

SCHOOL ADMINISTRATIVE UNIT #24
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2020
and
Independent Auditor's Report

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

**Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance
Required by the Uniform Guidance**

Schedule of Findings and Questioned Costs

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FINANCIAL STATEMENTS
June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the SAU Board
School Administrative Unit #24

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School Administrative Unit #24 (the "SAU"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the SAU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School Administrative Unit #24, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the SAU's proportionate share of the net OPEB liability, schedule of SAU OPEB contributions, schedule of changes in the SAU's total OPEB liability and related ratios, schedule of changes in the SAU's proportionate share of the net pension liability, and schedule of SAU pension contributions, on pages i-iv and 25-32 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.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2021 on our consideration of the SAU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SAU's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SAU's internal control over financial reporting and compliance.

Vashon Clukay & Company PC

Manchester, New Hampshire
July 20, 2021

**SCHOOL ADMINISTRATIVE UNIT #24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020 AND JUNE 30, 2019**

Presented herewith, please find the Management Discussion & Analysis Report for the School Administrative Unit #24 for the fiscal year ending June 30, 2020. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the SAU's financial position, including the result of operations of all the funds of the SAU. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the SAU's financial activities have been included.

The SAU is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the SAU are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the SAU using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the SAU's financial statements. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the SAU's finances, in a manner similar to most private-sector companies.

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

The statement of activities presents information showing how the SAU's net position changed during the most recent fiscal year. All of the current year's revenue and expenditures are taken into account regardless of when cash is received or paid.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The SAU uses fund accounting to ensure and to

**SCHOOL ADMINISTRATIVE UNIT #24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020 AND JUNE 30, 2019**

demonstrate compliance with finance-related legal requirements. All the funds of the SAU are included in one category: governmental funds.

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

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

The SAU maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and Federal Projects Fund which are considered major funds.

The SAU adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Budgetary information for the Federal Projects Fund has not been presented as it is neither practical nor meaningful.

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

Statement of Net Position

Net position of the SAU as of June 30, 2020 and 2019 are as follows:

**SCHOOL ADMINISTRATIVE UNIT #24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020 AND JUNE 30, 2019**

	Governmental <u>Activities</u> <u>2020</u>	Governmental <u>Activities</u> <u>2019</u>
Current Assets	\$ 297,946	\$ 546,268
Depreciable capital assets, net	4,513	10,533
Total Assets	<u>\$ 302,459</u>	<u>\$ 556,801</u>
Deferred Outflows of Resources	<u>497,502</u>	<u>491,031</u>
Long-term and other liabilities:		
Long-term liabilities	\$ 2,143,871	\$ 1,971,495
Other Liabilities	<u>78,806</u>	<u>170,708</u>
Total Liabilities	<u>2,222,677</u>	<u>2,142,203</u>
Deferred Inflows of Resources	<u>107,165</u>	<u>126,561</u>
Net Position:		
Invested in capital assets	4,513	10,533
Restricted	795	753
Unassigned	<u>(1,535,189)</u>	<u>(1,232,218)</u>
Total Net Position	<u>\$ (1,529,881)</u>	<u>\$ (1,220,932)</u>

Statement of Activities

Changes in net position for fiscal year 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Program revenues:		
Charges for services	\$ 29,906	\$ 65,089
Operating grants and contributions	<u>791,997</u>	<u>\$ 787,260</u>
Total program revenues	<u>821,903</u>	<u>852,349</u>
General revenues:		
Member assessments	1,273,837	1,279,053
Interest and investment earnings	2,173	5,345
Miscellaneous revenues	<u>30,106</u>	<u>27,737</u>
Total general revenues	<u>1,306,116</u>	<u>1,312,135</u>
Total revenues	<u>2,128,019</u>	<u>2,164,484</u>

**SCHOOL ADMINISTRATIVE UNIT #24
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2020 AND JUNE 30, 2019**

	<u>2020</u>	<u>2019</u>
Expenses:		
Instruction	643,997	615,143
Supporting services	-	294
Instructional staff services	199,728	177,592
General administration	880,456	797,584
Business	620,484	549,450
Operation and maintenance of plant	92,303	106,184
Information technology	-	201
Transportation	-	24,511
Total expenses	<u>2,436,968</u>	<u>2,270,959</u>
Change in net position	(308,949)	(106,475)
Net position, beginning of year, as restated	<u>(1,220,932)</u>	<u>(1,114,457)</u>
Net position, end of year	<u>\$ (1,529,881)</u>	<u>\$ (1,220,932)</u>

SAU Activities

As shown in the above statement the SAU experienced a decrease of \$308,949 in its financial position. This decrease partially reflects the pension liabilities the district has accrued.

