



MASCENIC REGIONAL SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual – All Budgeted Funds	17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION:	
Pension – GASB 68:	
Schedule of Proportionate Share of the Net Pension Liability	41
Schedule of Pension Contributions	42

Other Post-Employment Benefits (OPEB) – GASB 75:

Schedule of Proportionate Share of the Net OPEB liability – New Hampshire Retirement System Medical Subsidy	43
Schedule of Changes in the Total OPEB Liability and Contributions – Mascenic Regional School District OPEB Plan	44

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the School Board
Mascenic Regional School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mascenic Regional School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The District's 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mascenic Regional School District, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for all budgeted funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melanson Heath

June 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mascenic Regional School District, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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 accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District's funds can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Reconciliations are provided to facilitate the comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the General Fund, Grants Fund, and Food Service Fund. A budgetary comparison statement has been provided to demonstrate compliance with these budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support District programs.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$4,122,343 (i.e., net position), a change of \$1,375,337 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,592,225, a change of \$542,424.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,466,516, a change of \$406,798 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 2,685,580	\$ 2,152,436
Noncurrent assets	<u>25,124,529</u>	<u>25,878,952</u>
Total assets	27,810,109	28,031,388
Deferred outflows of resources	3,006,553	3,101,636
Current liabilities	1,821,188	1,866,079
Noncurrent liabilities	<u>23,634,418</u>	<u>25,906,731</u>
Total liabilities	25,455,606	27,772,810
Deferred inflows of resources	1,238,713	613,208
Net investment in capital assets	13,254,883	12,500,945
Restricted	-	12,877
Unrestricted	<u>(9,132,540)</u>	<u>(9,766,816)</u>
Total net position	<u>\$ 4,122,343</u>	<u>\$ 2,747,006</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 161,756	\$ 161,153
Operating grants and contributions	831,666	878,566
Capital grants and contributions	632,442	704,234
General revenues:		
School district assessment	10,091,863	9,678,918
Tuition	14,961	34,013
Grants and contributions not restricted to specific programs	6,156,075	6,276,309
Investment income	40,134	9,953
Miscellaneous	<u>109,694</u>	<u>115,731</u>
Total revenues	18,038,591	17,858,877

(continued)

(continued)

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Expenses:		
Instruction:		
Regular programs	6,704,421	6,851,764
Special programs	1,608,983	2,031,100
Vocational programs	101,661	118,971
Other instructional programs	156,108	165,340
Support services:		
Student services	1,225,599	1,238,826
Instructional services	331,916	304,363
General administration - SAU level	733,067	759,446
School administration	1,173,845	1,137,053
Business office	322,013	313,437
Operations/maintenance of plant	1,392,184	1,361,535
Student transportation	691,958	712,672
Centralized services	368,071	307,289
Other support services	41,947	48,432
Food service operations	390,317	395,287
Interest	652,583	732,086
Depreciation	768,581	791,810
Total expenses	<u>16,663,254</u>	<u>17,269,411</u>
Change in net position	1,375,337	589,466
Net position - beginning of year	<u>2,747,006</u>	<u>2,157,540</u>
Net position - end of year	<u>\$ 4,122,343</u>	<u>\$ 2,747,006</u>

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At the close of the most recent fiscal year, total net position was \$4,122,343, a change of \$1,375,337 in comparison to the prior year.

The largest portion of net position, \$13,254,883, reflects our investment in capital assets (e.g., land, land improvements, buildings and improvements, and equipment and vehicles), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services; consequently, these assets are not available for future spending. Although the investment in 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.

