

**SCHOOL ADMINISTRATIVE UNIT NO. 70**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018**

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**TABLE OF CONTENTS**

		<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....		1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....		3 - 7
 <b>BASIC FINANCIAL STATEMENTS</b> 		
<b>Government-wide Financial Statements</b>		
A	Statement of Net Position .....	8
B	Statement of Activities.....	9
<b>Fund Financial Statements</b>		
<i>Governmental Fund</i>		
C-1	Balance Sheet.....	10
C-2	Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position .....	11
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	12
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund to the Statement of Activities.....	13
<i>Budgetary Comparison Information</i>		
D	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	14
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS</b> .....		15 - 31
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b> 		
E	Schedule of the School Administrative Unit's Proportionate Share of Net Pension Liability .....	32
F	Schedule of School Administrative Unit Contributions - Pensions .....	33
<b>NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY</b> .....		34
G	Schedule of the School Administrative Unit's Proportionate Share of Net Other Postemployment Benefits Liability .....	35
H	Schedule of School Administrative Unit Contributions – Other Postemployment Benefits.....	36
I	Schedule of Changes in the School Administrative Unit's Total Other Postemployment Benefits Liability and Related Ratios .....	37
<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY</b> .....		38
 <b>INDIVIDUAL FUND SCHEDULES</b> 		
<b>Governmental Fund</b>		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	39
2	Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis).....	40
3	Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) .....	41



# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the School Administrative Unit Board  
School Administrative Unit No. 70  
Hanover, New Hampshire

We have audited the accompanying financial statements of the governmental activities and major fund of the School Administrative Unit No. 70 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School Administrative Unit's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and major fund of the School Administrative Unit No. 70, as of June 30, 2018, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 2-B to the financial statements, in fiscal year 2018 the School Administrative Unit adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the School Administrative Unit's Proportionate Share of Net Pension Liability,

***School Administrative Unit No. 70  
Independent Auditor's Report***

- Schedule of School Administrative Unit Contributions – Pensions,
- Schedule of the School Administrative Unit's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of the School Administrative Unit Contributions – Other Postemployment Benefits,
- Schedule of Changes in the School Administrative Unit's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information** – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Administrative Unit No. 70's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

March 5, 2019

*Plodzik & Sanderson  
Professional Association*

**SCHOOL ADMINISTRATIVE UNIT #70**  
**Administrative Agent for the**  
**Hanover, New Hampshire; Norwich, Vermont; and Dresden Interstate School Districts**

**Management’s Discussion and Analysis (MD&A)**  
**of the**  
**Annual Financial Report For The Year Ended June 30, 2018**

The Superintendent of Schools and Business Administrator of School Administrative Unit (SAU) #70 offer readers of the SAU’s annual financial statements this narrative discussion and analysis of the financial activities of the SAU for the fiscal year, which ended June 30, 2018. This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statements 34 (GASB 34) and 68, as well as recently adopted GASB Statement 75. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual audited report.

In New Hampshire, the state legislature created School Administrative Units as a means of providing professional management support for groups of the many small school districts throughout the State. SAU 70 is unique in the State of New Hampshire in that of its three member districts, one—Norwich—is a Vermont School District. A second, the Dresden School District, is an “interstate school district” which accepts students from both New Hampshire and Vermont. Thus, SAU 70’s service and administrative mandate actually crosses state boundaries, managing schools in two separate states, according to the laws and regulations of those two states.

The School District implemented Governmental Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$180,774 for the District’s local and state plans to retroactively report the increase in the net OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

## **FINANCIAL HIGHLIGHTS**

The SAU’s total net position for the year ending June 30, 2018, was (\$1,382,379). Net position decreased by (\$39,282) or 2.9% between July 1, 2017 and June 30, 2018. The SAU’s total net position consisted of \$8,479 of capital assets, and (\$1,390,858) of unrestricted net position. Under GASB 68, the SAU’s long-term obligations include its pro-rata share of the unfunded liability of in the New Hampshire Retirement System. Under GASB 75, as in other years, significant liability arises from Other Post Employment Benefits. Under GASB 34, these liabilities are reflected as a reduction in net position. Under New Hampshire state law, the SAU is prohibited from issuing bonds.

