



MASCENIC REGIONAL SCHOOL DISTRICT

Financial Statements
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S 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
Fiduciary Funds:	
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION:	
Budget and Actual:	
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – All Budgeted Funds	39
Notes to the Required Supplementary Information for All Budgeted Funds	40

Pension:

Schedule of Proportionate Share of the Net Pension Liability 41

Schedule of Pension Contributions 42

OPEB:

Schedule of Proportionate Share and Contributions 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



INDEPENDENT AUDITOR'S REPORT

To the School Board
Mascenic Regional School District

Report on the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, in the year ending June 30, 2022, the District adopted GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Audit Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Audit Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022 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, 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 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.

Merrimack, New Hampshire
October 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mascenic Regional School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

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.

Required Supplementary 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 \$4,345,962, a change of \$357,794.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$1,976,794, a change of \$(672,808).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$849,461, a change of \$(691,533) 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 year.

NET POSITION		
	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Assets		
Current and other assets	\$ 2,309,324	\$ 2,772,125
Capital assets	<u>23,297,135</u>	<u>23,826,990</u>
Total Assets	25,606,459	26,599,115
Deferred Outflows of Resources	3,625,319	5,210,138
Liabilities		
Other liabilities	448,472	250,058
Long-term liabilities	<u>20,925,348</u>	<u>26,776,317</u>
Total Liabilities	21,373,820	27,026,375
Deferred Inflows of Resources	3,511,996	794,709
Net Position		
Net investment in capital assets	15,922,135	14,976,990
Unrestricted	<u>(11,576,173)</u>	<u>(10,988,821)</u>
Total Net Position	<u>\$ 4,345,962</u>	<u>\$ 3,988,169</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 \$4,345,962, a change of \$357,794 in comparison to the prior year.

The largest portion of net position, \$15,922,135, 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 \$(11,576,173) primarily resulting from unfunded pension and OPEB liabilities.

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues:		
Charges for services	\$ 54,196	\$ 14,901
Operating grants and contributions	2,377,638	1,509,427
Capital grants and contributions	412,340	486,754
General revenues:		
School district assessment	9,818,153	8,631,550
Tuition	27,956	60,792
Grants and contributions not restricted to specific programs	6,422,847	7,368,567
Investment income (loss)	(48,066)	51,478
Miscellaneous	<u>87,247</u>	<u>145,593</u>
Total Revenues	19,152,311	18,269,062
Expenses		
Instruction:		
Regular programs	\$ 7,393,876	\$ 7,780,655
Special programs	2,013,384	1,971,924
Vocational programs	99,482	117,835
Other instructional programs	215,765	169,579
Support services:		
Student services	1,609,215	1,537,131
Instructional services	444,172	666,766
General administration - SAU level	709,724	736,028
School administration	1,346,055	1,396,276
Business office	378,674	368,448
Operations/maintenance of plant	1,563,455	1,464,415
Student transportation	827,108	693,755
Centralized services	371,907	400,681
Other support services	22,116	35,478
Food service operations	606,735	309,682
Interest	425,670	493,578
Depreciation	<u>767,179</u>	<u>747,109</u>
Total Expenses	<u>18,794,517</u>	<u>18,889,340</u>
Change in Net Position	357,794	(620,278)
Net Position - Beginning of Year	<u>3,988,168</u>	<u>4,608,446</u>
Net Position - End of Year	<u><u>\$ 4,345,962</u></u>	<u><u>\$ 3,988,168</u></u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$357,794. Key elements of this change are as follows:

Change in net pension liability, net of related deferrals	\$ 273,228
Other	<u>84,566</u>
Total	<u>\$ 357,794</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 \$849,461, while total fund balance was \$1,855,466. The District's unassigned fund balance decreased by \$(691,533) primarily from favorable budgetary results of \$910,388 (page 39) less \$1,540,994 of fund balance that was used to reduce taxes in the fall of 2021.