The remaining balance of unrestricted net position reflects a deficit of \$(9,132,540) primarily resulting from unfunded pension and OPEB liabilities.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,375,337. Key elements of this change are as follows:

Governmental funds operating results	\$ 542,424
Principal debt service in excess of depreciation expense	739,780
Purchase of capital assets	14,158
Change in accrued interest liability	23,189
Change in compensated absence liability	13,387
Change in net pension liability and related deferrals	(45,672)
Change in net OPEB liability and related deferrals	<u>88,071</u>
Total	<u>\$ 1,375,337</u>

D. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,592,225, a change of \$542,424 in comparison to the prior year. Key elements of this change are as follows:

General Fund operating results	\$ 595,235
Grants Fund operating results	(3,207)
Food Service Fund operating results	<u>(49,604)</u>
Total	<u>\$ 542,424</u>

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,466,516, while total fund balance was \$2,632,159. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,466,516	\$ 1,059,718	\$ 406,798	8.9%
Total fund balance	\$ 2,632,159	\$ 2,036,924	\$ 595,235	16.0%

Included in the total General Fund balance are the District's reserve accounts with the following balances:

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
Capital reserve	\$ 384,230	\$ 288,100	\$ 96,130
Special education fund	341,476	322,648	18,828
Healthcare	1,057	-	1,057
Other reserve	<u>2,016</u>	<u>1,897</u>	<u>119</u>
Total	<u>\$ 728,779</u>	<u>\$ 612,645</u>	<u>\$ 116,134</u>

E. BUDGETARY HIGHLIGHTS

There were no changes to the original budget during fiscal year 2019.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$25,124,529 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, and equipment and vehicles.

Additional information on capital assets can be found in the notes to financial statements.

Long-term debt. At the end of the current fiscal year, total long-term debt outstanding (bonds and capital lease payable) was \$11,869,646, all of which was backed by the full faith and credit of the District.

Additional information on long-term debt can be found in the notes to financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Mascenic Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mascenic Regional School District

16 School Street

Greenville, New Hampshire 03048

MASCENIC REGIONAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 1,790,189
Receivables:	
Accounts	35,938
Intergovernmental	846,517
Inventory	<u>12,936</u>
Total current assets	2,685,580
Noncurrent:	
Capital assets:	
Land	535,505
Capital assets, net of accumulated depreciation	<u>24,589,024</u>
Total noncurrent assets	<u>25,124,529</u>
Total Assets	27,810,109
Deferred outflows of resources:	
Related to pensions	1,982,910
Related to OPEB	<u>1,023,643</u>
Total Deferred outflows of resources	<u>3,006,553</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	30,816,662
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities:	
Accounts payable	38,602
Accrued payroll and related liabilities	47,574
Other liabilities	7,179
Accrued interest payable	185,505
Current portion of noncurrent liabilities:	
Bonds payable	1,475,000
Capital lease payable	34,327
Compensated absences	<u>33,001</u>
Total current liabilities	1,821,188
Noncurrent liabilities:	
Bonds payable, net of current portion	10,325,000
Capital lease payable, net of current portion	35,319
Net pension liability	11,108,293
Net OPEB liability	<u>2,165,806</u>
Total noncurrent liabilities	<u>23,634,418</u>
Total liabilities	25,455,606
Deferred inflows of resources:	
Related to pensions	347,000
Related to OPEB	<u>891,713</u>
Total deferred inflows of resources	<u>1,238,713</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	26,694,319
NET POSITION	
Net investment in capital assets	13,254,883
Unrestricted	<u>(9,132,540)</u>
TOTAL NET POSITION	\$ <u>4,122,343</u>

The accompanying notes are an integral part of these financial statements.

MASCENIC REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction:					
Regular programs	\$ 6,704,421	\$ -	\$ 262,029	\$ -	\$ (6,442,392)
Special programs	1,608,983	-	296,181	-	(1,312,802)
Vocational programs	101,661	-	2,908	-	(98,753)
Other instructional programs	156,108	-	-	-	(156,108)
Support services:					
Student services	1,225,599	-	-	-	(1,225,599)
Instructional services	331,916	-	91,590	-	(240,326)
General administration - SAU level	733,067	-	-	-	(733,067)
School administration	1,173,845	-	-	-	(1,173,845)
Business office	322,013	-	-	-	(322,013)
Operations/maintenance of plant	1,392,184	-	-	-	(1,392,184)
Student transportation	691,958	-	-	-	(691,958)
Centralized services	368,071	-	-	-	(368,071)
Other support services	41,947	-	-	-	(41,947)
Food service operations	390,317	161,756	178,958	-	(49,603)
Interest	652,583	-	-	632,442	(20,141)
Depreciation	768,581	-	-	-	(768,581)
Total Governmental Activities	\$ 16,663,254	\$ 161,756	\$ 831,666	\$ 632,442	(15,037,390)
General Revenues:					
					10,091,863
School district assessment					14,961
Tuition					6,156,075
Grants and contributions not restricted to specific programs					40,134
Investment income					109,694
Miscellaneous					
Total general revenues					16,412,727
Change in Net Position					1,375,337
Net Position:					
Beginning of year					2,747,006
End of year					\$ 4,122,343

The accompanying notes are an integral part of these financial statements.