During the year, the SAU’s operating expenses of \$1,497,081 were \$39,282 more than operating revenues of \$1,457,799. Revenues consist primarily of assessments to the three member districts, but the SAU also has a small amount of miscellaneous income.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve to be an introduction to the SAU’s annual financial report, which consists of basic financial statements, notes and related financial and compliance information. The SAU’s annual financial report consists of four elements: (1) government-wide financial statements; (2) fund financial statements (3) notes to the financial statements; and (4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the SAU based upon measurement focus and basis of accounting. The first two statements are government-wide financial statements that provide both long-term and short-term information about the SAU's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the SAU, reporting the SAU's operations in more detail than the government-wide statements. The governmental fund statements tell how the SAU's services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### ***Government-Wide Financial Statements***

The Government-wide Financial Statements show functions of the SAU that are principally supported by district assessments as Governmental Activities. These functions are also accounted for in the General Fund. The governmental activities of the SAU include superintendent services, special education administration, technology, curriculum development, and business support services including accounting, payroll, and financial reporting.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund definitions are part of a state and federal mandated uniform accounting system and chart of accounts for all New Hampshire SAU's. The SAU uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The SAU has only one fund, the General Fund. General Fund expenditures are compared to budget in the Budgetary and Actual schedule, Exhibit D.

### ***Notes to the Financial Statements***

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The government-wide financial statements—the Statement of Net Position (Exhibit A) and Statement of Activities (Exhibit B) provide a comprehensive summary of governmental activities. The Statement of Net Position may serve, over time, as a useful indicator of a government's financial position. At June 30, 2018, unrestricted net position of the SAU totaled (\$1,382,379). The School District's negative net position is due to the following: beginning on June 30, 2015, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the School District to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.

Unrestricted net position also includes GASB 75's Other Post Employment Benefits. The SAU has no real property—land or buildings—but rather operates out of space at the Dresden School District's Hanover High School. Finally, the SAU's net position reflects its investment in machinery and equipment for accounting and administrative operations, less any related debt used to acquire those assets that is still

outstanding. The SAU uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the SAU's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the net position is invested in capital assets. The SAU's investment in capital assets (furniture, machinery, and technology equipment) is reported net of accumulated depreciation and net of related debt.

***Comparative Statement of Changes in Net Position***

The SAU's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention thus the depreciated value of an SAU asset, as reflected in these reports, does not reflect an asset's useful, market or replacement value. A Statement of Comparative Net Position for the periods ending June 30, 2017, and June 30, 2018 is shown below.

	<u>2018</u>	(as restated) <u>2017</u>	Increase (Decrease)
Current assets	\$ 32,995	\$ 13,569	\$ 19,426
Non-current assets	8,479	14,948	(6,469)
<b>Total assets</b>	<b>41,474</b>	<b>28,517</b>	<b>12,957</b>
Deferred outflows of resources	313,562	494,491	(180,929)
Current liabilities	2,466	3,652	(1,186)
Non-current liabilities	1,606,122	1,734,664	(128,542)
<b>Total liabilities</b>	<b>1,608,588</b>	<b>1,738,316</b>	<b>(129,728)</b>
Deferred inflows of resources	128,827	127,789	1,038
Net Investment in Capital Assets	8,479	14,948	(6,469)
Restricted Net Position		-	-
Unrestricted Net Position	(1,390,858)	(1,358,045)	(32,813)
<b>Total Net Position</b>	<b>\$ (1,382,379)</b>	<b>\$ (1,343,097)</b>	<b>\$ (39,282)</b>

***Statement of Activities***

The Statement of Activities provides an important record of overall expenditures and revenues for the fiscal year. During the 2017-18 year the SAU's total expenses were \$1,497,081, and total revenues were \$1,457,799 resulting in a decrease in net position of \$39,282. The largest share of revenue, \$1,444,318, was from district assessments. The SAU's expenses were entirely for executive administration.

### Comparative Statement of Changes in Activities

	FY 2018	FY 2017 <small>(as restated)</small>	\$ Chg	% Chg
<b>Expenditures</b>				
Support Services				
<b>Executive Administration</b>	<u>1,497,081</u>	<u>1,544,515</u>	<u>(47,434)</u>	<u>-3.07%</u>
<b>General Revenue</b>				
School District Assessment	1,444,318	1,485,320	(41,002)	-2.76%
Miscellaneous	13,481	4,844	8,637	178.30%
<b>Total Revenues</b>	<u>1,457,799</u>	<u>1,490,164</u>	<u>(32,365)</u>	<u>-2.17%</u>
Change in Net Position	(39,282)	(54,351)	15,069	-27.73%
Change related to implementation of GASB No. 75		(180,774)		
Net Position, beginning (as restated)	(1,343,097)	(1,107,972)	(235,125)	21.22%
<b>Net Position, ending</b>	<u>\$ (1,382,379)</u>	<u>\$ (1,343,097)</u>	<u>\$ (220,056)</u>	<u>16.38%</u>

### FUND FINANCIAL STATEMENTS

#### *General Fund*

The SAU's governmental funds include only the General Fund. Information from the fund accounting system is essential in managing budgets as the financial year progresses and is useful in assessing financial resource needs for future operations. The General Fund is what most people think of as "the budget" since it is largely supported by locally raised assessments.