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>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>% of General Fund Expenditures</u>
Unassigned fund balance	\$ 849,461	\$ 1,540,994	\$ (691,533)	4.9%
Total fund balance	\$ 1,855,466	\$ 2,591,117	\$ (735,651)	10.6%

The total fund balance of the General Fund changed by \$(735,651) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance - reduce taxes	\$ (1,540,994)
Revenues in excess of budget	188,260
Expenditures less than budget	639,285
Change in capital reserve funds	(33,773)
Other	<u>11,571</u>
Total	\$ <u>(735,651)</u>

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Special education	\$ 386,472	\$ 413,524	\$ (27,052)
School repair and maintenance	247,156	292,103	(44,947)
Healthcare	58,859	41,086	17,773
Food services	33,029	12,353	20,676
Other	<u>2,100</u>	<u>2,323</u>	<u>(223)</u>
Total	\$ <u>727,616</u>	\$ <u>761,389</u>	\$ <u>(33,773)</u>

Food Service Fund

The fund balance of the Food Service Fund changed by \$62,843. This change was due to multiple factors including the food service program being free for all Mascenic families during fiscal year 2022 due to COVID-19. In addition, the District received higher reimbursement rates for meals from the federal government.

Budgetary Highlights

There were no changes between the total original budget and the total final amended budget in fiscal year 2022. Additionally, the following were identified as large variances between budgeted and actual expenditures in fiscal year 2022. Major reasons for these variances include:

Student Services \$234,445 – This was primarily due to a budgeted BCBA (Board Certified Behavior Analyst) that was ultimately funded by a grant. In addition, a guidance position was budgeted, but the decision was made not to fill it. Lastly, special education student support services came in under budget due to the needs of the current student body not being as high as anticipated.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets at year-end amounted to \$23,297,135 (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) was \$7,375,000, 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, 2022

	Governmental <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 941,283
Receivables:	
Intergovernmental	1,301,484
Other	44,538
Inventory	<u>22,019</u>
Total Current Assets	2,309,324
Noncurrent:	
Capital assets:	
Nondepreciable capital assets	535,505
Other capital assets, net of accumulated depreciation	<u>22,761,630</u>
Total Noncurrent Assets	<u>23,297,135</u>
Total Assets	25,606,459
Deferred Outflows of Resources	
Related to pension	3,238,412
Related to OPEB	<u>386,907</u>
Total Deferred Outflows of Resources	3,625,319
Liabilities	
Current:	
Accounts payable	286,436
Accrued liabilities	133,870
Other current liabilities	28,166
Current portion of long-term liabilities:	
Bonds payable	1,475,000
Compensated absences	<u>25,573</u>
Total Current Liabilities	1,949,045
Noncurrent:	
Bonds payable, net of current portion	5,900,000
Net pension liability	10,873,092
Net OPEB liability	<u>2,651,683</u>
Total Noncurrent Liabilities	<u>19,424,775</u>
Total Liabilities	21,373,820
Deferred Inflows of Resources	
Related to pension	3,154,789
Related to OPEB	<u>357,207</u>
Total Deferred Inflows of Resources	3,511,996
Net Position	
Net investment in capital assets	15,922,135
Unrestricted	<u>(11,576,173)</u>
Total Net Position	\$ <u>4,345,962</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, 2022

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenues</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>
Governmental Activities					
Instruction:					
Regular programs	\$ 7,393,876	\$ -	\$ 270,682	\$ -	\$ (7,123,194)
Special programs	2,013,384	-	1,359,706	-	(653,678)
Vocational programs	99,482	-	-	-	(99,482)
Other instructional programs	215,765	-	-	-	(215,765)
Support services:					
Student services	1,609,215	-	-	-	(1,609,215)
Instructional services	444,172	-	74,665	-	(369,507)
General administration - SAU level	709,724	-	-	-	(709,724)
School administration	1,346,055	-	-	-	(1,346,055)
Business office	378,674	-	-	-	(378,674)
Operations/maintenance of plant	1,563,455	-	-	-	(1,563,455)
Student transportation	827,108	-	-	-	(827,108)
Centralized services	371,907	-	-	-	(371,907)
Other support services	22,116	-	-	-	(22,116)
Food service operations	606,735	54,196	672,585	-	120,046
Interest on long-term debt	425,670	-	-	412,340	(13,330)
Depreciation	767,179	-	-	-	(767,179)
Total Governmental Activities	<u>\$ 18,794,517</u>	<u>\$ 54,196</u>	<u>\$ 2,377,638</u>	<u>\$ 412,340</u>	(15,950,343)
General Revenues					
					9,818,153
					27,956
					6,422,847
					(48,066)
					87,247
Total General Revenues					<u>16,308,137</u>
Change in Net Position					357,794
Net Position					
Beginning of Year					<u>3,988,168</u>
End of Year					<u>\$ 4,345,962</u>