MASCENIC REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 1,790,189	\$ -	\$ -	\$ 1,790,189
Receivables:				
Accounts	17,405	-	18,533	35,938
Intergovernmental	728,779	117,738	-	846,517
Due from other funds	179,888	-	-	179,888
Inventory	-	-	12,936	12,936
TOTAL ASSETS	\$ 2,716,261	\$ 117,738	\$ 31,469	\$ 2,865,468
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 38,602	\$ -	\$ -	\$ 38,602
Accrued payroll and related liabilities	45,500	2,074	-	47,574
Other liabilities	-	-	7,179	7,179
Due to other funds	-	115,972	63,916	179,888
Total Liabilities	84,102	118,046	71,095	273,243
Fund balances:				
Nonspendable	52,562	-	12,936	65,498
Committed	728,779	-	-	728,779
Assigned	384,302	-	-	384,302
Unassigned	1,466,516	(308)	(52,562)	1,413,646
Total Fund Balances	2,632,159	(308)	(39,626)	2,592,225
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,716,261	\$ 117,738	\$ 31,469	\$ 2,865,468

The accompanying notes are an integral part of these financial statements.

MASCENIC REGIONAL SCHOOL DISTRICT

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION**

JUNE 30, 2019

Governmental fund balances	\$ 2,592,225
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	25,124,529
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(185,505)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable	(11,800,000)
Capital lease payable	(69,646)
Compensated absences	(33,001)
Net pension liability and related deferred outflows/inflows of resources	(9,472,383)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(2,033,876)</u>
Net position of governmental activities	\$ <u>4,122,343</u>

The accompanying notes are an integral part of these financial statements.

MASCENIC REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
School district assessment	\$ 10,091,863	\$ -	\$ -	\$ 10,091,863
Tuition	14,961	-	-	14,961
Intergovernmental	6,791,425	649,800	178,958	7,620,183
Charges for services	-	-	161,756	161,756
Investment income	40,134	-	-	40,134
Miscellaneous	<u>109,694</u>	<u>-</u>	<u>-</u>	<u>109,694</u>
Total Revenues	17,048,077	649,800	340,714	18,038,591
Expenditures:				
Instruction:				
Regular programs	6,528,549	244,351	-	6,772,900
Special programs	1,333,059	277,144	-	1,610,203
Vocational programs	100,353	-	-	100,353
Other instructional programs	154,439	-	-	154,439
Support services:				
Student services	1,225,944	600	-	1,226,544
Instructional services	244,410	88,965	-	333,375
General administration - SAU level	737,543	-	-	737,543
School administration	1,181,620	-	-	1,181,620
Business office	326,118	-	-	326,118
Operations/maintenance of plant	1,409,838	-	-	1,409,838
Student transportation	691,958	-	-	691,958
Centralized services	368,240	-	-	368,240
Other support services	-	41,947	-	41,947
Food service operations	-	-	390,318	390,318
Debt service:				
Principal	1,475,000	-	-	1,475,000
Interest	<u>675,771</u>	<u>-</u>	<u>-</u>	<u>675,771</u>
Total Expenditures	<u>16,452,842</u>	<u>653,007</u>	<u>390,318</u>	<u>17,496,167</u>
Change in fund balance	595,235	(3,207)	(49,604)	542,424
Fund Equity, at Beginning of Year	<u>2,036,924</u>	<u>2,899</u>	<u>9,978</u>	<u>2,049,801</u>
Fund Equity, at End of Year	\$ <u><u>2,632,159</u></u>	\$ <u><u>(308)</u></u>	\$ <u><u>(39,626)</u></u>	\$ <u><u>2,592,225</u></u>

The accompanying notes are an integral part of these financial statements.