Schedules 1 and 2 detail General Fund activity for 2017-18. Schedule 1 shows that budgeted revenues totaled \$1,464,018 with another \$10,000 of fund balance, while actual revenues equaled \$1,457,799, an unfavorable variance of \$6,219. District assessments are the lion's share of the SAU's income. Schedule 2 shows that against budgeted appropriations of \$1,474,018 the SAU expended \$1,437,987, a favorable balance of \$36,031. Schedule 3 shows the change in unassigned fund balance ending of \$25,477.

The SAU utilized no other funds during the 2017-18 fiscal year.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

On June 30, 2018, the SAU reported capital assets of \$8,479 (net of accumulated depreciation). As the SAU owns no real property this was composed entirely of office and computer equipment. The SAU annually invests in new furnishings, computers and peripherals, and printed media.

#### Statement of Capital Assets

	June 30, 2018	June 30, 2017	% Change
<b>Being Depreciated:</b>			
Equipment	<u>125,744</u>	<u>125,744</u>	<u>0.00%</u>
<b>Less Accumulated Depreciation:</b>			
Machinery, Equipment, and Vehicles	<u>(117,265)</u>	<u>(110,796)</u>	<u>5.84%</u>
<b>Net Book Value, all capital assets</b>	<u>\$ 8,479</u>	<u>\$ 14,948</u>	<u>-43.28%</u>

### *Long-Term Liabilities*

The SAU has no debt outstanding. Its long-term liabilities are comprised only of compensated absences payable, as shown below.

#### **Long Term Liabilities**

	<u>6/30/2018</u>	<u>6/30/2017</u> <u>(as restated)</u>	<u>\$ Change</u>
Compensated Absences	41,771	42,899	(1,128)
Net Other Postemployment Benefits	220,836	232,229	(11,393)
Net Pension Liability	1,343,515	1,459,536	(116,021)
<b>Total Long-Term Debt Outstanding</b>	<b><u>\$ 1,606,122</u></b>	<b><u>\$ 1,734,664</u></b>	<b><u>\$ (128,542)</u></b>

#### **FUTURE BUDGETARY IMPLICATIONS**

The residents of Hanover and Norwich have a long history of strong support for the education of the children of their community and for providing sufficient resources for quality education. There is no indication of any change in this support. Nonetheless, funding for education is a matter of concern in view of constantly changing economic conditions. With financing systems in both states that struggle to equitably fund education on a long-term basis, the prospect of rising tax rates is a concern. Further budgetary challenges will be presented by unavoidable increases in the costs of retirement, health insurance, special education, energy, electricity, heating fuel, and technology. School administrators are constantly mindful of the financial impact of school budgets on the taxpayer. The school board and administration are committed to continually looking for ways to contain cost increases and to keep budgets as low as possible, while at the same time not compromising services to students. Taxpayers have shown patience in that they have not let taxation issues detract from their financial support of their schools.

#### **Contacting the SAU's Financial Management**

Questions regarding this report should be directed to Jay Badams, Superintendent of Schools, or to Jamie Teague, Business Administrator, at (603-643-6050) or by mail at:

School Administrative Unit #70  
41 Lebanon Street, Suite 2  
Hanover, New Hampshire 03755

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
*Statement of Net Position*  
**June 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,432
Investments	20,039
Intergovernmental receivable	6,272
Prepaid items	4,252
Capital assets, net of accumulated depreciation	8,479
Total assets	41,474
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	311,423
Amounts related to other postemployment benefits	2,139
Total deferred outflows of resources	313,562
<b>LIABILITIES</b>	
Accounts payable	35
Accrued salaries and benefits	2,431
Noncurrent obligations:	
Due in more than one year	1,606,122
Total liabilities	1,608,588
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - Funds received in advance of expenditures	800
Amounts related to pensions	110,135
Amounts related to other postemployment benefits	17,892
Total deferred inflows of resources	128,827
<b>NET POSITION</b>	
Net investment in capital assets	8,479
Unrestricted	(1,390,858)
Total net position	\$ (1,382,379)

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

**EXHIBIT B**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
*Statement of Activities*  
**For the Fiscal Year Ended June 30, 2018**

	Net (Expense) Revenue and Change in Net Position
Governmental activities:	
Support services:	
Executive administration	<u>\$ (1,497,081)</u>
General revenues:	
School districts' assessments	1,444,318
Miscellaneous	<u>13,481</u>
Total general revenues	<u>1,457,799</u>
Change in net position	(39,282)
Net position, beginning, as restated (see Note 11)	<u>(1,343,097)</u>
Net position, ending	<u>\$ (1,382,379)</u>

