-
Noncurrent portion	<u>1,318,601</u>	<u>724,820</u>	<u>2,043,421</u>
	<u>\$ 1,318,601</u>	<u>\$ 724,820</u>	<u>\$ 2,043,421</u>

Long-term liabilities outstanding as of June 30, 2022, consisted of the following:

	<u>Amount Outstanding 6/30/22</u>
<u>Other Long-Term Obligations</u>	
OPEB obligation - Health Implicit and Explicit Rate Subsidy	\$ 1,290,151
OPEB obligation - NHRS Medical Subsidy	28,450
Net pension liability	<u>724,820</u>
	<u>\$ 2,043,421</u>

### NOTE 8 - PENSION PLAN

The SAU participates in the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan and trust established in 1967 by RSA 100-A:2 administered by a Board of Trustees. The plan is a contributory plan that provides service, disability, death and vested retirement benefits to members and their beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

The System is funded by contributions from both the employees and the SAU. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature while the employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Plan members are required to contribute 7.0% of their covered salary. The SAU's contribution rates for the year ended June 30, 2022, were 21.02% and 14.06% of covered payroll for teachers and other employees, respectively. The SAU's contributions to the System for the years ending June 30, 2022, 2021, and 2020 were \$84,399, \$78,552, and \$75,365, respectively, equal to the required contributions for each year.

**NOTE 9 – PROPORTIONATE SHARE OF NET PENSION LIABILITY**

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

**General Information about the Pension Plan**

Plan description. The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan). For additional NHRS information, please refer to the fiscal 2021 Comprehensive Annual Financial Report, which can be found on the NHRS website at [www.nhrs.org](http://www.nhrs.org).

Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service OR age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

<b>Years of creditable service as of January 1, 2012</b>	<b>Minimum Age</b>	<b>Minimum Service</b>	<b>Benefit Multiplier</b>
At least 8 but less than 10 years	46	21	2.40%
At least 6 but less than 8 years	47	22	2.30%
At least 4 but less than 6 years	48	23	2.20%
Less than 4 years	49	24	2.10%

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 is a component of total employer contributions presented in the System’s financial statements for the corresponding period.

Actuarial assumptions. The collective total pension liability was based on the following actuarial assumptions:

Inflation	2.0%	
Salary increases	5.6%	average, including inflation
Wage inflation	2.75%	(2.25% for Teachers)
Investment rate of return	6.75%	Net of pension plan investment expense, including inflation

## SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

### NOTE 9 – (continued)

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016–June 30, 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>2021 Weighted Average Long-Term Expected Real Rate of Return</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
<b>Total Domestic Equity</b>	<b>30.00%</b>	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
<b>Total International Equity</b>	<b>20.00%</b>	
Core US Fixed Income	25.00%	3.60%
<b>Total Fixed Income</b>	<b>25.00%</b>	
Private Equity	10.00%	7.71%
Private Debt	5.00%	4.81%
<b>Total Alternative Investments</b>	<b>15.00%</b>	
<b>Real Estate</b>	<b>10.00%</b>	6.60%
<b>TOTAL</b>	<b><u>100.00%</u></b>	

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefits payments to determine the collective total pension liability.

## SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

### NOTE 9 – (continued)

Sensitivity of the SAU's proportionate share of the net pension liability to changes in the discount rate. The following presents the SAU's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the SAU's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current single rate assumption</u>	<u>1% Increase</u>
Employer's proportionate share of the net pension liability:			
June 30, 2022	\$ 1,036,576	\$ 724,820	\$ 464,765

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

As of June 30, 2022, the SAU reported a liability of \$724,820 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The SAU's proportion of the net pension liability was based on the SAU's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. As of June 30, 2022, the SAU's proportion was 0.01635453 percent.

