



MASCENIC REGIONAL SCHOOL DISTRICT

Annual Financial Statements
For the Year Ended June 30, 2020

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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, 2020, 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

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund, Grants Fund, and Food Service Fund 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 March 25, 2021 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

Merrimack, New Hampshire
March 25, 2021

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, 2020.

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.

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.

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.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$4,608,447, a change of \$486,104.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,543,341, a change of \$(48,884).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,399,010, a change of \$(67,506) in comparison to the prior year.

Government-Wide Financial Analysis

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

NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Current assets	\$ 3,315,093	\$ 2,685,580
Noncurrent assets	<u>24,574,099</u>	<u>25,124,529</u>
Total assets	27,889,192	27,810,109
Deferred outflows of resources	2,628,778	3,006,553
Current liabilities	2,499,025	1,821,188
Noncurrent liabilities	<u>22,278,360</u>	<u>23,634,418</u>
Total liabilities	24,777,385	25,455,606
Deferred inflows of resources	1,132,138	1,238,713
Net investment in capital assets	14,192,139	13,254,883
Unrestricted	<u>(9,583,692)</u>	<u>(9,132,540)</u>
Total net position	<u>\$ 4,608,447</u>	<u>\$ 4,122,343</u>

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 108,359	\$ 161,756
Operating grants and contributions	944,470	831,666
Capital grants and contributions	560,135	632,442
General revenues:		
School district assessment	9,611,902	10,091,863
Tuition	21,170	14,961
Grants and contributions not restricted to specific programs	6,231,792	6,156,075
Investment income	49,231	40,134
Miscellaneous	<u>174,688</u>	<u>109,694</u>
Total revenues	17,701,747	18,038,591

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Expenses:		
Instruction:		
Regular programs	7,003,386	6,704,421
Special programs	1,850,376	1,608,983
Vocational programs	104,486	101,661
Other instructional programs	136,001	156,108
Support services:		
Student services	1,282,030	1,225,599
Instructional services	366,403	331,916
General administration - SAU level	706,819	733,067
School administration	1,260,927	1,173,845
Business office	345,375	322,013
Operations/maintenance of plant	1,413,862	1,392,184
Student transportation	633,512	691,958
Centralized services	389,443	368,071
Other support services	43,951	41,947
Food service operations	351,078	390,317
Interest	561,486	652,583
Depreciation	<u>766,508</u>	<u>768,581</u>
Total expenses	<u>17,215,643</u>	<u>16,663,254</u>
Change in net position	486,104	1,375,337
Net position - beginning of year	<u>4,122,343</u>	<u>2,747,006</u>
Net position - end of year	<u>\$ 4,608,447</u>	<u>\$ 4,122,343</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 \$4,608,447, a change of \$486,104 in comparison to the prior year.

The largest portion of net position, \$14,192,139, 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 \$(9,583,692) primarily resulting from unfunded pension and OPEB liabilities.

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$486,104. Key elements of this change are as follows:

Principal debt service in excess of depreciation expense	\$	754,772
Purchase of capital assets		216,079
Change in net pension liability, net of related deferrals		(339,501)
Change in net OPEB liability, net of related deferrals		(74,778)
Other		(70,468)
Total	\$	<u>486,104</u>

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.

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,399,010, while total fund balance was \$2,538,683.

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>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,399,010	\$ 1,466,516	\$ (67,506)	8.4%
Total fund balance	\$ 2,538,683	\$ 2,632,159	\$ (93,476)	15.3%

The total fund balance of the general fund changed by \$(93,476) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance - reduce taxes	\$ (1,612,230)
Use of fund balance - reserve funds	(76,000)
Revenues greater than budget	111,183
Expenditures less than budget	1,375,140
Change in reserve funds	(57,226)
Other	<u>165,657</u>
Total	\$ <u>(93,476)</u>

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
Special education	\$ 364,232	\$ 341,476	\$ 22,756
School repair and maintenance	275,981	384,230	(108,249)
Healthcare	28,231	1,057	27,174
Food services	1,084	-	1,084
Other	<u>2,025</u>	<u>2,016</u>	<u>9</u>
Total	\$ <u>671,553</u>	\$ <u>728,779</u>	\$ <u>(57,226)</u>

Grants Fund

The major fund balance changed by \$2,803 primarily from positive operating results.