Capital Assets

School Administrative Unit #24 considers a capital asset to be an asset whose costs exceed or equal \$10,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. See Note 4 in the Basic Financial Statements for a summary of all capital asset activity.

Economic Factors

The COVID-19 Pandemic has had and continues to have a major economic impact on our school district. In 19-20 our expenses decreased with the shift to remote learning. In 20-21 we were faced with many new expenses to our operations which led to an early year budget freeze. Since the districts have received federal funding to address these increased expenditures.

Contacting SAU's Financial Management

This financial report is intended to provide our citizens and creditors with a general overview of School Administrative Unit #24's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact SAU #24 Financial Office at 258 Western Avenue, Henniker NH 03242, telephone (603) 428-3269.

EXHIBIT A
SCHOOL ADMINISTRATIVE UNIT #24
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Current Assets:	
Due from other governments	\$ 297,946
Total Current Assets	<u>297,946</u>
Noncurrent Assets:	
Capital assets:	
Depreciable capital assets, net	4,513
Total Noncurrent Assets	<u>4,513</u>
Total Assets	<u>302,459</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	34,942
Deferred outflows related to pension	<u>462,560</u>
Total Deferred Outflows of Resources	<u>497,502</u>
LIABILITIES	
Current Liabilities:	
Cash overdraft	20,193
Accounts payable	26,973
Accrued expenses	25,941
Due to other governments	2,699
Operating lease payable	<u>3,000</u>
Total Current Liabilities	<u>78,806</u>
Noncurrent Liabilities:	
OPEB liability	196,086
Net pension liability	<u>1,947,785</u>
Total Noncurrent Liabilities	<u>2,143,871</u>
Total Liabilities	<u>2,222,677</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	2,532
Deferred inflows related to pension	<u>104,633</u>
Total Deferred Inflows of Resources	<u>107,165</u>
NET POSITION	
Invested in capital assets	4,513
Restricted	795
Unrestricted (deficit)	<u>(1,535,189)</u>
Total Net Position	<u><u>\$ (1,529,881)</u></u>

See accompanying notes to the basic financial statements

EXHIBIT B
SCHOOL ADMINISTRATIVE UNIT #24
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 643,997		\$ 606,949	\$ (37,048)
Instructional staff services	199,728	\$ 29,906	166,320	(3,502)
General administration	880,456		18,728	(861,728)
Business	620,484			(620,484)
Operation and maintenance of plant	<u>92,303</u>			<u>(92,303)</u>
Total governmental activities	<u>\$ 2,436,968</u>	<u>\$ 29,906</u>	<u>\$ 791,997</u>	<u>(1,615,065)</u>
General revenues:				
Member assessments				1,273,837
Interest income				2,173
Miscellaneous				<u>30,106</u>
Total general revenues				<u>1,306,116</u>
Change in net position				(308,949)
Net Position at beginning of year				<u>(1,220,932)</u>
Net Position at end of year				<u>\$ (1,529,881)</u>

See accompanying notes to the basic financial statements

EXHIBIT C
SCHOOL ADMINISTRATIVE UNIT #24
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Federal Projects Fund	Nonmajor Governmental Fund	Total Governmental Funds
Assets:				
Due from other governments	\$ 27,111	\$ 262,279	\$ 8,556	\$ 297,946
Due from other funds	245,975		15,509	261,484
Total Assets	<u>273,086</u>	<u>262,279</u>	<u>24,065</u>	<u>559,430</u>
Deferred Outflows of Resources:				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 273,086</u>	<u>\$ 262,279</u>	<u>\$ 24,065</u>	<u>\$ 559,430</u>
Liabilities:				
Cash overdraft	\$ 20,193			\$ 20,193
Accounts payable	26,973			26,973
Accrued expenses	25,941			25,941
Due to other governments	2,699			2,699
Due to other funds		\$ 261,484		261,484
Total Liabilities	<u>75,806</u>	<u>261,484</u>	<u>\$ -</u>	<u>337,290</u>
Deferred Inflows of Resources:				
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted		795		795
Assigned			24,065	24,065
Unassigned	197,280			197,280
Total Fund Balances	<u>197,280</u>	<u>795</u>	<u>24,065</u>	<u>222,140</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 273,086</u>	<u>\$ 262,279</u>	<u>\$ 24,065</u>	<u>\$ 559,430</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
SCHOOL ADMINISTRATIVE UNIT #24
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 222,140
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,513
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB	34,942
Deferred outflows of resources related to pension	462,560
Deferred inflows of resources related to OPEB	(2,532)
Deferred inflows of resources related to pension	(104,633)
Operating leases with scheduled rent increases are recognized on the straight line basis over the life of the lease, not as payments are made.	(3,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
OPEB liability	(196,086)
Net pension liability	<u>(1,947,785)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ (1,529,881)</u>