For the year ended June 30, 2022, the SAU recognized pension expense of \$48,065. As of June 30, 2022, the SAU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total Excluding Employer Contributions</u>
Differences between expected and actual experience	\$ 20,296	\$ 7,588	\$ 12,708
Net differences between projected and actual earnings on pension plan investments	-	202,715	(202,715)
Changes of assumptions	75,703	-	75,703
Changes in proportion and differences between Employer contributions and proportionate share of contributions	39,787	54,202	(14,415)
Employer contributions subsequent to the measurement date	81,066	-	NA
Total	<u>\$ 216,852</u>	<u>\$ 264,505</u>	<u>\$ (128,719)</u>

## SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

### NOTE 9 – (continued)

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Outflows/(Inflows)</u>
2023	\$ (19,523)
2024	(15,284)
2025	(19,682)
2026	(74,230)
Total	<u>\$ (128,719)</u>

### NOTE 10 – ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

#### **A. SAU OPEB PLAN**

##### **Plan description**

GASB Statement 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

GASB No. 75 requires that employers recognize the expected claims of the retiree population less the expected contributions by those retirees. This is not necessarily the same determination as the expected cash payments of the employer for retiree health benefits. The difference is that many post-employment health plans (including the SAU's program) charge the same premium rates for all participants in a non-Medicare plan regardless of their age. This single premium rate is called a blended premium rate because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims costs. This subsidy is referred to as the "Implicit Rate Subsidy".

Another way of considering the Implicit Rate Subsidy is to assume the retirees were removed from a blended plan and, instead, separately rated. In this scenario, the premium rate for the remaining active population would be lower; therefore, the retirees' premium rate is being subsidized by the premiums for active employees. Since the employer generally pays a portion of the premiums for the active employees, this subsidy creates a liability for the employer.

By comparison, the cash costs are the actual dollars paid by the employer to cover a portion or all of the retirees' premium rates. This is sometimes referred to as the "Explicit Rate Subsidy". This is the benefit that is explicitly stated by the SAU that will be paid on behalf of retirees.

GASB 75 reports are required to value both the Implicit Rate Subsidy and the Explicit Rate Subsidy. This report values both the Explicit Subsidy and the Implicit Rate Subsidy.

##### **Benefits provided**

The SAU provides medical benefits to its eligible retirees. The SAU acquires health insurance from the Benefits are provided through Health Trust and are administered by Anthem. The SAU pays of 90% of the eligible retiree's medical benefits for employees hired on or before to July 1, 2007. For employees hired after July 1, 2007, the district will pay 0% of the benefits. The implicit OPEB benefits valued in this plan end when the retiree and or the covered spouse reach age 65. This valuation does not account for the cost of implicit benefits to retirees or their spouses after age 65.

## SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

### NOTE 10 – (continued)

#### Employees covered by benefit terms:

As of July 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	0
Active Employees	<u>9</u>
Total Participants covered by OPEB Plan	<u>12</u>

#### Total OPEB Liability

The SAU's total OPEB liability of \$1,290,151 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021.

#### Actuarial assumptions and other inputs

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

Discount Rate	3.54%
Healthcare Cost Trend Rates:	
2021 Trend (Pre 65 Single / Two Person / Post 65)	7.10%
2022 Trend	7.00%
Ultimate Trend	4.24%
Year Ultimate Trend is Reached	2090
Salary Increases	3.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of June 30, 2022.

Mortality rates: Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021 fully generational.

## SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

### NOTE 10 – (continued)

#### Significant Changes from the Previous Actuarial Valuation

- Increasing the discount rate from 2.21% to 3.54%.
- Initial trend rates were advanced, the model for trends in subsequent years is based on the Getzen Model as updated through September 2021.
- The payroll growth rate was increased from 2.00% to 3.00%
- Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Year 2006) to Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021.
- The tables used for retirement and termination assumptions were updated to reflect the most recent tables from the New Hampshire Retirement System Comprehensive Annual Financial Report dated June 30, 2019.
- The morbidity assumptions were updated to use the Dale Yamamoto model published by the Society of Actuaries to give a better projection of anticipated costs as adjusted for age.