Food Service Fund

The major fund balance changed by \$41,789 primarily from a transfer done in fiscal year 2020 to eliminate the fund's prior year deficit.

Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$82,920, the change results from use of prior year assigned fund balance (encumbrances).

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets at year-end amounted to \$24,574,099 (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 \$10,381,960, 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, 2020

	Governmental <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 2,256,522
Receivables:	
Intergovernmental	903,211
Departmental and Other	113,356
Prepaid expenses	29,140
Inventory	<u>12,864</u>
Total Current Assets	3,315,093
Noncurrent:	
Capital assets:	
Land	535,505
Capital assets, net of accumulated depreciation	<u>24,038,594</u>
Total Noncurrent Assets	<u>24,574,099</u>
Total Assets	27,889,192
Deferred Outflows of Resources:	
Related to pensions	1,879,928
Related to OPEB	<u>748,850</u>
Total Deferred Outflows of Resources	2,628,778
Liabilities	
Current:	
Accounts payable	27,937
Accrued payroll and related liabilities	71,218
Unearned revenue	642,958
Other liabilities	29,639
Accrued interest payable	150,722
Current portion of noncurrent liabilities:	
Bonds payable	1,475,000
Capital leases payable	45,778
Compensated absences	<u>55,773</u>
Total Current Liabilities	2,499,025
Noncurrent:	
Bonds payable, net of current portion	8,850,000
Capital leases payable, net of current portion	11,182
Net pension liability	11,196,083
Net OPEB liability	<u>2,221,095</u>
Total Noncurrent Liabilities	<u>22,278,360</u>
Total Liabilities	24,777,385
Deferred Inflows of Resources:	
Related to pensions	495,729
Related to OPEB	<u>636,409</u>
Total Deferred Inflows of Resources	1,132,138
Net Position	
Net investment in capital assets	14,192,139
Unrestricted	<u>(9,583,692)</u>
Total Net Position	\$ <u>4,608,447</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, 2020

		Program Revenues			Net (Expenses) Revenues
			Operating	Capital	and Change in Net Position
		Charges for	Grants and	Grants and	Governmental
	Expenses	Services	Contributions	Contributions	Activities
Governmental Activities:					
Instruction:					
Regular programs	\$ 7,003,386	\$ -	\$ 227,364	\$ -	\$ (6,776,022)
Special programs	1,850,376	-	374,235	-	(1,476,141)
Vocational programs	104,486	-	1,192	-	(103,294)
Other instructional programs	136,001	-	-	-	(136,001)
Support services:					
Student services	1,282,030	-	-	-	(1,282,030)
Instructional services	366,403	-	144,733	-	(221,670)
General administration - SAU level	706,819	-	-	-	(706,819)
School administration	1,260,927	-	-	-	(1,260,927)
Business office	345,375	-	-	-	(345,375)
Operations/maintenance of plant	1,413,862	-	-	-	(1,413,862)
Student transportation	633,512	-	-	-	(633,512)
Centralized services	389,443	-	-	-	(389,443)
Other support services	43,951	-	-	-	(43,951)
Food service operations	351,078	108,359	196,946	-	(45,773)
Interest on long-term debt	561,486	-	-	560,135	(1,351)
Depreciation	766,508	-	-	-	(766,508)
Total Governmental Activities	\$ 17,215,643	\$ 108,359	\$ 944,470	\$ 560,135	(15,602,679)
General Revenues:					
					9,611,902
					21,170
					6,231,792
					49,231
					174,688
Total general revenues					16,088,783
Change in Net Position					486,104
Net Position:					
					4,122,343
					\$ 4,608,447