See accompanying notes to the basic financial statements

EXHIBIT D
SCHOOL ADMINISTRATIVE UNIT #24
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General <u>Fund</u>	Federal Projects <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues:				
Member assessments	\$ 1,273,837			\$ 1,273,837
Intergovernmental		\$ 791,997		791,997
Charges for services			\$ 29,906	29,906
Interest income	2,173			2,173
Miscellaneous	29,606	500		30,106
Total Revenues	<u>1,305,616</u>	<u>792,497</u>	<u>29,906</u>	<u>2,128,019</u>
Expenditures:				
Current operations:				
Instruction		606,949		606,949
Instructional staff services		166,320	32,997	199,317
General administration	790,063	19,186		809,249
Business	570,621			570,621
Operation and maintenance of plant	95,303			95,303
Total Expenditures	<u>1,455,987</u>	<u>792,455</u>	<u>32,997</u>	<u>2,281,439</u>
Net change in fund balances	(150,371)	42	(3,091)	(153,420)
Fund Balances at beginning of year	<u>347,651</u>	<u>753</u>	<u>27,156</u>	<u>375,560</u>
Fund Balances at end of year	<u>\$ 197,280</u>	<u>\$ 795</u>	<u>\$ 24,065</u>	<u>\$ 222,140</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
SCHOOL ADMINISTRATIVE UNIT #24
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ (153,420)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.	(6,020)
Governmental funds report operating leases with scheduled rent increases as expenditures when payments are made. However, in the statement of activities, the rental payments must be recognized on a straight-line basis over the life of the operating lease. This is the amount by which scheduled rent payments differed from the straight-line basis in the current period.	3,000
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	(15,601)
Net changes in pension	<u>(136,908)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (308,949)</u>

See accompanying notes to the basic financial statements

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School Administrative Unit #24 conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The School Administrative Unit #24 (SAU) is an independent governmental entity organized under the laws of the State of New Hampshire to provide administrative services to Weare, Henniker, Stoddard, and John Stark Regional School Districts. The SAU's legislative body consists of School Board members from the member Districts. The SAU has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The SAU's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the SAU as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the SAU at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the SAU's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that are required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the SAU. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the SAU.

2. Fund Financial Statements:

During the year, the SAU segregates transactions related to certain SAU functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the SAU at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

Fund Accounting

The SAU uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The SAU solely employs the use of governmental funds.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the SAU's major governmental funds:

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

The *Federal Projects Fund* accounts for the financial resources related to various state and federal grants and the related expenditures.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of the SAU are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the SAU, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the SAU receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the SAU must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the SAU on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest and grants.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

2. Expenses/Expenditures:

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

Budgetary Data

The SAU's budget represents functional appropriations as authorized by annual SAU Board meetings. The SAU's board may transfer funds between operating categories as they deem necessary. The SAU adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but allows the use of beginning fund balance to reduce the member assessments. For the year ended June 30, 2020, the SAU applied \$110,000 of its unassigned fund balance to reduce member assessments.

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The SAU maintains a capitalization threshold of \$10,000. The SAU does not possess any infrastructure or intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Type</u>	<u>Years</u>
Accounting software and equipment	3-5

Compensated Absences

SAU employees may accumulate sick leave days at a rate of 15 days per year, cumulative to a maximum of 90 days. The Board will buy back up to 30 accumulated sick days at a maximum of \$10,000. Payment for unused sick leave is made upon termination if the employee has been there for at least 15 years and provides written notice of intent to retire by November 1st of the year prior to anticipated retirement. Provision for sick leave is made in the annual budget. Certain support staff earn vacation at ten to twenty days per year dependent on length of service. Vacation must be taken within ninety days of year end or is forfeited.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SAU or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of investment in capital assets or the restricted components of net position.