#### Changes in the Total OPEB Liability

	<u>June 30, 2022</u>
OPEB Liability Beginning of Year	\$ 1,807,438
Changes for the year:	
Service Cost	35,893
Plan Change	-
Interest	43,687
Assumption Changes	(540,736)
Difference Between Actual and Expected Experience	(9,101)
Benefit payments	<u>(47,030)</u>
OPEB Liability End of Year	<u>\$ 1,290,151</u>

#### Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB Liability, calculated using the discount rate of 3.54%, as well as what the total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,515,348	\$ 1,290,151	\$ 1,111,109

## SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

### NOTE 10 – (continued)

#### Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

The following presents the total OPEB Liability, calculated using the trend rate of 7.10%, as well as what the total OPEB Liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	Healthcare Cost Trend Rates		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,087,889	\$ 1,290,151	\$ 1,550,001

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

For the year ended June 30, 2022, the SAU recognized an OPEB expense of \$64,937. As of June 30, 2022, the SAU reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Balance, beginning	\$ 252,948	\$ 41,486	\$ 211,462
Experience Changes	-	9,101	(9,101)
Assumption Changes	-	540,736	(540,736)
Amortization	(180,429)	(195,072)	14,643
Balance, ending	<u>\$ 72,519</u>	<u>\$ 396,251</u>	<u>\$ (323,732)</u>

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

<u>For the Year Ending June 30,</u>	Deferred Outflows	Deferred Inflows	Net
2023	\$ 72,519	\$ 153,586	\$ (81,067)
2024	-	153,586	(153,586)
2025	-	89,079	(89,079)
Total	<u>\$ 72,519</u>	<u>\$ 396,251</u>	<u>\$ (323,732)</u>

### NOTE 10 – (continued)

#### **B. NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY OPEB PLAN**

##### **Plan description**

In addition to the OPEB plan discussed in A. above, the SAU participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS is a public employee retirement system which administers a cost-sharing, multiple-employer other postemployment benefit (OPEB) plan. For additional information, please refer to the system's website at [www.nhrs.org](http://www.nhrs.org).

##### **Benefits**

Benefit amounts and eligibility requirements 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 I State Employees, Group I Political Subdivision Employees, Group I Teachers, and Group II Police and Firefighters. The 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.

Participating employers are required by GASB No. 75 to recognize *their proportionate share* of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense of the Plan. The employer allocation is the ratio of each employer's contribution to the OPEB Plan's total employer contributions during the measurement period.

##### **Contributions**

Funding for the Medical Subsidy comes from employer contributions. Employer contribution rates are set by the NHRS pursuant to RSA 100-A:16, and the biennial actuarial valuation.

##### **Proportionate Share of NHRS Net OPEB Liability**

The SAU's proportionate share of the NHRS Medical Subsidy Net OPEB Liability as of the measurement date was \$28,450. The SAU's proportion of the net OPEB liability was based on the SAU's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. As of June 30, 2022, the SAU's proportion was 0.00710434 percent.

## SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

### NOTE 10 – (continued)

#### Actuarial assumptions and other inputs

The collective total OPEB liability was based on the following actuarial assumptions:

Inflation	2.00%
Salary Increases	5.60% average, including inflation
Wage Inflation	2.75%
Investment rate of return	6.75% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

*Mortality* rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

#### Long-Term Rates of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>2021 Weighted Average Long-Term Expected Real Rate of Return</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
<b>Total Domestic Equity</b>	<b>30.00%</b>	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
<b>Total International Equity</b>	<b>20.00%</b>	
Core US Fixed Income	25.00%	3.60%
<b>Total Fixed Income</b>	<b>25.00%</b>	
Private Equity	10.00%	8.85%
Private Debt	5.00%	7.25%
<b>Total Alternative Investments</b>	<b>15.00%</b>	
<b>Real Estate</b>	<b>10.00%</b>	6.60%
<b>TOTAL</b>	<b><u>100.00%</u></b>	

## SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

### NOTE 10 – (continued)

#### Discount Rate

The discount rate used to measure the collective OPEB liability was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on this assumption, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### Sensitivity of the NHRS Medical Subsidy Net OPEB liability to changes in the discount rate