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

MASCENIC REGIONAL SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2020

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and short-term investments	\$ 2,256,522	\$ -	\$ -	\$ 2,256,522
Receivables:				
Intergovernmental	671,552	231,659	-	903,211
Other	55,975	-	57,381	113,356
Due from other funds	267,607	-	-	267,607
Prepaid expenses	29,140	-	-	29,140
Inventory	<u>-</u>	<u>-</u>	<u>12,864</u>	<u>12,864</u>
Total Assets	\$ <u>3,280,796</u>	\$ <u>231,659</u>	\$ <u>70,245</u>	\$ <u>3,582,700</u>
Liabilities:				
Accounts payable	\$ 27,937	\$ -	\$ -	\$ 27,937
Accrued payroll and related liabilities	71,218	-	-	71,218
Unearned revenue	642,958	-	-	642,958
Other liabilities	-	17,083	12,556	29,639
Due to other funds	<u>-</u>	<u>212,081</u>	<u>55,526</u>	<u>267,607</u>
Total Liabilities	742,113	229,164	68,082	1,039,359
Fund balances:				
Nonspendable	29,140	-	12,864	42,004
Committed	671,553	-	-	671,553
Assigned	438,980	-	-	438,980
Unassigned	<u>1,399,010</u>	<u>2,495</u>	<u>(10,701)</u>	<u>1,390,804</u>
Total Fund Balances	<u>2,538,683</u>	<u>2,495</u>	<u>2,163</u>	<u>2,543,341</u>
Total Liabilities and Fund Balances	\$ <u>3,280,796</u>	\$ <u>231,659</u>	\$ <u>70,245</u>	\$ <u>3,582,700</u>

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, 2020

Total Governmental fund balances	\$ 2,543,341
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	24,574,099
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(150,722)
Long-term liabilities, including bonds payable, capital leases payable, compensated absences, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in governmental funds:	(23,854,911)
Deferred outflows and (inflows) of resources related to Pensions to be recognized in pension expense in future periods.	1,384,199
Deferred outflows and (inflows) of resources related to OPEB to be recognized in OPEB expense in future periods.	<u>112,441</u>
Net position of governmental activities	\$ <u>4,608,447</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, 2020

	<u>General</u> <u>Fund</u>	<u>Grants</u> <u>Fund</u>	<u>Food</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:				
School district assessment	\$ 9,611,902	\$ -	\$ -	\$ 9,611,902
Tuition	21,170	-	-	21,170
Intergovernmental	6,793,119	746,332	196,946	7,736,397
Charges for services	-	-	108,359	108,359
Investment income	49,231	-	-	49,231
Miscellaneous	<u>143,535</u>	<u>31,153</u>	<u>-</u>	<u>174,688</u>
Total Revenues	16,618,957	777,485	305,305	17,701,747
Expenditures:				
Instruction:				
Regular programs	6,554,394	258,104	-	6,812,498
Special programs	1,456,218	357,726	-	1,813,944
Vocational programs	103,184	-	-	103,184
Other instructional programs	134,493	-	-	134,493
Support services:				
Student services	1,246,447	-	-	1,246,447
Instructional services	243,957	114,901	-	358,858
General administration - SAU level	690,757	-	-	690,757
School administration	1,208,005	-	-	1,208,005
Business office	333,978	-	-	333,978
Operations/maintenance of plant	1,571,574	-	-	1,571,574
Student transportation	633,512	-	-	633,512
Centralized services	377,083	-	-	377,083
Other support services	-	43,951	-	43,951
Food service operations	-	-	351,078	351,078
Debt service:				
Principal	1,475,000	-	-	1,475,000
Interest	<u>596,269</u>	<u>-</u>	<u>-</u>	<u>596,269</u>
Total Expenditures	<u>16,624,871</u>	<u>774,682</u>	<u>351,078</u>	<u>17,750,631</u>
Excess (deficiency) of revenues over expenditures	(5,914)	2,803	(45,773)	(48,884)
Other Financing Sources (Uses):				
Transfers in	247,983	-	87,562	335,545
Transfers out	<u>(335,545)</u>	<u>-</u>	<u>-</u>	<u>(335,545)</u>
Total Other Financing Sources (Uses)	<u>(87,562)</u>	<u>-</u>	<u>87,562</u>	<u>-</u>
Change in fund balance	(93,476)	2,803	41,789	(48,884)
Fund Equity, at Beginning of Year	<u>2,632,159</u>	<u>(308)</u>	<u>(39,626)</u>	<u>2,592,225</u>
Fund Equity, at End of Year	\$ <u>2,538,683</u>	\$ <u>2,495</u>	\$ <u>2,163</u>	\$ <u>2,543,341</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, 2020