The SAU's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

The SAU has segregated fund balance into five classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Non-spendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- *Assigned Fund Balance*: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*: Amounts that are available for any purpose; these amounts are reported only in the General Fund, with the exception of any deficit balance of another governmental fund.

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—CASH OVERDRAFT

At June 30, 2020, the SAU had a negative cash balance of \$20,193. This was a result of the timing of the receipt of grant reimbursements from the State and SAU University reimbursements from other Districts.

NOTE 3—DEPOSITS

The SAU's investment policy for governmental funds requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The SAU's deposits with financial institutions consist solely of demand deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the SAU's deposits may not be returned. The SAU requires that all deposits be either insured or collateralized by securities.

Of the SAU's deposits with financial institutions at year end, \$0 was collateralized by securities held by the bank in the bank's name.

NOTE 4—CAPITAL ASSETS

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

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2020</u>
Capital assets:				
Accounting software and equipment	\$ 88,703			\$ 88,703
Total capital assets at historical cost	<u>88,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>88,703</u>
Less accumulated depreciation for:				
Accounting software and equipment	(78,170)	(6,020)		(84,190)
Total accumulated depreciation	<u>(78,170)</u>	<u>(6,020)</u>	<u>-</u>	<u>(84,190)</u>
Total capital assets, net	<u>\$ 10,533</u>	<u>\$ (6,020)</u>	<u>\$ -</u>	<u>\$ 4,513</u>

Depreciation expense was charged to governmental functions as follows:

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

Instruction	\$ 3,868
General administration	<u>2,152</u>
	<u>\$ 6,020</u>

NOTE 5—OTHER POSTEMPLOYMENT BENEFITS

Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense

	<u>Deferred Outflows</u>	<u>OPEB Liability</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 18,210	\$ 116,308	\$ 333	\$ 21,269
Single Employer Plan	<u>16,732</u>	<u>79,778</u>	<u>2,199</u>	<u>10,924</u>
Total	<u>\$ 34,942</u>	<u>\$ 196,086</u>	<u>\$ 2,532</u>	<u>\$ 32,193</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$32,410.

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

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

The OPEB Plan is divided into four membership types. Political subdivision employees, teachers and State employees belong to Group I. Police officers and firefighters belong to Group II. The OPEB plan is closed to new entrants.

Benefits Provided

Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The 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.

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two-person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The SAU's contribution rates for the covered payroll of political subdivision employees and teachers were 0.29% and 1.81%, respectively, for the year ended June 30, 2020. Contributions to the OPEB plan for the SAU were \$16,131 for the year ended June 30, 2020. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the SAU reported a liability of \$116,308 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2018. The SAU's proportion of the net OPEB liability was based on actual contributions by the SAU during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2019, the SAU's proportion was approximately 0.0265 percent, which was an increase of 0.0043 percentage points from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the SAU recognized OPEB expense of \$21,269. At June 30, 2020, the SAU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 202
Net difference between projected and actual earnings on OPEB plan investments		131
Changes in proportion and differences between SAU contributions and proportionate share of contributions	\$ 2,079	
SAU contributions subsequent to the measurement date	<u>16,131</u>	
Totals	<u>\$ 18,210</u>	<u>\$ 333</u>

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

The SAU reported \$16,131 as deferred outflows of resources related to OPEB resulting from SAU contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2020	\$ 1,790
2021	(87)
2022	9
2023	34
	<u>\$ 1,746</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Wage inflation	3.25 percent (3.00% for Teachers)
Salary increases	5.60 percent, average, including inflation
Investment rate of return	7.25 percent per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

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

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

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. 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>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
Fixed income	25%	1.12-2.46%
International equity	20%	4.50-6.00%
Alternative investments	15%	4.86-7.90%
Real estate	10%	3.00%
	<u>100%</u>	

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

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

Sensitivity of the SAU's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the SAU's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the SAU's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB liability	\$ 126,154	\$ 116,308	\$ 107,753

SINGLE EMPLOYER PLAN

Plan Description

The SAU administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The SAU provides medical benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a state-wide health insurance consortium. HealthTrust Inc. is a non-profit organization with an employee benefits pool devoted exclusively to serving New Hampshire municipal, school, and county governments. Employees hired before July 1, 2011 must meet one of the following eligibility requirements: age 60 or older with no minimum service requirements, age 50 with 10 years of service, or age plus service equals 70 with a minimum of 20 years of service. Employees hired on or after July 1, 2011 must meet the following eligibility requirements: age 65 regardless of years of creditable service, or age 60 with at least 30 years of service. Retirees and their covered spouses pay the full cost of the medical premium. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50.