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

**EXHIBIT C-1**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**Governmental Fund**  
**Balance Sheet**  
**June 30, 2018**

	General
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,432
Investments	20,039
Intergovernmental receivable	6,272
Prepaid items	4,252
Total assets	\$ 32,995
<b>LIABILITIES</b>	
Accounts payable	\$ 35
Accrued salaries and benefits	2,431
Total liabilities	2,466
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - Funds received in advance of expenditures	800
<b>FUND BALANCES</b>	
Nonspendable	4,252
Unassigned	25,477
Total fund balances	29,729
Total liabilities, deferred inflows of resources, and fund balances	\$ 32,995

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

**EXHIBIT C-2**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position**  
**June 30, 2018**

Total fund balances of the governmental fund (Exhibit C-1)		\$ 29,729
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental fund.		
Cost	\$ 125,744	
Less accumulated depreciation	<u>(117,265)</u>	8,479
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental fund as		
Deferred outflows of resources related to pensions	\$ 311,423	
Deferred inflows of resources related to pensions	(110,135)	
Deferred outflows of resources related to OPEB	2,139	
Deferred inflows of resources related to OPEB	<u>(17,892)</u>	185,535
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental fund.		
Compensated absences	\$ 41,771	
Other postemployment benefits	220,836	
Net pension liability	<u>1,343,515</u>	<u>(1,606,122)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (1,382,379)</u></u>

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

**EXHIBIT C-3**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**Governmental Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2018**

	General
<b>REVENUES</b>	
School districts' assessments	\$ 1,444,318
Other local	13,481
Total revenues	1,457,799
<b>EXPENDITURES</b>	
Current:	
Support services:	
Executive administration	1,437,987
Net change in fund balances	19,812
Fund balances, beginning	9,917
Fund balances, ending	\$ 29,729

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

**EXHIBIT C-4**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Fund to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

---

Net change in fund balances of total governmental fund (Exhibit C-3)		\$ 19,812
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
Depreciation expense		(6,469)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in the governmental fund.		
Decrease in compensated absences payable	\$ 1,128	
Change in net OPEB liability and deferred outflows and inflows of resources related to OPEB	(6,893)	
Change in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(46,860)</u>	
		<u>(52,625)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (39,282)</u></u>

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

**EXHIBIT D**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
School districts' assessments	\$ 1,444,318	\$ 1,444,318	\$ -
Other local	19,700	13,481	(6,219)
Total revenues	<u>1,464,018</u>	<u>1,457,799</u>	<u>(6,219)</u>
<b>EXPENDITURES</b>			
Current:			
Support services:			
Executive administration	<u>1,474,018</u>	<u>1,437,987</u>	<u>36,031</u>
Net change in fund balance	<u>\$ (10,000)</u>	19,812	<u>\$ 29,812</u>
Decrease in nonspendable fund balance		7,301	
Unassigned fund balance (deficit), beginning		<u>(1,636)</u>	
Unassigned fund balance, ending		<u>\$ 25,477</u>	

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

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

	<u>NOTE</u>
<b>Summary of Significant Accounting Policies</b> .....	1
Reporting Entity.....	1-A
Government-wide and Fund Financial Statements .....	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents .....	1-D
Investments .....	1-E
Receivables .....	1-F
Prepaid Items .....	1-G
Capital Assets .....	1-H
Accounts Payable.....	1-I
Deferred Outflows/Inflows of Resources.....	1-J
Long-term Obligations.....	1-K
Compensated Absences .....	1-L
Defined Benefit Pension Plan .....	1-M
Postemployment Benefits Other Than Pensions (OPEB) .....	1-N
Net Position/Fund Balances .....	1-O
Use of Estimates .....	1-P
<b>Stewardship, Compliance, and Accountability</b> .....	2
Budgetary Information.....	2-A
Accounting Change/Restatement .....	2-B

**DETAILED NOTES ON ALL FUNDS**

<b>Cash and Cash Equivalents</b> .....	3
<b>Investments</b> .....	4
<b>Capital Assets</b> .....	5
<b>Long-term Liabilities</b> .....	6
<b>Defined Benefit Pension Plan</b> .....	7
<b>Postemployment Benefits Other Than Pensions</b> .....	8
New Hampshire Retirement System (NHRS).....	8-A
Retiree Health Benefit Program .....	8-B
<b>Governmental Activities Net Position</b> .....	9
<b>Governmental Fund Balances</b> .....	10
<b>Prior Period Adjustment</b> .....	11
<b>Risk Management</b> .....	12
<b>Subsequent Events</b> .....	13

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School Administrative Unit No. 70, in Hanover, New Hampshire (the School Administrative Unit), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018 the School Administrative Unit implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 1-N for further information on this pronouncement.