Changes in fund balances - governmental funds \$ (48,884)

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	216,079
Depreciation	(766,508)

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	46,280

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 34,783

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:

Change in pension expense from GASB 68	(339,501)
Change in OPEB expense from GASB 75	(74,778)
Other	(56,367)

Change in net position of governmental activities \$ 486,104

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

MASCENIC REGIONAL SCHOOL DISTRICT

Fiduciary Funds

Statement Of Fiduciary Net Position

June 30, 2020

	Agency Funds
Assets	
Cash and short-term investments	\$ <u>77,496</u>
Liabilities	
Due to student groups	\$ <u>77,496</u>

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

MASCENIC REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Mascenic Regional School District (the "District") conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

The District is a municipal corporation governed by an elected School Board. As required by Generally Accepted Accounting Principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement Activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. School District assessments and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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).

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.

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).

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.

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

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.

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.

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.

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

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.

3. Cash and 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, 2020, 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 2020, 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, 2020 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 267,607	\$ -
Grants Fund	-	212,081
Food Service Fund	-	55,526
Total	<u>\$ 267,607</u>	<u>\$ 267,607</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 36,308,117	\$ 182,483	\$ -	\$ 36,490,600
Equipment and vehicles	684,671	33,596	-	718,267
Land improvements	643,089	-	-	643,089
Total capital assets, being depreciated	37,635,877	216,079	-	37,851,956
Less accumulated depreciation for:				
Buildings and improvements	(11,971,757)	(699,596)	-	(12,671,353)
Equipment and vehicles	(470,562)	(62,209)	-	(532,771)
Land improvements	(604,535)	(4,703)	-	(609,238)
Total accumulated depreciation	(13,046,854)	(766,508)	-	(13,813,362)
Total capital assets, being depreciated, net	24,589,023	(550,429)	-	24,038,594
Capital assets, not being depreciated:				
Land	535,505	-	-	535,505
Total capital assets, not being depreciated	535,505	-	-	535,505
Governmental activities capital assets, net	\$ 25,124,528	\$ (550,429)	\$ -	\$ 24,574,099

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. Unearned Revenue

Resources received in advance are reported as unearned revenues until the period of the exchange. Intergovernmental revenues representing grants and assistance from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. The Town of New Ipswich overpaid the District by \$642,958 for their fiscal year 2020 assessment. This overpayment was recorded as unearned for the year ended June 30, 2020.

9. Capital Lease Obligations

The District is the lessee of equipment under capital lease agreements expiring in the fiscal year 2022. Future minimum lease payments under these capital leases consisted of the following at June 30, 2020:

	<u>Fiscal Year</u>	<u>Amount</u>
	2021	\$ 36,339
	2022	<u>23,906</u>
Total payments		60,245
Less amounts representing interest		<u>3,285</u>
Present value of minimum lease payments		<u>\$ 56,960</u>

Equipment financed by capital leases totaling \$200,543 is reported in capital assets net of \$164,165 accumulated depreciation.