Employees Covered by Benefit Terms

As of July 1, 2019, the following employees were covered by the benefit terms:

Active employees	<u>15</u>
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SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

Total OPEB Liability

The SAU's total OPEB liability of \$79,778 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the July 1, 2019 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.00 percent
Discount rate	2.21 percent
Healthcare cost trend rates	(2.70) percent for 2020, increasing to 9.5%, then decreasing 0.50% per year to an ultimate rate of 5.00% by year 2030

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, 2020.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (base year 2006). The actuarial assumptions used in the July 1, 2019 valuation were based on the results of the most recent actuarial experience study performed July 1, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	\$ 52,646
Changes for the year:	
Service cost	4,438
Interest	1,634
Assumption changes	23,506
Differences between expected and actual experience	(1,987)
Benefit payments	(459)
Net changes	<u>27,132</u>
Balance at June 30, 2020	<u>\$ 79,778</u>

Changes in assumptions reflect a decrease in the discount rate from 3.58% as of June 30, 2019 to 2.21% as of June 30, 2020. Mortality tables were updated from RP-2000 Projected 10 years using Projection Scale AA to SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006).

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the SAU, as well as what the SAU's total OPEB 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 discount rate:

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 87,603	\$ 79,778	\$ 72,250

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the SAU, as well as what the SAU's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease (-3.70% increasing to 4.00%)	Healthcare Cost Trend Rates (-2.70% increasing to 5.00%)	1% Increase (-1.70% increasing to 6.00%)
Total OPEB liability	\$ 67,970	\$ 79,778	\$ 93,906

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

For the year ended June 30, 2020, the SAU recognized OPEB expense of \$10,924. At June 30, 2020, the SAU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 2,199
Changes of assumptions	\$ 16,732	
Totals	\$ 16,732	\$ 2,199

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

<u>June 30,</u>	
2021	\$ 5,416
2022	6,201
2023	2,916
	<u>\$ 14,533</u>

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

The SAU contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

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

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Benefits Provided

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

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 January 1, 2012. 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 services as follows:

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Funding Policy

Plan members are required to contribute 7.0% of their covered salary and the SAU is required to contribute at an actuarially determined rate. The SAU's pension contribution rates for the covered payroll of teachers and general employees were 15.99% and 10.88%, respectively, for the year ended

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

June 30, 2020. The SAU contributes 100% of the employer cost for teachers and general employees of the SAU.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The SAU's pension contributions to the NHRS for the year ended June 30, 2020, were \$206,129.

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

At June 30, 2020, the SAU reported a liability of \$1,947,785 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2018. The SAU's proportion of the net pension liability was based on actual contributions by the SAU during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2019, the SAU's proportion was approximately 0.0405 percent, which was an increase of 0.0029 percentage points from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the SAU recognized pension expense of \$343,108. At June 30, 2020, the SAU reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 10,770	\$ 41,883
Changes of assumptions	69,886	
Net difference between projected and actual earnings on pension plan investments		15,911
Changes in proportion and differences between SAU contributions and proportionate share of contributions	175,775	46,839
SAU contributions subsequent to the measurement date	206,129	
Totals	<u>\$ 462,560</u>	<u>\$ 104,633</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$357,927. The SAU reported \$206,129 as deferred outflows of resources related to pension resulting from SAU contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense for the measurement periods as follows:

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

Year ended	
<u>June 30,</u>	
2020	\$ 136,846
2021	(20,971)
2022	9,538
2023	26,385
	<u>\$ 151,798</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions:

Inflation	2.50 percent
Wage inflation	3.25 percent (3.00% for Teachers)
Salary increases	5.60 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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 asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
Fixed income	25%	1.12-2.46%
International equity	20%	4.50-6.00%
Alternative investments	15%	4.86-7.90%
Real estate	10%	3.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

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 contributions are projected based on the expected payroll of current members only. 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 benefit payments to determine the collective pension liability.