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

MASCENIC REGIONAL SCHOOL DISTRICT

Governmental Funds
Balance Sheet
June 30, 2022

	General <u>Fund</u>	Grants <u>Fund</u>	Food Service <u>Fund</u>	Total Governmental <u>Funds</u>
Assets				
Cash and short-term investments	\$ 941,283	\$ -	\$ -	\$ 941,283
Receivables:				
	727,616	414,299	159,569	1,301,484
	44,538	-	-	44,538
Due from other funds	395,958	-	170,806	566,764
Inventory	<u>-</u>	<u>-</u>	<u>22,019</u>	<u>22,019</u>
Total Assets	\$ <u>2,109,395</u>	\$ <u>414,299</u>	\$ <u>352,394</u>	\$ <u>2,876,088</u>
Liabilities				
Accounts payable	\$ 65,197	\$ -	\$ 221,239	\$ 286,436
Accrued liabilities	17,926	-	-	17,926
Other liabilities	-	18,035	10,133	28,168
Due to other funds	<u>170,806</u>	<u>395,958</u>	<u>-</u>	<u>566,764</u>
Total Liabilities	253,929	413,993	231,372	899,294
Fund Balances				
Nonspendable	-	-	22,019	22,019
Restricted	-	306	55,947	56,253
Committed	727,616	-	-	727,616
Assigned	278,389	-	43,056	321,445
Unassigned	<u>849,461</u>	<u>-</u>	<u>-</u>	<u>849,461</u>
Total Fund Balances	<u>1,855,466</u>	<u>306</u>	<u>121,022</u>	<u>1,976,794</u>
Total Liabilities and Fund Balances	\$ <u>2,109,395</u>	\$ <u>414,299</u>	\$ <u>352,394</u>	\$ <u>2,876,088</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, 2022

Total Governmental Fund Balances	\$ 1,976,794
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	23,297,135
• Deferred outflows of resources related to pension to be recognized in pension expense in future periods.	3,238,412
• Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	386,907
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, interest is not reported until due.	(115,942)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable	(7,375,000)
Compensated absences	(25,573)
Net pension liability	(10,873,092)
Net OPEB liability	(2,651,683)
• Deferred inflows of resources related to pension to be recognized in pension expense in future periods.	(3,154,789)
• Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(357,207)
Net Position of Governmental Activities	<u><u>\$ 4,345,962</u></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, 2022

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
Revenues				
School district assessment	\$ 9,818,153	\$ -	\$ -	\$ 9,818,153
Tuition	27,956	-	-	27,956
Intergovernmental	6,835,187	1,705,053	672,585	9,212,825
Charges for services	-	-	54,196	54,196
Investment loss	(48,066)	-	-	(48,066)
Miscellaneous	<u>73,982</u>	<u>39,249</u>	<u>-</u>	<u>113,231</u>
Total Revenues	16,707,212	1,744,302	726,781	19,178,295
Expenditures				
Instruction:				
Regular programs	6,955,447	630,381	-	7,585,828
Special programs	1,565,627	447,757	-	2,013,384
Vocational programs	99,482	-	-	99,482
Other instructional programs	172,670	43,095	-	215,765
Support services:				
Student services	1,324,510	284,705	-	1,609,215
Instructional services	253,428	190,744	-	444,172
General administration - SAU level	730,334	-	-	730,334
School administration	1,357,356	-	-	1,357,356
Business office	375,898	-	-	375,898
Operations/maintenance of plant	1,511,147	115,605	-	1,626,752
Student transportation	817,210	9,898	-	827,108
Centralized services	367,490	-	-	367,490
Other support services	-	22,117	-	22,117
Food service operations	-	-	663,938	663,938
Debt service:				
Principal	1,475,000	-	-	1,475,000
Interest	<u>437,264</u>	<u>-</u>	<u>-</u>	<u>437,264</u>
Total Expenditures	<u>17,442,863</u>	<u>1,744,302</u>	<u>663,938</u>	<u>19,851,103</u>
Change in Fund Balance	(735,651)	-	62,843	(672,808)
Fund Equity, at Beginning of Year	<u>2,591,117</u>	<u>306</u>	<u>58,179</u>	<u>2,649,602</u>
Fund Equity, at End of Year	\$ <u><u>1,855,466</u></u>	\$ <u><u>306</u></u>	\$ <u><u>121,022</u></u>	\$ <u><u>1,976,794</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, 2022**