MASCENIC REGIONAL SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2019

Changes in fund balances - governmental funds	\$	542,424
--	-----------	----------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	14,158
Depreciation	(768,581)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of bonds payable	1,475,000
Repayments of capital lease payable	33,361

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	23,189
--	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	13,387
Net pension liability and related deferred outflows/inflows of resources	(45,672)
Net OPEB liability and related deferred outflows/inflows of resources	88,071

Change in net position of governmental activities	\$	<u>1,375,337</u>
--	-----------	-------------------------

The accompanying notes are an integral part of these financial statements.

MASCENIC REGIONAL SCHOOL DISTRICT

**STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL - ALL BUDGETED FUNDS**

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
General Fund:				
School district assessment	\$ 10,094,591	\$ 10,094,591	\$ 10,091,863	\$ (2,728)
Tuition	10,000	10,000	14,961	4,961
Intergovernmental	6,732,078	6,732,078	6,791,425	59,347
Miscellaneous	99,250	99,250	109,694	10,444
Total General Fund	16,935,919	16,935,919	17,007,943	72,024
Grants Fund	786,000	786,000	649,800	(136,200)
Food Service Fund	430,000	430,000	340,714	(89,286)
Total Revenues	18,151,919	18,151,919	17,998,457	(153,462)
Expenditures:				
General Fund:				
Instruction:				
Regular programs	7,185,378	7,185,378	6,611,468	573,910
Special programs	1,888,224	1,888,224	1,333,059	555,165
Vocational programs	118,626	118,626	100,353	18,273
Other instructional programs	193,109	193,109	154,439	38,670
Support services:				
Student services	1,270,767	1,270,767	1,225,944	44,823
Instructional services	339,312	339,312	244,410	94,902
General administration - SAU level	786,991	786,991	737,543	49,448
School administration	1,223,597	1,223,597	1,181,620	41,977
Business office	323,654	323,654	326,118	(2,464)
Operations/maintenance of plant	1,447,633	1,447,633	1,409,838	37,795
Student transportation	730,025	730,025	691,958	38,067
Centralized services	337,549	337,549	368,240	(30,691)
Debt service:				
Principal	1,475,001	1,475,001	1,475,000	1
Interest	675,771	675,771	675,771	-
Total General Fund	17,995,637	17,995,637	16,535,761	1,459,876
Grants Fund	786,000	786,000	653,007	132,993
Food Service Fund	430,000	430,000	390,318	39,682
Total Expenditures	19,211,637	19,211,637	17,579,086	1,632,551
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,059,718)	(1,059,718)	419,371	1,479,089
Other Financing Sources (Uses):				
Use of fund balance - reduce taxes	1,059,718	1,059,718	1,059,718	-
Use of fund balance - reserve funds	76,000	76,000	76,000	-
Transfers out - reserve funds	(76,000)	(76,000)	(76,000)	-
Total Other Financing Sources	1,059,718	1,059,718	1,059,718	-
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,479,089	\$ 1,479,089

The accompanying notes are an integral part of these financial statements.

MASCENIC REGIONAL SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Agency Funds
ASSETS	
Cash and short-term investments	\$ <u>78,626</u>
TOTAL ASSETS	\$ <u><u>78,626</u></u>
LIABILITIES	
Due to student groups	\$ <u>78,626</u>
TOTAL LIABILITIES	\$ <u><u>78,626</u></u>

The accompanying notes are an integral part of these financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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. The effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

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. Generally, all other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures, such as debt service, compensated absences, claims and judgments, and pension and OPEB are recorded as expenditures only when they are due.

Major Governmental Funds

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *Grants Fund* accounts for the District's state and federal grant programs.
- The *Food Service Fund* accounts for the District's food service program.

Fiduciary Funds

Fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred. Agency funds are categorized as fiduciary funds and used to account for funds held by the District on behalf of others (e.g., student activity funds).

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).

F. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory includes food, paper, cleaning materials, and commodities for use in the District's food service program.

G. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, and equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	10 - 50
Equipment and vehicles	8 - 15

H. Compensated Absences

It is the District's policy to permit certain employees to accumulate earned but unused vacation pay benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Liabilities

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.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

The District voted to accept RSA 198:4-b II, that allows the District to retain year-end unassigned general funds in an amount not to exceed, in any fiscal year, 2.5% of the current fiscal year's net assessment, to be used as a revenue source for emergency expenditures and over-expenditures or to be used as a revenue source to reduce the tax rate.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the

outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use, either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. *Use of Estimates*

The preparation of basic financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. *Stewardship, Compliance, and Accountability*

A. *Budgetary Information*

At its annual meeting, the District adopts a budget for the next fiscal year. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, overexpenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the New Hampshire Department of Education. State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end.

B. *Budgetary Basis*

The final appropriations appearing on the "Budget and Actual" pages of the fund financial statements represent the final amended budgets after all transfers and supplemental appropriations.

C. *Budget/GAAP Reconciliation*

The budgetary data for all budgeted funds, including the General, Grants, and Food Service Funds, is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>
Revenues/Expenditures (GAAP Basis)	\$ 18,038,591	\$ 17,496,167
Add end-of-year appropriation carryforwards to expenditures	-	82,919
To reverse unbudgeted reserve fund activity	<u>(40,134)</u>	<u>-</u>
Budgetary Basis	<u>\$ 17,998,457</u>	<u>\$ 17,579,086</u>

D. Deficit Fund Balances

The District's food service fund had a deficit balance of \$52, 562 as of June 30, 2019

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. RSA 197:23-a limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus". The District does not have a deposit policy for custodial credit risk.

As of June 30, 2019, none of the District's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Receivables

Receivables consist primarily of reimbursements requested from Federal, State, and local agencies for expenditures incurred in fiscal year 2019, amounts due from the Town of New Ipswich Trustee of Trust Funds, and amounts due from other districts.

5. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is a summary of the June 30, 2019 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 179,888	\$ -
Grants Fund	-	115,972
Food Service Fund	-	63,916
Total	<u>\$ 179,888</u>	<u>\$ 179,888</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,308,122	\$ -	\$ -	\$ 36,308,122
Equipment and vehicles	670,513	14,158	-	684,671
Land improvements	<u>643,090</u>	<u>-</u>	<u>-</u>	<u>643,090</u>
Total capital assets, being depreciated	37,621,725	14,158	-	37,635,883
Less accumulated depreciation for:				
Buildings and improvements	(11,272,165)	(699,597)	-	(11,971,762)
Equipment and vehicles	(406,279)	(64,282)	-	(470,561)
Land improvements	<u>(599,834)</u>	<u>(4,702)</u>	<u>-</u>	<u>(604,536)</u>
Total accumulated depreciation	<u>(12,278,278)</u>	<u>(768,581)</u>	<u>-</u>	<u>(13,046,859)</u>
Total capital assets, being depreciated, net	25,343,447	(754,423)	-	24,589,024
Capital assets, not being depreciated:				
Land	<u>535,505</u>	<u>-</u>	<u>-</u>	<u>535,505</u>
Total capital assets, not being depreciated	<u>535,505</u>	<u>-</u>	<u>-</u>	<u>535,505</u>
Governmental activities capital assets, net	<u>\$ 25,878,952</u>	<u>\$ (754,423)</u>	<u>\$ -</u>	<u>\$ 25,124,529</u>

7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and No. 75, are more fully discussed in the corresponding pension and OPEB notes.

8. Capital Lease Obligations

The District is the lessee of certain equipment under a capital lease agreement expiring in the fiscal year 2021. Future minimum lease payments under this capital lease consisted of the following at June 30, 2019:

	<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
	2020	\$ 36,340
	2021	<u>36,340</u>
Total payments		72,680
Less amounts representing interest		<u>3,034</u>
Present value of minimum lease payments		<u>\$ 69,646</u>

Equipment financed by capital leases totaling \$166,948 is reported in capital assets net of \$130,776 accumulated depreciation.