The following presents the Net OPEB Liability, calculated using the discount rate as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1%		1%
	Decrease	Baseline Rate	Increase
Total OPEB Liability	\$ 30,927	\$ 28,450	\$ 26,295

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

For the year ended June 30, 2022, the SAU recognized an OPEB expense of \$662. As of June 30, 2022, the SAU reported deferred inflows and outflows of resources related to the Net OPEB Liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total exclusive of Employer Contribution
Differences between expected and actual experience	\$ -	\$ 6	\$ (6)
Net differences between projected and actual earnings on OPEB plan investments	-	355	(355)
Changes of assumptions	-	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	-	-
Employer contributions subsequent to the measurement date	3,334	-	NA
Total	\$ 3,334	\$ 361	\$ (361)

## SCHOOL ADMINISTRATIVE UNIT #2

**Notes to Basic Financial Statements**  
**June 30, 2022**

### NOTE 10 – (continued)

Deferred outflows of resources related to OPEB benefits resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liabilities will be recognized in pension expense as follows:

For the Year Ending June 30,	Deferred Outflows/(Inflows)
2023	\$ (87)
2024	(75)
2025	(84)
2026	(115)
Total	<u>\$ (361)</u>

### C. CONSOLIDATED SAU and NHRS OPEB LIABILITIES

The following consolidates the SAU's total OPEB liability and related deferred outflows/inflows of resources, and the SAU's proportionate share of the NHRS Medical Subsidy Net OPEB Liability and related deferred outflows/inflows of resources as of June 30, 2022.

	<b>OPEB Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total OPEB Expense</b>
District OPEB Plan	\$ 1,290,151	\$ 72,519	\$ 396,251	\$ 64,937
NHRS Medical Subsidy OPEB Plan	28,450	3,334	361	662
Total	<u>\$ 1,318,601</u>	<u>\$ 75,853</u>	<u>\$ 396,612</u>	<u>\$ 65,599</u>

# SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 11 - JOINT VENTURE

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

"The District is a member of a joint venture, School Administrative Unit #2, (SAU). The District has an ongoing financial responsibility to fund the annual operations of the SAU along with the other members of the SAU. The SAU administers the operations of the member districts on a shared fee arrangement calculated under a cost allocation formula which is based on equalized property value and average daily enrollment of the member districts. The SAU does not accumulate financial resources and maintains minimal net position."

The member districts and their respective financial responsibility to the SAU for the year ended June 30, 2022, are as follows:

Member School Districts	SAU ASSESSMENT	
	%	Amount
Interlakes	89.71%	\$ 985,309
Ashland	10.29%	112,996
	<u>100.00%</u>	<u>\$ 1,098,305</u>

The financial statements of each of the member Districts are available for public review, by request, at the SAU Office on 103 Main Street, Meredith, NH 03253.

# SCHOOL ADMINISTRATIVE UNIT #2

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 12 - FUND BALANCE COMPONENTS

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

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$ -	\$ -	\$ -
Restricted:	-	-	-
Committed:	-	-	-
Assigned:	2,050	934	2,984
Unassigned:	<u>156,670</u>	<u>-</u>	<u>156,670</u>
	<u>\$ 158,720</u>	<u>\$ 934</u>	<u>\$ 159,654</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

## SCHOOL ADMINISTRATIVE UNIT #2

### Budgetary Comparison Schedule - General Fund Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Budgetary Fund Balance - Beginning</b>	\$ -	\$ -	\$ 47,863	\$ 47,863
Resources (inflows):				
Assessment				
SAU assessment	1,098,305	1,098,305	1,098,305	-
Local sources				
Earnings on investments	500	500	170	(330)
Other	<u>35,000</u>	<u>35,000</u>	<u>110,484</u>	<u>75,484</u>
Amounts available for appropriation	<u>1,133,805</u>	<u>1,133,805</u>	<u>1,256,822</u>	<u>123,017</u>
Charges to appropriations (outflows):				
Executive administration				
SAU management services	<u>1,133,805</u>	<u>1,133,805</u>	<u>1,098,102</u>	<u>35,703</u>
Total charges to appropriations	<u>1,133,805</u>	<u>1,133,805</u>	<u>1,098,102</u>	<u>35,703</u>
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,720</u>	<u>\$ 158,720</u>

See the accompanying notes to the required supplementary information.