Net Changes in Fund Balances - Total Governmental Funds	\$ (672,808)
<ul style="list-style-type: none">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	263,308
Depreciation	(767,179)
Loss on disposal of assets	(25,985)
<ul style="list-style-type: none">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 general obligation bonds	1,475,000
Repayments of leases	11,182
<ul style="list-style-type: none">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 net pension liability and related deferred outflows and inflows	273,228
Change in net OPEB liability and related deferred outflows and inflows	(239,477)
Change in compensated absences	28,929
Change in accrued interest on bonds payable	<u>11,596</u>
Change in Net Position of Governmental Activities	\$ <u>357,794</u>

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

MASCENIC REGIONAL SCHOOL DISTRICT

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	Custodial Funds
Assets	
Cash and short-term investments	\$ <u>77,720</u>
Total Assets	<u>77,720</u>
Net Position	
Restricted for student activities	<u>77,720</u>
Total Net Position	\$ <u><u>77,720</u></u>

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

MASCENIC REGIONAL SCHOOL DISTRICT

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Custodial <u>Funds</u>
Additions	
Fees collected for students	\$ 81,001
Deductions	
Payments on behalf of students	<u>90,336</u>
Change in Net Position	(9,335)
Net Position	
Beginning of year	<u>87,055</u>
End of year	\$ <u><u>77,720</u></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 GAAP these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2022, it was determined that no entities met the component unit requirements of GASB 14 (as amended).

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. 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.

The District reports the following 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. Custodial funds are categorized as fiduciary funds and are used to account for funds held by the District on behalf of others (e.g., student activity funds).

Cash and 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 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 eight 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 Obligations

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

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 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, as follows:

Nonspendable

Represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes Food Service Fund reserves for inventory.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue 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 surplus set aside to be used as a revenue source for emergency expenditures and over expenditures as allowed by RSA 198:4-b.

Unassigned

Represents amounts that are available to be spent 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.

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 GAAP 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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

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.

3. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2022, \$1,158,429 of the District's bank balance was collateralized by securities held by the pledging financial institution.

4. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2022. In addition, this balance includes amounts due from the Town of New Ipswich Trustee of Trust Funds and amounts due from other districts.

5. Interfund Accounts

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 composition of interfund balances as of June 30, 2022, is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 395,958	\$ 170,806
Grants Fund	-	395,958
Food Service Fund	<u>170,806</u>	<u>-</u>
Total	<u>\$ 566,764</u>	<u>\$ 566,764</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2022, 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	\$ 36,490,627	\$ -	\$ (19,988)	\$ 36,470,639
Equipment and vehicles	718,266	263,308	(341,241)	640,333
Land improvements	<u>643,090</u>	<u>-</u>	<u>-</u>	<u>643,090</u>
Total capital assets, being depreciated	37,851,983	263,308	(361,229)	37,754,062
Less accumulated depreciation for:				
Buildings and improvements	(13,379,994)	(708,616)	16,974	(14,071,636)
Equipment and vehicles	(567,620)	(55,977)	318,270	(305,327)
Land improvements	<u>(612,883)</u>	<u>(2,586)</u>	<u>-</u>	<u>(615,469)</u>
Total accumulated depreciation	<u>(14,560,497)</u>	<u>(767,179)</u>	<u>335,244</u>	<u>(14,992,432)</u>
Capital assets, being depreciated, net	23,291,486	(503,871)	(25,985)	22,761,630
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>\$ 23,826,991</u>	<u>\$ (503,871)</u>	<u>\$ (25,985)</u>	<u>\$ 23,297,135</u>

7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the District that apply 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. Long-Term Debt