10. Long-Term Liabilities

Long-Term Debt

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>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/20</u>
<u>Governmental Activities</u>			
New elementary school	09/15/26	5.39%	<u>\$ 10,325,000</u>

Future Debt Service

The annual principal payments to retire all general obligation debt outstanding as of June 30, 2020 are as follows:

Governmental Activities	Principal	Interest	Total
2021	\$ 1,475,000	\$ 516,766	\$ 1,991,766
2022	1,475,000	437,264	1,912,264
2023	1,475,000	357,761	1,832,761
2024	1,475,000	278,259	1,753,259
2025	1,475,000	198,756	1,673,756
2026	1,475,000	119,254	1,594,254
2027	1,475,000	39,751	1,514,751
Total	<u>\$ 10,325,000</u>	<u>\$ 1,947,811</u>	<u>\$ 12,272,811</u>

Long-Term Debt Supporting Activities

The General Fund has been designated as the source to repay the long-term debt outstanding as of June 30, 2020.

Changes in Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Total Balance 7/1/19	Additions	Reductions	Total Balance 6/30/20	Less Current Portion	Equals Long-Term Portion 6/30/20
Governmental Activities						
Bonds payable	\$ 11,800,000	\$ -	\$ (1,475,000)	\$ 10,325,000	\$ (1,475,000)	\$ 8,850,000
Capital leases payable	69,645	33,595	(46,280)	56,960	(45,778)	11,182
Compensated absences	33,001	24,675	(1,903)	55,773	(55,773)	-
Net pension liability	11,108,293	87,790	-	11,196,083	-	11,196,083
Net OPEB liability	2,165,806	55,289	-	2,221,095	-	2,221,095
Totals	<u>\$ 25,176,745</u>	<u>\$ 201,349</u>	<u>\$ (1,523,183)</u>	<u>\$ 23,854,911</u>	<u>\$ (1,576,551)</u>	<u>\$ 22,278,360</u>

11. 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.

12. 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, 2020:

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 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, 2020:

	General Fund	Grants Fund	Food Service Fund	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ -	\$ 12,864	\$ 12,864
Prepaid expenditures	29,140	-	-	29,140
Total Nonspendable	29,140	-	12,864	42,004
Committed:				
Reserve funds:				
Special education	364,232	-	-	364,232
School repair and maintenance	275,981	-	-	275,981
Healthcare	28,231	-	-	28,231
Food services	1,084	-	-	1,084
Other	2,025	-	-	2,025
Total Committed	671,553	-	-	671,553
Assigned:				
Capital reserves	45,000	-	-	45,000
RSA 198:4-b II	240,298	-	-	240,298
Encumbrances:				
Regular programs	106,852	-	-	106,852
Operations and maintenance of plant	20,429	-	-	20,429
Business	15,000	-	-	15,000
General administration	5,013	-	-	5,013
Special programs	4,938	-	-	4,938
Student services	1,450	-	-	1,450
Total Assigned	438,980	-	-	438,980
Unassigned:				
General fund	1,399,010	-	-	1,399,010
Food service fund	-	-	(10,701)	(10,701)
Grants fund	-	2,495	-	2,495
Total Unassigned	1,399,010	2,495	(10,701)	1,390,804
Total Fund Balances	\$ 2,538,683	\$ 2,495	\$ 2,163	\$ 2,543,341

13. 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 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 3 years or 5 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.

Contributions

Plan members are required to contribute a percentage of their Earnable Compensation 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 10.888% to 15.99% of covered compensation. The District's contribution to NHRS for the year ended June 30, 2020 was \$1,064,871, which was equal to its actuarially determined 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, 2020, the District reported a liability of \$11,196,083 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and

the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019, the District's proportion was 0.23268676%, which was an increase of 0.00199464% from its previous year proportion.