## SCHOOL ADMINISTRATIVE UNIT #2

### Schedule of Changes in Implicit and Explicit Rate Subsidy OPEB Liability Year Ended June 30, 2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB Liability Beginning of Year	\$ 1,062,405	\$ 1,082,447	\$ 1,158,047	\$ 1,737,036	\$ 1,807,438
Changes for the Year:					
Service Cost	48,248	46,614	61,173	62,525	35,893
Plan Change	-	-	-	-	-
Interest	37,816	41,646	36,555	38,055	43,687
Assumption Changes	(53,834)	-	379,826	-	(540,736)
Difference Between Actual and Expected Experience	-	-	130,960	-	(9,101)
Benefit payments	<u>(12,188)</u>	<u>(12,660)</u>	<u>(29,525)</u>	<u>(30,178)</u>	<u>(47,030)</u>
Total OPEB Liability End of Year	<u>\$ 1,082,447</u>	<u>\$ 1,158,047</u>	<u>\$ 1,737,036</u>	<u>\$ 1,807,438</u>	<u>\$ 1,290,151</u>
SAU's covered-employee payroll	\$ 551,753	\$ 562,788	\$ 602,876	\$ 614,934	\$ 688,334
Total OPEB Liability as a percentage of covered payroll	196.18%	205.77%	288.12%	293.92%	187.43%

See the accompanying notes to the required supplementary information.

## SCHOOL ADMINISTRATIVE UNIT #2

### Schedules of Proportionate Share and Contributions of the NHRS Net OPEB Liability Year Ended June 30, 2022

#### Schedule of Proportionate Share of Net OPEB Liability New Hampshire Retirement System Medical Subsidy

Fiscal Year	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Net OPEB as a Percentage of Covered Payroll (AAL)	Plan Fiduciary
					Net Position as a Percentage of the Net OPEB Liability
June 30, 2022	0.00710434%	\$ 28,450	\$ 662,932	4%	11.06%
June 30, 2021	0.00709004%	\$ 31,034	\$ 615,949	5%	7.74%
June 30, 2020	0.00847358%	\$ 37,149	\$ 638,844	6%	7.75%
June 30, 2019	0.00459612%	\$ 21,043	\$ 594,963	4%	7.53%
June 30, 2018	0.00302851%	\$ 13,847	\$ 578,854	2%	7.91%

#### Schedule of Medical Subsidy Contributions New Hampshire Retirement System Medical Subsidy

Fiscal Year	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of
					Covered Employee Payroll
June 30, 2022	\$ 3,414	\$ 3,414	\$ -	\$ 662,932	0.51%
June 30, 2021	\$ 3,291	\$ 3,291	\$ -	\$ 615,949	0.53%
June 30, 2020	\$ 3,867	\$ 3,867	\$ -	\$ 638,844	0.61%
June 30, 2019	\$ 2,033	\$ 2,033	\$ -	\$ 594,963	0.34%
June 30, 2018	\$ 1,795	\$ 1,795	\$ -	\$ 578,854	0.31%

See the accompanying notes to the required supplementary information.

## SCHOOL ADMINISTRATIVE UNIT #2

### Schedules of Proportionate Share and Contributions of the Net Pension Liability Year Ended June 30, 2022

#### Schedule of Proportionate Share of the Net Pension Liability New Hampshire Retirement System Net Pension Liability

<b>Fiscal Year</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Net Pension as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
June 30, 2022	0.01635453%	\$ 724,820	\$ 662,932	109.34%	72.22%
June 30, 2021	0.01622404%	\$ 1,037,714	\$ 615,949	168.47%	58.72%
June 30, 2020	0.01778844%	\$ 855,918	\$ 638,844	133.98%	65.59%
June 30, 2019	0.01579647%	\$ 760,632	\$ 594,963	127.85%	64.73%
June 30, 2018	0.01715986%	\$ 843,921	\$ 578,854	145.79%	62.66%
June 30, 2017	0.01687867%	\$ 897,539	\$ 552,076	162.58%	58.30%
June 30, 2016	0.01717997%	\$ 680,589	\$ 529,425	128.55%	65.47%
June 30, 2015	0.01703708%	\$ 639,501	\$ 503,313	127.06%	66.32%
June 30, 2014	0.01716478%	\$ 738,735	\$ 494,448	149.41%	59.81%