Sensitivity of the SAU's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the SAU's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the SAU's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
SAU's proportionate share of the net pension liability	\$ 2,608,165	\$ 1,947,785	\$ 1,401,987

NOTE 7—INTERFUND BALANCES

The SAU has combined the cash resources of its General Fund, Federal Projects Fund, and Nonmajor Governmental Fund. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. At June 30, 2020 the SAU had the following interfund balances:

	Due from Federal Projects Fund
Due to General Fund	\$ 245,975
Nonmajor Governmental Fund	<u>15,509</u>
Totals	<u>\$ 261,484</u>

NOTE 8—RESTRICTED NET POSITION

Net position of governmental activities is restricted for specific purposes at June 30, 2020 as follows:

Federal Projects Fund - Donations	<u>\$ 795</u>
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NOTE 9—COMPONENTS OF FUND BALANCE

The components of the SAU's fund balance for its governmental funds at June 30, 2020 are as follows:

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

<u>Fund Balances</u>	<u>General Fund</u>	<u>Federal Projects Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Restricted for:				
Donations		\$ 795		\$ 795
Assigned for:				
SAU University			\$ 24,065	24,065
Unassigned	\$ 197,280			197,280
	<u>\$ 197,280</u>	<u>\$ 795</u>	<u>\$ 24,065</u>	<u>\$ 222,140</u>

NOTE 10—RISK MANAGEMENT

The SAU is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year ended June 30, 2020, the SAU was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2020.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member school districts, school administrative units, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the SAU shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member school districts, school administrative units, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2020

NOTE 11—CONTINGENT LIABILITIES

Federal Grants

The SAU participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the SAU expects such amounts, if any, to be immaterial.

Litigation

There may be various claims and suits pending against the SAU, which arise in the normal course of the SAU's activities. In the opinion of SAU management, any potential claims against the SAU, which are not covered by insurance are immaterial and would not affect the financial position of the SAU.

NOTE 12—COMMITMENTS

In March 2011, the SAU entered into an agreement to lease office space through June 30, 2021. The payment terms are \$3,250 per month for the base rent for the first five (5) years and \$3,750 per month for the base rent for the second five (5) years. Total rent expenditures for the year ended June 30, 2020 were \$45,000. The minimum future payments are \$45,000 for the next fiscal year ending in 2021.

SCHEDULE 1

SCHOOL ADMINISTRATIVE UNIT #24

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis) - General Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Favorable (Unfavorable)
Revenues:				
Member assessments	\$ 1,273,837	\$ 1,273,837	\$ 1,273,837	\$ -
Interest income	3,500	3,500	2,173	(1,327)
Miscellaneous	<u>32,000</u>	<u>32,000</u>	<u>29,606</u>	<u>(2,394)</u>
Total Revenues	<u>1,309,337</u>	<u>1,309,337</u>	<u>1,305,616</u>	<u>(3,721)</u>
Expenditures:				
Current operations:				
General administration	887,904	778,713	790,063	(11,350)
Business	435,432	544,623	570,621	(25,998)
Operation and maintenance of plant	<u>96,001</u>	<u>96,001</u>	<u>95,303</u>	<u>698</u>
Total Expenditures	<u>1,419,337</u>	<u>1,419,337</u>	<u>1,455,987</u>	<u>(36,650)</u>
Net change in fund balance	(110,000)	(110,000)	(150,371)	(40,371)
Fund Balances at beginning of year				
- Budgetary Basis	<u>347,651</u>	<u>347,651</u>	<u>347,651</u>	<u>-</u>
Fund Balances at end of year				
- Budgetary Basis	<u>\$ 237,651</u>	<u>\$ 237,651</u>	<u>\$ 197,280</u>	<u>\$ (40,371)</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

SCHOOL ADMINISTRATIVE UNIT #24

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

For the Year Ended June 30, 2020

<u>Measurement Period Ended</u>	<u>SAU's Proportion of the Net OPEB Liability</u>	<u>SAU's Proportionate Share of the Net OPEB Liability</u>	<u>SAU's Covered Payroll</u>	<u>SAU's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2019	0.02652952%	\$ 116,308	\$ 1,341,546	8.67%	7.75%
June 30, 2018	0.02225715%	\$ 101,903	\$ 1,247,417	8.17%	7.53%
June 30, 2017	0.02613123%	\$ 119,481	\$ 1,243,642	9.61%	7.91%
June 30, 2016	0.02232984%	\$ 108,100	\$ 1,214,194	8.90%	5.21%