For the year ended June 30, 2020, the District recognized pension expense of \$1,406,982. 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	\$ 61,905	\$ (240,748)
Changes of assumptions	401,711	-
Net difference between projected and actual earnings on pension plan investments	-	(91,456)
Changes in proportion and differences between contributions and proportionate share of contributions	349,366	(163,525)
Contributions subsequent to the measurement date	1,066,946	-
Total	\$ 1,879,928	\$ (495,729)

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 2021. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in expense as follows:

<u>Year ended June 30:</u>	
2021	\$ 391,107
2022	(173,723)
2023	59,453
2024	40,416
Total	\$ 317,253

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.50% per year
Wage inflation	3.25% per year (3.00% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	7.25%, net of 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.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, most recently performed in 2016.

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

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	7.00	6.00%
Total international equities	20.00	
Core Bonds	9.00	1.12%
Global Multi-Sector Fixed Income	10.00	2.46%
Absolute Return Fixed Income	6.00	1.50%
Total fixed income	25.00	
Private Equity	10.00	7.90%
Private Debt	5.00	4.86%
Total alternative investments	15.00	
Real Estate	10.00	3.00%
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected 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, 2019	\$ 14,992,017	\$ 11,196,083	\$ 8,058,774

Pension Plan Fiduciary Net Position

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

14. 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.

District OPEB Plan

The following disclosures are based on a measurement date of June 30, 2020, determined on an actuarial valuation dated July 1, 2018.

Plan Description

The District indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the District who participate in the single-employer plan pay 100% of the healthcare premiums to participate in the District's healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees, due to the age of consideration. This increased rate is an implicit subsidy the District pays for the retirees.

The District's OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

Retirees and their covered dependents are eligible to participate in the District's medical program. All active employees who retire from the District and meet the eligibility criteria will receive these benefits. The District provides a subsidy to teachers that retire after reaching age 60 and have 10 years of service. The subsidy is equal to 50% of the premium cost for individual or two-person coverage, is paid for a maximum of two years, and terminates at age 65. Non-teacher retirees of the District that participate in the plan pay 100% of the healthcare premiums.

Membership Data

As of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	<u>103</u>
Total participants covered by OPEB plan	<u>109</u>

Funding Policy

The District's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date, using the following actuarial assumptions:

Discount rate	3.50%
Healthcare cost trend rates	
2018 - 2019 Current Year Trend	(4.26%)
2019 - 2020 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).

Total OPEB Liability

The District's total OPEB liability of \$1,299,207 was measured as of June 30, 2020 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, 2019	\$ 1,234,039
Changes for the year:	
Service cost	78,511
Interest	42,219
Benefit payments	<u>(55,562)</u>
Net Changes	<u>65,168</u>
Total OPEB liability at June 30, 2020	<u>\$ 1,299,207</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:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 1,372,709	\$ 1,299,207	\$ 1,223,852

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:

	1% Decrease (-5.26%)	Current Healthcare Cost Trend Rates (-4.26%)	1% Increase (-3.26%)
Total OPEB liability	\$ 1,166,904	\$ 1,299,207	\$1,446,515

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

For the year ended June 30, 2020, the District recognized an OPEB expense of \$204,811. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 637,228	\$ (498,814)
Changes of assumptions	-	(134,955)
Total	\$ <u>637,228</u>	\$ <u>(633,769)</u>

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

Year ended June 30:

2021	\$ 84,115
2022	107,391
2023	(68,582)
2024	<u>(119,465)</u>
Total	\$ <u>3,459</u>

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. Collectively, they are referred to as the OPEB Plan.

NHRS issues publicly financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, New Hampshire 03301-8507 or from their website at <http://www.nhrs.org>.

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

Contributions

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the Medical Subsidy payment is via the employer contributions rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of Earnable Compensation. The District contributed 0.29% of gross payroll for Group I employees, 1.81% of gross payroll for Group I teachers, and 3.66% and 3.66% of gross payroll for Group II fire and police department members, respectively. Employees are not required to contribute. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the Medical Subsidy plan.