**1-A Reporting Entity**

The School Administrative Unit No. 70 is a municipal corporation governed by the respective School Boards of Hanover, Dresden, and Norwich School Districts. In evaluating how to define the School Administrative Unit for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School Administrative Unit has no component units to include in its reporting entity.

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

**1-B Government-wide and Fund Financial Statements**

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

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue. School Administrative Unit No. 70 reported only general revenues during the fiscal year.

**Fund Financial Statements** – Separate financial statements are provided for governmental funds. In the governmental fund financial statements, expenditures are reported by character: current, debt service or facilities acquisition and construction. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services.

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

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

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Administrative Unit generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Administrative Unit assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The School Administrative Unit reports the following major governmental fund:

**General Fund** – is the School Administrative Unit’s primary operating fund. The general fund accounts for all financial resources. The primary revenue sources include district assessments and other local sources. The primary expenditures are for support services.

**1-D Cash and Cash Equivalents**

The School Administrative Unit considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits.

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

**1-E Investments**

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the School Administrative Unit to invest in the following type of obligations:

- Obligations of the United States government;
- The public deposit investment pool established pursuant to RSA 383:22;
- Savings bank deposits; and
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the School Administrative Unit. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

**Fair Value Measurement of Investments** – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using the net asset value (NAV) as a practical expedient to estimate fair value, the School Administrative Unit categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

**Level 1** – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the School Administrative Unit has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**Level 2** – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the School Administrative Unit’s holdings in New Hampshire Public Deposit Investment Pool (NHPDIP) would be examples of Level 2 investments.

**Level 3** – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments. The School Administrative Unit held no Level 3 investments as of June 30, 2018.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level of the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the School Administrative Unit and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified as Level 1. Corporate fixed income securities and certain government securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair value for shares in registered mutual funds and exchange traded funds are based on published share prices and classified in Level 1.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the School Administrative Unit held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized in Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the School Administrative Unit in accordance with the NHPDIP’s information statement.

***1-F Receivables***

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

***1-G Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements and expensed as the items are used.

***1-H Capital Assets***

Capital assets are defined by the School Administrative Unit as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include equipment and are reported in governmental activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the School Administrative Unit as a whole. When purchased, such assets are recorded as expenditures in the governmental fund and capitalized as assets in the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the School Administrative Unit are depreciated using the straight-line method over 5 years.

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

***1-I Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2018.

***1-J Deferred Outflows/Inflows of Resources***

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

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

***1-K Long-term Obligations***

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

***1-L Compensated Absences***

The School Administrative Unit's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

An expense and a liability for vacation pay and salary-related payments are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

***1-M Defined Benefit Pension Plan***

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

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

***1-N Postemployment Benefits Other Than Pensions (OPEB)***

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

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

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**Single Employer Plan** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the School Administrative Unit’s actuarial report. For this purpose, benefit payments are recognized when and payable in accordance with benefit terms.

**1-O Net Position/Fund Balances**

Government-wide statements – Equity is classified as net position and displayed in two components:

**Net Investment in Capital Assets** – This classification includes the School Administrative Unit’s capital assets, net of accumulated depreciation.

**Unrestricted Net Position** – Consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management with can be removed or modified.

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

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

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

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

**1-P Use of Estimates**

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School Administrative Unit’s operations. At its annual meeting, the School Administrative Unit adopts a budget for the current year for the general fund.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2018, \$10,000 of the beginning general fund unassigned fun balance was applied for this purpose.

**2-B Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources as follows:

	Local OPEB	State OPEB	Total OPEB
Change in total OPEB liability under current standards, July 1	\$(141,325)	\$(41,982)	\$(183,307)
Initial balance of deferred outflows of resources	-	2,533	2,533
Cumulative restatement related to GASB No. 75 implementation (see Note 11)	\$(141,325)	\$(39,449)	\$(180,774)

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The School Administrative Unit’s deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School Administrative Unit’s agent in the School Administrative Unit’s name. The FDIC currently insures the first \$250,000 of the School Administrative Unit’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School Administrative Unit’s deposits was \$2,432 and the bank balances totaled \$27,164. Petty cash totaled \$200.