See accompanying notes to the required supplementary information

SCHEDULE 3
SCHOOL ADMINISTRATIVE UNIT #24
Schedule of SAU OPEB Contributions
For the Year Ended June 30, 2020

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>SAU's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	\$ 16,131	\$ (16,131)	\$ -	\$ 1,533,530	1.05%
June 30, 2019	\$ 12,105	\$ (12,105)	\$ -	\$ 1,341,546	0.90%
June 30, 2018	\$ 9,845	\$ (9,845)	\$ -	\$ 1,247,417	0.79%
June 30, 2017	\$ 15,488	\$ (15,488)	\$ -	\$ 1,243,642	1.25%
June 30, 2016	\$ 13,210	\$ (13,210)	\$ -	\$ 1,214,194	1.09%

See accompanying notes to the required supplementary information

SCHEDULE 4

SCHOOL ADMINISTRATIVE UNIT #24

Schedule of Changes in the SAU's Total OPEB Liability and Related Ratios

For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 4,438	\$ 2,953	\$ 2,895
Interest	1,634	1,773	1,730
Changes of assumptions or other inputs	23,506	-	-
Differences between expected and actual experience	(1,987)	(882)	(2,044)
Benefit payments	<u>(459)</u>	<u>(1,470)</u>	<u>(1,255)</u>
Net change in total OPEB liability	27,132	2,374	1,326
Total OPEB liability at beginning of year	<u>52,646</u>	<u>50,272</u>	<u>48,946</u>
Total OPEB liability at end of year	<u>\$ 79,778</u>	<u>\$ 52,646</u>	<u>\$ 50,272</u>
Covered employee payroll	\$ 970,193	\$ 940,860	\$ 940,860
Total OPEB liability as a percentage of covered employee payroll	8.22%	5.60%	5.34%
<u>Significant Actuarial Assumptions</u>			
Discount rate	2.21%	3.58%	3.58%
Health cost trend rates:			
Initial	(2.70%) - 2019	(0.10%) - 2017	(0.10%) - 2017
Ultimate	5.0% - 2030	5.0% - 2028	5.0% - 2028
Mortality data set	SOA RP-2014	RP-2000	RP-2000
Mortality improvement scale	MP-2019	AA	AA

See accompanying notes to the required supplementary information

SCHEDULE 5

SCHOOL ADMINISTRATIVE UNIT #24

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

For the Year Ended June 30, 2020

<u>Measurement Period Ended</u>	<u>SAU's Proportion of the Net Pension Liability</u>	<u>SAU's Proportionate Share of the Net Pension Liability</u>	<u>SAU's Covered Payroll</u>	<u>SAU's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2019	0.04048057%	\$ 1,947,785	\$ 1,341,546	145.19%	65.59%
June 30, 2018	0.03760892%	\$ 1,810,946	\$ 1,247,417	145.18%	64.73%
June 30, 2017	0.03938682%	\$ 1,937,041	\$ 1,243,642	155.76%	62.66%
June 30, 2016	0.03925418%	\$ 2,087,378	\$ 1,214,194	171.91%	58.30%
June 30, 2015	0.03258129%	\$ 1,290,717	\$ 1,009,217	127.89%	65.47%
June 30, 2014	0.02925447%	\$ 1,098,092	\$ 887,177	123.77%	66.32%
June 30, 2013	0.02727660%	\$ 1,173,926	\$ 792,407	148.15%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 6
SCHOOL ADMINISTRATIVE UNIT #24
Schedule of SAU Pension Contributions
For the Year Ended June 30, 2020

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>SAU's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	\$ 206,129	\$ (206,129)	\$ -	\$ 1,533,530	13.44%
June 30, 2019	\$ 176,093	\$ (176,093)	\$ -	\$ 1,341,546	13.13%
June 30, 2018	\$ 158,957	\$ (158,957)	\$ -	\$ 1,247,417	12.74%
June 30, 2017	\$ 144,291	\$ (144,291)	\$ -	\$ 1,243,642	11.60%
June 30, 2016	\$ 138,517	\$ (138,517)	\$ -	\$ 1,214,194	11.41%
June 30, 2015	\$ 109,306	\$ (109,306)	\$ -	\$ 1,009,217	10.83%
June 30, 2014	\$ 94,908	\$ (94,908)	\$ -	\$ 887,177	10.70%
June 30, 2013	\$ 67,824	\$ (67,824)	\$ -	\$ 792,407	8.56%

See accompanying notes to the required supplementary information

SCHOOL ADMINISTRATIVE UNIT #24
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the SAU. Those amounts may differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). There were no such budgetary differences to be reported for the year ended June 30, 2020.