Actuarial Assumptions and Other Inputs

Actuarial assumptions are the same in the Retirement System footnote.

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

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, 2019 was \$921,888, representing 0.21027940%.

For the year ended June 30, 2020, the District recognized expense related to the NHRS MSP of \$33,869. At June 30, 2020, 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	\$ 108,328	\$ -
Difference between expected and actual experience	-	(1,604)
Changes in proportion	3,294	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(1,036)</u>
Total	\$ <u>111,622</u>	\$ <u>(2,640)</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 2021.

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:

2021	\$ 1,003
2022	(687)
2023	71
2024	<u>267</u>
Total	\$ <u>654</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:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 999,928	\$ 921,888	\$ 854,077

Healthcare Cost Trend Rate

Healthcare cost trend rates are not applicable given that the benefits are fixed stipends.

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, 2020:

	<u>Total/Net OPEB Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred (Inflows) of Resources</u>	<u>Pension Expense</u>
District OPEB Plan	\$ 1,299,207	\$ 637,228	\$ (633,769)	\$ 204,811
NHRS Medical Subsidy Plan	<u>921,888</u>	<u>111,622</u>	<u>(2,640)</u>	<u>33,869</u>
Total	<u>\$ 2,221,095</u>	<u>\$ 748,850</u>	<u>\$ (636,409)</u>	<u>\$ 238,680</u>

15. 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 \$153,682 in encumbrances that will be honored in the next fiscal year.

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. 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.

16. Subsequent Events

Management has evaluated events through March 25, 2021 which is the date of the financial statements were available to be issued.

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, 2020

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
General Fund:				
School district assessment	\$ 9,611,902	\$ 9,611,902	\$ 9,611,902	\$ -
Tuition	10,000	10,000	21,170	11,170
Intergovernmental	6,751,641	6,751,641	6,793,119	41,478
Miscellaneous	<u>85,000</u>	<u>85,000</u>	<u>143,535</u>	<u>58,535</u>
Total General Fund	16,458,543	16,458,543	16,569,726	111,183
Grants Fund	786,000	786,000	777,485	(8,515)
Food Service Fund	<u>430,000</u>	<u>430,000</u>	<u>305,305</u>	<u>(124,695)</u>
Total Revenues	17,674,543	17,674,543	17,652,516	(22,027)
Expenditures:				
General Fund:				
Instruction:				
Regular programs	7,184,500	7,198,847	6,661,246	537,601
Special programs	1,735,716	1,735,716	1,461,155	274,561
Vocational programs	112,682	112,682	103,184	9,498
Other instructional programs	213,759	213,759	134,493	79,266
Support services:				
Student services	1,418,274	1,426,726	1,247,897	178,829
Instructional services	342,200	345,755	243,957	101,798
General administration - SAU level	792,772	798,074	695,770	102,304
School administration	1,201,533	1,202,758	1,208,005	(5,247)
Business office	366,849	366,849	348,978	17,871
Operations/maintenance of plant	1,504,749	1,551,488	1,592,003	(40,515)
Student transportation	741,550	744,850	633,513	111,337
Centralized services	384,920	384,920	377,083	7,837
Debt service:				
Principal	1,475,001	1,475,000	1,475,000	-
Interest	<u>596,268</u>	<u>596,269</u>	<u>596,269</u>	<u>-</u>
Total General Fund	18,070,773	18,153,693	16,778,553	1,375,140
Grants Fund	786,000	786,000	774,682	11,318
Food Service Fund	<u>430,000</u>	<u>430,000</u>	<u>351,078</u>	<u>78,922</u>
Total Expenditures	19,286,773	19,369,693	17,904,313	1,465,380
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,612,230)	(1,695,150)	(251,797)	1,443,353
Other Financing Sources (Uses):				
Use of fund balance - reduce taxes	1,612,230	1,612,230	1,612,230	-
Use of fund balance - reserve funds	76,000	76,000	76,000	-
Use of assigned fund balance - carryforwards	-	82,920	82,920	-
Transfers in	-	-	171,983	171,983
Transfers out	<u>(76,000)</u>	<u>(76,000)</u>	<u>(163,562)</u>	<u>(87,562)</u>
Total Other Financing Sources	1,612,230	1,695,150	1,779,571	84,421
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,527,774	\$ 1,527,774

See Independent Auditors' Report.