9. Long-Term Liabilities

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/19</u>
New elementary school	09/15/26	5.39%	\$ <u>11,800,000</u>
Total Governmental Activities:			\$ <u>11,800,000</u>

Future Debt Service

The annual principal payments to retire all general obligation debt outstanding as of June 30, 2019 are as follows:

<u>Governmental</u> <u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
0	\$ 1,475,000	\$ 596,269	\$ 2,071,269
0	1,475,000	516,766	1,991,766
0	1,475,000	437,264	1,912,264
0	1,475,000	357,761	1,832,761
0	1,475,000	278,259	1,753,259
2025 - 2027	<u>4,425,000</u>	<u>357,761</u>	<u>4,782,761</u>
Total	\$ <u>11,800,000</u>	\$ <u>2,544,080</u>	\$ <u>14,344,080</u>

The General Fund has been designated as the source to repay the general obligation debt outstanding as of June 30, 2019.

Changes in Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Total Balance 7/1/18	Additions	Reductions	Total Balance 6/30/19	Less Current Portion	Equals Long-Term Portion 6/30/19
Governmental Activities						
Bonds payable	\$ 13,275,000	\$ -	\$ (1,475,000)	\$ 11,800,000	\$ (1,475,000)	\$ 10,325,000
Other:						
Capital lease payable	103,007	-	(33,361)	69,646	(34,327)	35,319
Compensated absences	46,388	2,752	(16,139)	33,001	(33,001)	-
Net pension liability	10,882,487	225,806	-	11,108,293	-	11,108,293
Net OPEB liability	3,154,599	-	(988,793)	2,165,806	-	2,165,806
Totals	\$ 27,461,481	\$ 228,558	\$ (2,513,293)	\$ 25,176,746	\$ (1,542,328)	\$ 23,634,418

10. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the District that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

11. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2019:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes General Fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This

fund balance classification includes General Fund encumbrances funded by bond issuances, special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. This fund balance classification includes General Fund encumbrances for non-lapsing special article appropriations and certain reserve funds.

Assigned - Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by District departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and amounts to be used in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods and deficit funds.

The following is a summary of fund balances at June 30, 2019:

	General Fund	Grants Fund	Food Service Fund	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ -	\$ 12,936	\$ 12,936
Food service fund in deficit	52,562	-	-	52,562
Total Nonspendable	52,562	-	12,936	65,498
Committed:				
Reserve funds	728,779	-	-	728,779
Total Committed	728,779	-	-	728,779
Assigned:				
2020 Warrant articles 5, 6 and 7	76,000	-	-	76,000
RSA 198:4-b II	225,383	-	-	225,383
Encumbrances	82,919	-	-	82,919
Total Assigned	384,302	-	-	384,302
Unassigned:				
Remaining fund balance	1,466,516	-	-	1,466,516
Food service fund in deficit	-	-	(52,562)	(52,562)
Grants fund in deficit	-	(308)	-	(308)
Total Unassigned	1,466,516	(308)	(52,562)	1,413,646
Total Fund Balances	\$ 2,632,159	\$ (308)	\$ (39,626)	\$ 2,592,225

12. New Hampshire Retirement System (GASB 68)

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

Benefits Provided

Group 1 benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

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

<u>Years of creditable service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	12	2.2%
Less than 4 years	49	24	2.1%

Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers. The District makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.38% to 17.36% of covered compensation. The District's contribution to NHRS for the year ended June 30, 2019 was \$1,012,076, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2019, the District reported a liability of \$11,108,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At the most recent measurement date of June 30, 2018, the District's proportion was 0.23069212%, which was an increase of 0.00941309% from its previous year proportion.