#### Schedule of Pension Contributions

##### New Hampshire Retirement System Pension Contributions

<b>Fiscal Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions Relative to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
June 30, 2022	\$ 75,137	\$ 75,137	\$ -	\$ 662,932	11.33%
June 30, 2021	\$ 72,074	\$ 72,074	\$ -	\$ 615,949	11.70%
June 30, 2020	\$ 77,411	\$ 77,411	\$ -	\$ 638,844	12.12%
June 30, 2019	\$ 66,765	\$ 66,765	\$ -	\$ 594,963	11.22%
June 30, 2018	\$ 62,864	\$ 62,864	\$ -	\$ 578,854	10.86%
June 30, 2017	\$ 60,439	\$ 60,439	\$ -	\$ 552,076	10.95%
June 30, 2016	\$ 57,637	\$ 57,637	\$ -	\$ 529,425	10.89%
June 30, 2015	\$ 55,272	\$ 55,272	\$ -	\$ 503,313	10.98%
June 30, 2014	\$ 42,681	\$ 42,681	\$ -	\$ 494,448	8.63%

See the accompanying notes to the required supplementary information.

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

## **SCHOOL ADMINISTRATIVE UNIT #2**

---

**Notes to Required Supplementary Information  
June 30, 2022**

### **NOTE 1 - BUDGETARY INFORMATION**

#### **A. Original Budget**

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

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

##### **Transfers**

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

##### **Encumbrances and Continuing Appropriations**

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

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

#### **C. Final Budget**

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

# SCHOOL ADMINISTRATIVE UNIT #2

Notes to Required Supplementary Information  
June 30, 2022

## 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	\$ 1,256,822
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning unreserved fund (balance) deficit	<u>(47,863)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,208,959</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 1,098,102</u>
Differences - Budget to GAAP:	
There were no budget to GAAP differences for the current year.	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,098,102</u>

## SCHOOL ADMINISTRATIVE UNIT #2

Notes to Required Supplementary Information  
June 30, 2022

### NOTE 3 –REQUIRED OPEB SUPPLEMENTARY INFORMATION

The SAU is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the SAU is required to disclose its obligations for post-employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees (SAU Plan) and medical subsidies to retirees paid by the NHRS (NHRS Medical Subsidy Plan). Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 75 - "Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions" (GASB No. 75). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

SAU OPEB Plan – The SAU plan as described in the notes to the financial statements is required to report as required supplementary information a **Schedule of Changes in Implicit and Explicit Rate Subsidy OPEB Liability** for the 10 most recent years. Subsequent year's information will be added as it becomes available.

NHRS Medical Subsidy OPEB Plan – The NHRS medical subsidy plan as described in the notes to the financial statements is required to report as required supplementary information the following:

- **Schedule of Proportionate Share of NHRS Net Medical Subsidy OPEB Liability**
- **Schedule of Contributions**

The information presented in the *Schedule of Proportionate Share of NHRS Net Medical Subsidy OPEB Liability* is determined as of the measurement date of the Plan.

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

This information is required to be reported for the 10 most recent years. Subsequent year's information will be added as it becomes available.

### NOTE 4 – GASB 68 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

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

- **Schedule of the Proportionate Share of Net Pension Liability**
- **Schedule of Pension Contributions**

The information presented in the *Schedule of the Proportionate Share of Net Pension Liability* is determined as of the measurement date of the Plan.

The information presented in the *Schedule of Pension Contributions* is determined as of the Plan's most recent fiscal year-end.

Subsequent year's information will be added as it becomes available until the ten-year requirement is met.