**Notes to the Required Supplemental Information
for All Budgeted Funds**

Budgetary Basis

The final appropriations appearing on the previous page represents the final amended budget after all transfers and supplemental appropriations.

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 of 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 the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
Revenues/Expenditures and other financing sources/(uses) (GAAP Basis)	\$ 17,701,747	\$ 17,750,631	\$ -
Record use of unassigned fund balance	-	-	1,688,230
Record use of assigned fund balance	-	-	82,920
Add end-of-year appropriation carryforwards to expenditures	-	153,682	-
To reverse unbudgeted reserve fund activity	(49,231)	-	-
Other adjustments	<u>-</u>	<u>-</u>	<u>8,421</u>
Budgetary Basis	<u>\$ 17,652,516</u>	<u>\$ 17,904,313</u>	<u>\$ 1,779,571</u>

See Independent Auditors' Report.

MASCENIC REGIONAL SCHOOL DISTRICT

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

Required Supplementary Information

(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, 2020	June 30, 2019	0.23268676%	\$ 11,196,083	\$ 6,824,634	164.05%	65.59%
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

Required Supplementary Information

(Unaudited)

New Hampshire Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2020	June 30, 2019	\$ 1,064,871	\$ 1,064,871	\$ -	\$ 7,077,786	15.05%
June 30, 2019	June 30, 2018	\$ 1,012,076	\$ 1,012,076	\$ -	\$ 6,824,634	14.83%
June 30, 2018	June 30, 2017	\$ 929,390	\$ 929,390	\$ -	\$ 6,642,578	13.99%
June 30, 2017	June 30, 2016	\$ 771,162	\$ 771,162	\$ -	\$ 6,601,391	11.68%
June 30, 2016	June 30, 2015	\$ 786,312	\$ 786,312	\$ -	\$ 6,683,758	11.76%
June 30, 2015	June 30, 2014	\$ 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

Required Supplementary Information

(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, 2020	June 30, 2019	0.21027940%	\$921,888	\$ 7,077,786	13.03%	7.75%
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

Required Supplementary Information

(Unaudited)

Mascenic Regional School District OPEB Plan *

Changes in Total OPEB Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 78,511	\$ 75,856	\$ 134,555
Interest	42,219	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>(55,562)</u>	<u>(53,683)</u>	<u>(81,967)</u>
Net change in total OPEB liability	65,168	(735,989)	55,111
Total OPEB liability - beginning	<u>1,234,039</u>	<u>1,970,028</u>	<u>1,914,917</u>
Total OPEB liability - ending (a)	<u>\$ 1,299,207</u>	<u>\$ 1,234,039</u>	<u>\$ 1,970,028</u>
Covered employee payroll	\$ 5,332,957	\$ 5,228,389	6,660,725
Total OPEB liability as a percentage of covered employee payroll	24.36%	23.60%	29.58%

* Does not include New Hampshire Retirement System Medical Subsidy.

Schedule of Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 145,607	\$ 139,568	\$ 235,877
Contributions in relation to the actuarially determined contribution	<u>55,562</u>	<u>53,683</u>	<u>81,449</u>
Contribution deficiency	<u>\$ 90,045</u>	<u>\$ 85,885</u>	<u>\$ 154,428</u>
Covered employee payroll	\$ 5,332,957	\$ 5,228,389	6,660,725
Contributions as a percentage of covered employee payroll	2.73%	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.