For the year ended June 30, 2019, the District recognized pension expense of \$1,103,396. In addition, the District 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
Net difference between expected and actual experience	\$ 88,664	\$ (89,944)
Changes of assumptions	768,749	-
Net difference between projected and actual earnings on pension plan investments	-	(257,056)
Changes in proportion and differences between contributions and proportionate share of contributions	113,421	-
Contributions subsequent to the measurement date (fiscal year 2019)	<u>1,012,076</u>	<u>-</u>
Total	<u>\$ 1,982,910</u>	<u>\$ (347,000)</u>

The amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2020. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in expense as follows:

Year ended June 30:

2020	\$ 448,003
2021	354,775
2022	(205,276)
2023	<u>26,332</u>
Total	<u>\$ 623,834</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent per year
Salary increases	5.6 percent average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

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

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2018	\$ 14,779,674	\$ 11,108,293	\$ 8,031,562

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

13. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 establishes standards for recognizing and measuring assets, liabilities, deferred outflows/inflows of resources, and expenditures related to other post-employment benefits (OPEB) liabilities and identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

A. District OPEB Plan

The following disclosures are based on a measurement date of June 30, 2019, determined on an actuarial valuation dated July 1, 2018.

Discount rate	3.50%
Healthcare cost trend rates	
Current year trend	9.50%
Decrement	0.50%
Ultimate trend	5.00%
Year ultimate trend is reached	2029
Salary increases	2.00%

The discount rate was based on the index provided by Bond Buyer 20 Bond General Obligation Index based on the 20-year AA municipal bond rate as of June 30, 2019.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Rate 2006).

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2018.

Total OPEB Liability

The District's total OPEB liability of \$1,970,028 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018 rolled forward to the measurement date.

Changes in the Total OPEB Liability

Total OPEB liability at July 1, 2018	\$ 1,970,028
Changes for the year:	
Service cost	75,856
Interest	40,073
Differences between expected and actual experience	(755,934)
Changes in assumptions	(42,301)
Benefit payments	<u>(53,683)</u>
Net Changes	<u>(735,989)</u>
Total OPEB liability at June 30, 2019	\$ <u><u>1,234,039</u></u>

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,306,563	\$ 1,234,039	\$ 1,159,882

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$1,114,451	\$1,234,039	\$1,366,089

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

For the year ended June 30, 2019, the District recognized an OPEB expense of \$200,044. At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience and actuarial assumption changes	\$ 922,256	\$ (627,374)
Changes of assumptions	<u>-</u>	<u>(207,308)</u>
Total	<u>\$ 922,256</u>	<u>\$ (834,682)</u>

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

<u>Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>
2020	\$ 84,115
2021	84,115
2022	107,391
2023	(68,582)
2024	(119,465)
Total	<u>\$ 87,574</u>

B. *New Hampshire Retirement System Medical Subsidy Plan*

Plan Description

In addition to the District's OPEB plan discussed above, the District participates in the New Hampshire Retirement System's (NHRS) Medical Subsidy Plan (MSP). The NHRS MSP is a cost-sharing, multiple-employer other post-employment benefit plan for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees.

Benefits Provided

NHRS MSP provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving MSP benefits differ for Group I and Group II members. The monthly MSP rates are:

1 Person - \$375.56
 2 Person - \$751.12
 1 Person Medicare Supplement - \$236.84
 2 Person Medicare Supplement - \$473.68

Actuarial Assumptions and Other Inputs

The District's proportionate share of the NHRS MSP OPEB liability as of June 30, 2019 is based upon an actuarial valuation performed as of June 30, 2017 (rolled forward to June 30, 2018) using a measurement date of June 30, 2018. The actuarial valuation used the following actuarial assumptions:

Price inflation	2.50%
Wage inflation	3.25%
Salary increases	5.60%
Investment rate of return	7.25%
Discount rate	7.25%

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent experience study, which was for the period July 1, 2010 – June 30, 2015.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The District's proportionate share of the net OPEB liability for the NHRS MSP as of the measurement date of June 30, 2018 was \$931,767.

For the year ended June 30, 2019, the District recognized expense related to the NHRS MSP of \$(133,398). At June 30, 2018, the District reported related deferred inflows and outflows of resources as follows:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 95,918	\$ -
Difference between expected and actual experience	5,469	-
Changes in proportion	-	(54,070)
Net difference between projected and actual OPEB investment earnings	-	(2,961)
Total	<u>\$ 101,387</u>	<u>\$ (57,031)</u>

Contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in fiscal year 2020.