General Obligation Bonds

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

	Serial Maturities	Interest Rate %	Amount Outstanding as of 6/30/22
<u>Governmental Activities</u>	<u>Through</u>		
New elementary school	09/15/26	5.39%	\$ 7,375,000

Future Debt Service

The annual principal payments to retire all general obligation debt outstanding as of June 30, 2022, are as follows:

<u>Governmental Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 7,375,000</u>	<u>\$ 993,781</u>	<u>\$ 8,368,781</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	Total Balance 7/1/21	Additions	Reductions	Total Balance 6/30/22	Less Current Portion	Equals Long-Term Portion 6/30/22
<u>Governmental Activities</u>						
Bonds payable	\$ 8,850,000	\$ -	\$ (1,475,000)	\$ 7,375,000	\$ (1,475,000)	\$ 5,900,000
Compensated absences	54,502	-	(28,929)	25,573	(25,573)	-
Net pension liability	15,249,231	-	(4,376,139)	10,873,092	-	10,873,092
Net OPEB liability	2,611,402	40,281	-	2,651,683	-	2,651,683
Totals	<u>\$ 26,765,135</u>	<u>\$ 40,281</u>	<u>\$ (5,880,068)</u>	<u>\$ 20,925,348</u>	<u>\$ (1,500,573)</u>	<u>\$ 19,424,775</u>

Long-Term Debt Supporting Governmental Activities

The General Fund has been designated as the source to repay the long-term debt outstanding as of June 30, 2022.

9. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net assets by the District that apply 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.

10. Governmental Funds – Fund Balances

The District's fund balances at June 30, 2022 are comprised of the following:

	General Fund	Grants Fund	Food Service Fund	Total Governmental Funds
Nonspendable:				
Inventory	\$ -	\$ -	\$ 22,019	\$ 22,019
Total Nonspendable	-	-	22,019	22,019
Restricted:				
Grants Fund	-	306	-	306
Food Service Fund	-	-	55,947	55,947
Total Restricted	-	306	55,947	56,253
Committed:				
Special education	386,472	-	-	386,472
School repair and maintenance	247,156	-	-	247,156
Healthcare	58,859	-	-	58,859
Food services	33,029	-	-	33,029
Other	2,100	-	-	2,100
Total Committed	727,616	-	-	727,616
Assigned:				
Capital reserves	41,000	-	-	41,000
RSA 198:4-b II	218,439	-	-	218,439
Regular programs	18,950	-	-	18,950
Food service program	-	-	43,056	43,056
Total Assigned	278,389	-	43,056	321,445
Unassigned:				
General Fund	849,461	-	-	849,461
Total Unassigned	849,461	-	-	849,461
Total Fund Balances	\$ 1,855,466	\$ 306	\$ 121,022	\$ 1,976,794

11. 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. NHRS provides 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 NHRS. 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 $\frac{1}{60}$ or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at $\frac{1}{66}$ 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. 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 10.88% to 26.43% of covered compensation. The District's contribution to NHRS for the year ended June 30, 2022, was \$1,491,770, 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 pension, 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, 2022, the District reported a liability of \$10,873,092 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021. 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, 2021, the District's proportion was 0.24533596%, which was an increase of 0.00692335% from its previous year proportion.

For the year ended June 30, 2022, the District recognized pension expense of \$968,731. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 304,462	\$ 113,834
Changes of assumptions	1,135,633	-
Differences between projected and actual earnings on pension plan investments	-	3,040,955
Changes in proportion and differences between contributions and proportionate share of contributions	554,582	-
Contributions subsequent to the measurement date	1,243,735	-
Total	<u>\$ 3,238,412</u>	<u>\$ 3,154,789</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 2023. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pension will be recognized as a decrease in pension expense as follows:

<u>Year Ended June 30:</u>	
2023	\$ (42,073)
2024	(58,199)
2025	(135,724)
2026	<u>(924,116)</u>
Total	\$ <u>(1,160,112)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.00% per year
Wage inflation	2.75% per year (2.25% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	6.75%, net of plan investment expense, including inflation

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

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

Target Allocations

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 following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
Large Cap Equities	22.50 %	6.46%
Small/Mid Cap Equities	7.50	1.14%
Total domestic equities	30.00	
Int'l Equities (unhedged)	14.00	5.53%
Emerging Int'l Equities	6.00	2.37%
Total international equities	20.00	
Core Bonds	25.00	3.60%
Total fixed income	25.00	
Private Equity	10.00	8.85%
Private Debt	5.00	7.25%
Total alternative investments	15.00	
Real Estate	10.00	6.60%
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 15,549,765	\$ 10,873,092	\$ 6,971,982

Pension Plan Fiduciary Net Position

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

12. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB 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, 2022, determined on an actuarial valuation dated July 1, 2020, rolled forward to June 30, 2021.