Major Special Revenue Fund

Budgetary information in these financial statements has been presented only for the General Fund as the budgetary information is neither practical nor meaningful for the Federal Projects Fund.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

During the year ended June 30, 2020, the SAU overdrafted its appropriations as follows:

Total appropriations	\$ 1,419,337
Budgetary expenditures	<u>(1,455,987)</u>
Overdraft	<u>\$ (36,650)</u>

NOTE 3—SCHEDULE OF CHANGES IN THE SAU'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF SAU OPEB CONTRIBUTIONS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the SAU is required to disclose historical information for each of the prior ten years within a schedule of changes in the SAU's proportionate share of the net OPEB liability, and schedule of SAU OPEB contributions. The SAU implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

NOTE 4—SCHEDULE OF CHANGES IN THE SAU'S TOTAL OPEB LIABILITY AND RELATED RATIOS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the SAU is required to disclose historical information for each of the prior ten years within a schedule of changes in the SAU's total OPEB liability and related ratios. The SAU implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

SCHOOL ADMINISTRATIVE UNIT #24**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

June 30, 2020

NOTE 5—SCHEDULE OF CHANGES IN THE SAU'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF SAU PENSION CONTRIBUTIONS

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the SAU is required to disclose historical information for each of the prior ten years within a schedule of changes in the SAU's proportionate share of the net pension liability, and schedule of SAU pension contributions. The SAU implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

Change in Actuarial Assumptions

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE I
SCHOOL ADMINISTRATIVE UNIT #24
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<u>Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF EDUCATION		
Pass Through Payments from New Hampshire Department of Education		
Title I Grants to Local Educational Agencies	84.010	
#20190211		\$ 13,264
#20200138		49,794
#20200140		88,742
#20200141		11,000
#20200211		67,727
		<u>230,527</u>
 <i>Special Education Cluster (IDEA):</i>		
Special Education - Grants to States	84.027	
#82508		4,219
#92602		168,114
#202588		361,644
		<u>533,977</u>
 Special Education - Preschool Grants		
	84.173	
#82508		1,933
#92602		17,807
#202647		7,753
		<u>27,493</u>
<i>Total Special Education Cluster (IDEA)</i>		<u>561,470</u>
Total Department of Education		<u>791,997</u>
Total Expenditures of Federal Awards		<u><u>\$ 791,997</u></u>

See notes to schedule of expenditures of federal awards

SCHOOL ADMINISTRATIVE UNIT #24**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2020

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the School Administrative Unit #24 (the “SAU”) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the SAU, it is not intended to and does not present the financial position or changes in net position of the SAU.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the SAU’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

The SAU has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Independent Auditor's Report

To the SAU Board
School Administrative Unit #24

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School Administrative Unit #24, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise School Administrative Unit #24's basic financial statements, and have issued our report thereon dated July 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School Administrative Unit #24's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School Administrative Unit #24's internal control. Accordingly, we do not express an opinion on the effectiveness of School Administrative Unit #24's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Administrative Unit #24's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Vachon Clukay & Company PC

Manchester, New Hampshire
July 20, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the SAU Board
School Administrative Unit #24

Report on Compliance for Each Major Federal Program

We have audited School Administrative Unit #24's (the "SAU") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the SAU's major federal programs for the year ended June 30, 2020. The SAU's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of School Administrative Unit #24's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the SAU's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of School Administrative Unit #24's compliance.

Opinion on Each Major Federal Program

In our opinion, School Administrative Unit #24 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of School Administrative Unit #24 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the SAU's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the SAU's internal control over compliance.

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

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

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

Vashon Clukay & Company PC

Manchester, New Hampshire
July 20, 2021

School Administrative Unit #24
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified – all reporting units

Internal control over financial reporting:

Material weakness(es) identified? _____yes X no
Significant deficiency(ies) identified? _____yes X none reported

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____yes X no
Significant deficiency(ies) identified? _____yes X none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B program: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II--Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III--Federal Award Findings and Questioned Costs

There were no findings and questioned costs as defined under 2 CFR 200.516(a).