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

Year Ended June 30:

2020	\$ (49,524)
2021	(924)
2022	(924)
2023	<u>(190)</u>
Total	\$ <u>(51,562)</u>

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 969,787	\$ 931,767	\$ 931,767

C. Consolidation of Total/Net OPEB Liabilities and Related Deferred Outflows and Inflows

The following consolidates the District's total OPEB liability and related deferred outflows/inflows, and the District's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at June 30, 2019:

	<u>Total/Net OPEB Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>
District OPEB Plan	\$ 1,234,039	\$ 922,256	\$ (834,682)
NHRS Medical Subsidy Plan	<u>931,767</u>	<u>101,387</u>	<u>(57,031)</u>
Total	\$ <u>2,165,806</u>	\$ <u>1,023,643</u>	\$ <u>(891,713)</u>

14. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the District is involved. The District’s management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Encumbrances – At year-end the District’s general fund has \$82,919 in encumbrances that will be honored in the next fiscal year.

15. Subsequent Event

Debt

Subsequent to June 30, 2019 the District incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Capital lease - Ford transit	\$ 33,595	6.90%	09/16/19	09/16/21

Other

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our District, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

MASCENIC REGIONAL SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)**

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	June 30, 2018	0.23069212%	\$ 11,108,293	\$ 6,642,578	167.23%	64.73%
June 30, 2018	June 30, 2017	0.22127903%	\$ 10,882,497	\$ 6,601,391	164.85%	62.66%
June 30, 2017	June 30, 2016	0.22969955%	\$ 12,214,493	\$ 6,683,758	182.75%	58.30%
June 30, 2016	June 30, 2015	0.22642411%	\$ 8,969,852	\$ 6,631,621	135.26%	65.47%
June 30, 2015	June 30, 2014	0.23175149%	\$ 8,698,992	\$ 6,461,017	134.64%	66.32%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

MASCENIC REGIONAL SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

(Unaudited)

New Hampshire Retirement System					
Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2019	\$ 1,012,076	\$ 1,012,076	\$ -	\$ 6,824,634	14.83%
June 30, 2018	\$ 929,390	\$ 929,390	\$ -	\$ 6,642,578	13.99%
June 30, 2017	\$ 771,162	\$ 771,162	\$ -	\$ 6,601,391	11.68%
June 30, 2016	\$ 786,312	\$ 786,312	\$ -	\$ 6,683,758	11.76%
June 30, 2015	\$ 773,930	\$ 773,930	\$ -	\$ 6,631,621	11.67%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

MASCENIC REGIONAL SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

(Unaudited)

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
June 30, 2019	June 30, 2018	0.20351106%	\$931,767	\$ 6,824,634	13.65%	7.53%
June 30, 2018	June 30, 2017	0.25907337%	\$1,184,571	\$ 6,642,578	17.83%	7.91%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

MASCENIC REGIONAL SCHOOL DISTRICT

SCHEDULES OF CHANGES IN THE TOTAL OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

Mascenic Regional School District OPEB Plan *

Changes in Total OPEB Liability

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 75,856	\$ 134,555
Interest on unfunded liability - time value of money	40,073	53,407
Differences between expected and actual experience	(755,934)	-
Changes in assumptions	(42,301)	(50,884)
Benefit payments, including refunds of member contributions	<u>(53,683)</u>	<u>(81,967)</u>
Net change in total OPEB liability	(735,989)	55,111
Total OPEB liability - beginning	<u>1,970,028</u>	<u>1,914,917</u>
Total OPEB liability - ending (a)	<u>\$ 1,234,039</u>	<u>\$ 1,970,028</u>
Covered employee payroll	\$ 5,228,389	6,660,725
Total OPEB liability as a percentage of covered employee payroll	23.60%	29.58%

* Does not include New Hampshire Retirement System Medical Subsidy.

Schedule of Contributions

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 139,568	235,877
Contributions in relation to the actuarially determined contribution	<u>53,683</u>	<u>81,449</u>
Contribution deficiency (excess)	<u>\$ 85,885</u>	<u>154,428</u>
Covered employee payroll	\$ 5,228,389	6,660,725
Contributions as a percentage of covered employee payroll	2.67%	3.54%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.