General Information About the OPEB Plan

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>146</u>
Total participants covered by OPEB plan	<u>149</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, 2020, rolled forward to the measurement date, using the following actuarial assumptions:

Discount rate	2.16%
Healthcare cost trend rates:	
2020 - 2021 Trend (Instructional/Non Instructional)	2.48% / 14.99%
2021 - 2022 Trend	7.00%
Ultimate trend	4.86%
Year ultimate trend is reached	2074
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, 2021.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Rate 2006).

Total OPEB Liability

The District's total OPEB liability of \$1,687,472 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2020, rolled forward to the measurement date.

Changes in the Total OPEB Liability

Total OPEB liability at July 1, 2021	\$ 1,597,057
Changes for the year:	
Service cost	96,736
Interest	34,060
Benefit payments	<u>(40,381)</u>
Net Changes	<u>90,415</u>
Total OPEB liability at June 30, 2022	\$ <u><u>1,687,472</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 was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
<u>\$ 1,787,057</u>	<u>\$ 1,687,472</u>	<u>\$ 1,587,743</u>

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 was 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 (6.00%)	Current Healthcare Cost Trend Rates (7.00%)	1% Increase (8.00%)
<u>\$ 1,512,637</u>	<u>\$ 1,687,472</u>	<u>\$1,885,838</u>

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

For the year ended June 30, 2022, the District recognized an OPEB expense of \$282,318. At June 30, 2022, 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	\$ 279,155	\$ 241,694
Changes of assumptions	-	103,267
Total	\$ <u>279,155</u>	\$ <u>344,961</u>

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

Year Ended June 30:

2023	\$ (24,451)
2024	(75,334)
2025	<u>33,979</u>
Total	\$ <u>(65,806)</u>

New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB 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 OPEB plan is closed to new entrants. The monthly Medical Subsidy 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 and 1.81% of gross payroll for Group I teachers, 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.

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, 2021, was \$964,211, representing 24077769%.

For the year ended June 30, 2022, the District recognized expense related to the NHRS MSP of \$96,576. At June 30, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 107,421	\$ -
Differences between expected and actual experience	-	201
Changes in proportion	331	-
Differences between projected and actual OPEB investment earnings	-	12,045
Total	\$ <u>107,752</u>	\$ <u>12,246</u>

The amount reported as deferred outflows of resources related to OPEB resulting from 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 the year ending June 30, 2023. Other amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized as decreases in OPEB expense as follows:

Year Ended June 30:

2023	\$ (2,624)
2024	(2,531)
2025	(2,837)
2026	<u>(3,923)</u>
Total	\$ <u>(11,915)</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 was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 1,048,173	\$ 964,211	\$ 891,158

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, 2022:

	Total/Net OPEB Liability	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources	OPEB Expense
District OPEB Plan	\$ 1,687,472	\$ 279,155	\$ 344,961	\$ 282,318
NHRS Medical Subsidy Plan	964,211	107,752	12,246	96,576
Total	<u>\$ 2,651,683</u>	<u>\$ 386,907</u>	<u>\$ 357,207</u>	<u>\$ 378,894</u>

13. Change in Accounting Principle

During fiscal year 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement redefines a lease as the right-to-use another entity's asset over a definitive period of time.

14. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States of America (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 remains uncertain.

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 \$18,950 in encumbrances that will be honored in the next fiscal year.

15. Subsequent Events

Management has evaluated events through October 24, 2022, which is the date of the financial statements were available to be issued.