**NOTE 4 – INVESTMENTS**

Note 1-E describes statutory requirements covering the investment of the School Administrative Unit funds. The School Administrative Unit holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the School Administrative Unit’s mission, the School Administrative Unit determines that the disclosures related to these investments only need to be disaggregated by major type. The School Administrative Unit categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School Administrative Unit has the following recurring fair value measurement as of June 30, 2018:

	Valuation Measurement Method	Fair Value
Investments type:		
NH Public Deposit Investment Pool	Level 2	\$ 20,039

**Interest Rate Risk** – The School Administrative Unit does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - The School Administrative Unit has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E.

**Custodial Credit Risk** – The School Administrative Unit does not have custodial credit risk policies for investments.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 consisted of the following:

	Balance, beginning	Additions	Balance, ending
At cost:			
Being depreciated:			
Equipment	\$ 125,744	\$ -	\$ 125,744

*(Continued)*

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

*Capital assets continued:*

	Balance, beginning	Additions	Balance, ending
Less accumulated depreciation:			
Equipment	(110,796)	(6,469)	(117,265)
Net book value, all capital assets	\$ 14,948	\$ (6,469)	\$ 8,479

Depreciation expense of \$6,469 was charged to the executive administration function of the School Administrative Unit based on their usage of the related asset.

**NOTE 6 – LONG-TERM LIABILITIES**

Changes in the School Administrative Unit’s long-term liabilities consisted of the following for the year ended June 30, 2018:

	Balance July 1, 2017 (as restated)	Reductions	Balance June 30, 2018
Compensated absences	\$ 42,899	\$ (1,128)	\$ 41,771
Net other postemployment benefits	232,229	(11,393)	220,836
Pension related liability	1,459,536	(116,021)	1,343,515
Total long-term liabilities	\$ 1,734,664	\$ (128,542)	\$ 1,606,122

The School Administrative Unit had no long-term liabilities due within one year for year ended June 30, 2018.

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

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

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**Contributions** – The System is financed by contributions from both the employees and the School Administrative Unit. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the School Administrative Unit contributed 15.70% for teachers and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$90,867, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the School Administrative Unit reported a liability of \$1,343,515 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Administrative Unit’s proportion of the net pension liability was based on a projection of the School Administrative Unit’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school Administrative Units, actuarially determined. At June 30, 2017, the School Administrative Unit’s proportion was 0.02731836% which was a decrease of 0.00012893% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School Administrative Unit recognized pension expense of \$134,915. At June 30, 2018, the School Administrative Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 96,765	\$ 75,926
Net difference between projected and actual investment earnings on pension plan investments	-	17,110
Changes in assumptions	134,907	-
Differences between expected and actual experience	3,046	17,099
Contributions subsequent to the measurement date	76,705	-
Total	\$ 311,423	\$ 110,135

The \$76,705 reported as deferred outflows of resources related to pensions results from the School Administrative Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2018	\$ 17,130
2019	59,636
2020	68,576
2021	(20,759)
Thereafter	-
Totals	\$ 124,583

**Actuarial Assumptions** – The collective total pension liability was determined by an actuarial performed as of June 30, 2016, rolled forward to June 30, 2017, using the following assumptions:

Inflation:	2.5%	
Salary increases:	5.6% average, including inflation	
Investment rate of return:	7.25% net of pension plan investment expense, including inflation	

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**Long-term Rates of Return** – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	<u>100.00%</u>	

**Discount Rate** – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	<u>\$ 1,770,014</u>	<u>\$ 1,343,515</u>	<u>\$ 994,016</u>

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

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**8-A New Hampshire Retirement System (NHRS)**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2017 Comprehensive Annual Financial Report, which can be found on the system’s website at [www.nhrs.org](http://www.nhrs.org).

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

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

Maximum medical subsidy rates paid during fiscal years 2017 and 2016 were as follows:

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

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

**Contributions** – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2017, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the School Administrative Unit contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$3,575, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At June 30, 2018, the School Administrative Unit reported a liability of \$39,845 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School Administrative Unit’s proportion of the net OPEB liability was based on a projection of the School Administrative Unit’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school Administrative Units, actuarially determined. At June 30, 2017, the School Administrative Unit’s proportion was 0.00871435% which was an increase of 0.00004228% from its proportion measured as of June 30, 2016.

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

For the year ended June 30, 2018, the School Administrative Unit recognized OPEB expense of \$3,092. At June 30, 2018, the School Administrative Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 62	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	126
Changes in assumptions	-	-
Differences between expected and actual experience	-	-
Contributions subsequent to the measurement date	2,077	-
Total	\$ 2,139	\$ 126

The \$2,077 reported as deferred outflows of resources related to OPEB results from the School Administrative Unit contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2018	\$ 31
2019	(31)
2020	(31)
2021	(33)
Thereafter	-
Totals	\$ (64)

**Actuarial Assumptions** – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2016 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	<u>20.00%</u>	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	<u>25.00%</u>	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	3.25%
Total	<u>100.00%</u>	

**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 43,363	\$ 39,845	\$ 36,797

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

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

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**8-B Retiree Health Benefit Program**

**Plan Description** – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

**Benefits Provided** – The School Administrative Unit provides postemployment healthcare benefits for certain eligible retirees. The School Administrative Unit provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

**Employees Covered by Benefit Terms** – At July 1, 2016 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>12</u>
Total participants covered by OPEB plan	<u>14</u>

**Total OPEB Liability** – The School Administrative Unit’s total OPEB liability of \$180,991 was measured as of June 30, 2018, and was determined by an actuarial valuation of that date.

**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$180,991 in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.87%
Healthcare Cost Trend Rates:	
Current Year Trend	9.00%
Second Year Trend	8.00%
Decrement	1.00%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2022

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 July 1, 2016.

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

**Changes in the Total OPEB Liability**

	<u>June 30, 2018</u>
Total OPEB liability beginning of year, as restated	\$ 190,247
Changes for the year:	
Service cost	10,729
Interest	7,075
Changes in benefit terms	-
Assumption changes and difference between actual and expected experience	(20,304)
Change in actuarial cost method	-
Benefit payments	<u>(6,756)</u>
Total OPEB liability end of year	<u>\$ 180,991</u>

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**Sensitivity of the School Administrative Unit's OPEB Liability to Changes in the Discount Rate** – The July 1, 2016 actuarial valuation was prepared using a discount rate of 3.87%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$167,822 or by 7.28%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$195,036 or by 7.76%.

	Discount Rate		
	1% Decrease	Baseline 3.87%	1% Increase
Total OPEB Liability	\$ 195,036	\$ 180,991	\$ 167,822

**Sensitivity of the School Administrative Unit's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The July 1, 2016 actuarial valuation was prepared using an initial trend rate of 9.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$198,418 or by 9.63%. If the trend rate were 1% lower than what was used the OPEB liability would increase to \$165,662 or by 8.47%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 9.0%	1% Increase
Total OPEB Liability	\$ 165,662	\$ 180,991	\$ 198,418

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended June 30, 2018, the School Administrative Unit recognized OPEB expense of \$34,286. At June 30, 2018, the School Administrative Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	-
Changes in assumptions	-	1,303
Differences between expected and actual experience	-	16,463
Contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 17,766

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

Fiscal Year Ending June 30,	
2019	\$ (2,538)
2020	(2,538)
2021	(2,538)
2022	(2,538)
2023	(2,538)
Thereafter	(5,076)
Totals	\$ (17,766)

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NOTE 9 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2018 include the following:

Net investment in capital assets:	
Net book value of all capital assets	\$ 8,479
Unrestricted	<u>(1,390,858)</u>
Total net position	<u><u>\$ (1,382,379)</u></u>

None of the net position is restricted by enabling legislation.

**NOTE 10 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2018 consist of the following:

	<u>General</u> <u>Fund</u>
Nonspendable:	
Prepaid	\$ 4,252
Unassigned	<u>25,477</u>
Total governmental fund balances	<u><u>\$ 29,729</u></u>

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

Net position at July 1, 2017 were restated for the following:

	<u>Government-wide</u> <u>Statements</u>
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-B	\$ (180,774)
Net position, as previously reported	<u>(1,162,323)</u>
Net position, as restated	<u><u>\$ (1,343,097)</u></u>

**NOTE 12 – RISK MANAGEMENT**

The School Administrative Unit is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2018, the School Administrative Unit was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2017 to June 30, 2018 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

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

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through March 5, 2019, the date the June 30, 2018 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT E**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
*Schedule of the School Administrative Unit's Proportionate Share of Net Pension Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2018*

	June 30,				
	2014	2015	2016	2017	2018
School Administrative Unit's proportion of the net pension liability	0.03%	0.03%	0.02%	0.03%	0.03%
School Administrative Unit's proportionate share of the net pension liability	\$ 1,226,990	\$ 949,200	\$ 935,040	\$ 1,459,536	\$ 1,343,515
School Administrative Unit's covered payroll	\$ 838,301	\$ 782,097	\$ 622,025	\$ 731,570	\$ 782,489
School Administrative Unit's proportionate share of the net pension liability as a percentage of its covered payroll	146.37%	121.37%	150.32%	199.51%	171.70%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%

The Notes to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

**EXHIBIT F**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
*Schedule of School Administrative Unit Contributions - Pensions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2018*

	June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 70,890	\$ 82,040	\$ 79,185	\$ 98,283	\$ 100,079
Contributions in relation to the contractually required contributions	70,890	82,040	79,185	98,283	100,079
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
School Administrative Unit's covered payroll	\$ 838,301	\$ 782,097	\$ 622,025	\$ 731,570	\$ 782,489
Contributions as a percentage of covered payroll	8.46%	10.49%	12.73%	13.43%	12.79%

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

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

***Schedule of the School Administrative Unit’s Proportionate Share of Net Pension Liability and  
Schedule of School Administrative Unit Contributions – Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E and F represent the actuarial determined costs associated with the School Administrative Unit’s pension plan at June 30, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2017:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 years beginning July 1, 2017 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

**Other Information:**

Notes Contribution rates for Fiscal Year 2017 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

**EXHIBIT G**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
*Schedule of the School Administrative Unit's Proportionate Share of the Net Other Postemployment Benefits Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2018*

	June 30,	
	2017	2018
School Administrative Unit's proportion of the net OPEB liability	0.01%	0.01%
School Administrative Unit's proportionate share of the net OPEB liability	\$ 41,982	\$ 39,845
School Administrative Unit's covered payroll	\$731,570	\$ 782,489
School Administrative Unit's proportionate share of the net OPEB liability as a percentage of its covered payroll	5.74%	5.09%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%

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

**EXHIBIT H**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
*Schedule of School Administrative Unit Contributions - Other Postemployment Benefits*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2018*

	June 30,	
	2017	2018
Contractually required contribution	\$ 5,039	\$ 5,165
Contributions in relation to the contractually required contribution	<u>5,039</u>	<u>5,165</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
School Administrative Unit's covered payroll	<u>\$ 731,570</u>	<u>\$ 782,489</u>
Contributions as a percentage of covered payroll	0.69%	0.66%

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

**EXHIBIT I**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
*Schedule of Changes in the School Administrative Unit's Total Other Postemployment Benefits Liability and Related Ratios*  
*For the Fiscal Year Ended June 30, 2018*

	June 30, 2018
OPEB liability, beginning of year	\$ 190,247
Changes for the year:	
Service cost	10,729
Interest	7,075
Changes to benefit terms	-
Assumption changes and difference between actual and expected experience	(20,304)
Change in actuarial cost method	-
Benefit payments	(6,756)
OPEB liability, end of year	<u>\$ 180,991</u>
Covered payroll	<u>\$ 608,979</u>
Total OPEB liability as a percentage of covered payroll	29.72%

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

**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFITS LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2018**

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

As required by GASB Statement No. 75, Exhibits G and H represent the actuarial determined costs associated with the School Administrative Unit’s other postemployment benefits at June 30, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

**Methods and Assumptions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

***Schedule of Changes in School Administrative Unit’s Total Other Postemployment Benefits Liability and Related Ratios***

As required by GASB Statement No. 75, Exhibit I represents the actuarial determined costs associated with the School Administrative Unit’s other postemployment benefits at June 30, 2018. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2018**

	<u>Estimated</u>	<u>Actual</u>	Variance Positive (Negative)
School districts' assessments:			
Current appropriation	\$ 1,444,318	\$ 1,444,318	\$ -
Other local sources:			
Investment earnings	100	1,219	1,119
Miscellaneous	19,600	12,262	(7,338)
Total from other local sources	<u>19,700</u>	<u>13,481</u>	<u>(6,219)</u>
Total revenues	1,464,018	<u>\$ 1,457,799</u>	<u>\$ (6,219)</u>
Use of fund balance to reduce school districts' assessments	<u>10,000</u>		
Total revenues and use of fund balance	<u>\$ 1,474,018</u>		

**SCHEDULE 2**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**Major General Fund**  
*Schedule of Appropriations and Expenditures (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2018*

---

	<u>Appropriations</u>	<u>Expenditures</u>	Variance Positive (Negative)
Current:			
Support services:			
Executive administration	\$ 1,474,018	\$ 1,437,987	\$ 36,031

**SCHEDULE 3**  
**SCHOOL ADMINISTRATIVE UNIT NO. 70**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Fiscal Year Ended June 30, 2018**

Unassigned fund balance (deficit), beginning		\$ (1,636)
Changes:		
Unassigned fund balance used to reduce school district assessment		(10,000)
2017-2018 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (6,219)	
Unexpended balance of appropriations (Schedule 2)	<u>36,031</u>	
2017-2018 Budget surplus		29,812
Decrease in nonspendable fund balance		<u>7,301</u>
Unassigned fund balance, ending		<u><u>\$ 25,477</u></u>