MASCENIC REGIONAL SCHOOL DISTRICT

Required Supplemental Information
All Budgeted Funds
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual
For the Year Ended June 30, 2022
(Unaudited)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
General Fund:				
School district assessment	\$ 9,818,152	\$ 9,818,152	\$ 9,818,152	\$ -
Tuition	10,000	10,000	27,956	17,956
Intergovernmental	6,705,645	6,705,645	6,835,187	129,542
Miscellaneous	31,402	31,402	72,164	40,762
Total General Fund	16,565,199	16,565,199	16,753,459	188,260
Grants Fund	786,000	786,000	1,744,302	958,302
Food Service Fund	410,000	410,000	726,781	316,781
Total Revenues	17,761,199	17,761,199	19,224,542	1,463,343
Expenditures				
General Fund:				
Instruction:				
Regular programs	7,063,530	7,063,530	6,955,446	108,084
Special programs	1,692,777	1,692,777	1,565,630	127,147
Vocational programs	111,292	111,292	71,526	39,766
Other instructional programs	185,165	185,165	172,667	12,498
Support services:				
Student services	1,558,953	1,558,953	1,324,508	234,445
Instructional services	313,690	313,690	253,428	60,262
General administration - SAU level	781,480	781,480	730,329	51,151
School administration	1,312,982	1,312,982	1,357,355	(44,373)
Business office	378,426	378,426	375,897	2,529
Operations/maintenance of plant	1,532,784	1,532,784	1,485,649	47,135
Student transportation	790,550	790,550	817,211	(26,661)
Centralized services	394,800	394,800	367,498	27,302
Debt service:				
Principal	1,475,000	1,475,000	1,475,000	-
Interest	437,264	437,264	437,264	-
Total General Fund	18,028,693	18,028,693	17,389,408	639,285
Grants Fund	786,000	786,000	1,744,302	(958,302)
Food Service Fund	430,000	430,000	663,938	(233,938)
Total Expenditures	19,244,693	19,244,693	19,797,648	(552,955)
Excess (Deficiency) of Revenues over Expenditures	(1,483,494)	(1,483,494)	(573,106)	910,388
Other Financing Sources (Uses)				
Use of fund balance - reduce taxes	1,540,994	1,540,994	1,540,994	-
Use of fund balance - reserve funds	41,000	41,000	41,000	-
Transfers out	(41,000)	(41,000)	(41,000)	-
Other (Uses)	(57,500)	(57,500)	(57,500)	-
Total Other Financing Sources	1,483,494	1,483,494	1,483,494	-
Overall Budgetary Excess	\$ -	\$ -	\$ 910,388	\$ 910,388

See Independent Auditor's Report.

**Notes to the Required Supplementary 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 Fund, Grants Fund, and Food Service Fund, is based upon accounting principles that differ from 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 the actual revenues, and expenditures and other financing sources (uses), to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 19,178,295	\$ 19,851,103	\$ -
To record use of unassigned fund balance	-	-	1,540,994
Add end-of-year appropriation carryforwards to expenditures	-	18,950	-
To reverse unbudgeted reserve fund activity	48,066	-	-
Other adjustments	<u>(1,819)</u>	<u>(72,405)</u>	<u>(57,500)</u>
Budgetary Basis	<u>\$ 19,224,542</u>	<u>\$ 19,797,648</u>	<u>\$ 1,483,494</u>

See Independent Auditor's Report.

MASCENIC REGIONAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

(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, 2022	June 30, 2021	0.24533596%	\$ 10,873,092	\$ 7,912,679	137.41%	72.22%
June 30, 2021	June 30, 2020	0.23841261%	\$ 15,249,231	\$ 7,077,786	215.45%	58.72%
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 Auditor's Report.

MASCENIC REGIONAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2022	June 30, 2021	\$ 1,491,770	\$ 1,491,770	\$ -	\$ 8,055,883	18.52%
June 30, 2021	June 30, 2020	\$ 1,200,929	\$ 1,200,929	\$ -	\$ 7,912,678	15.18%
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 Auditor's Report.

MASCENIC REGIONAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of Proportionate Share and Contributions of the Net OPEB Liability

(Unaudited)

Schedule of Proportionate Share

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, 2022	June 30, 2021	0.24077769%	\$964,211	\$ 7,912,678	12.19%	11.06%
June 30, 2021	June 30, 2020	0.23173950%	\$1,014,345	\$ 7,077,786	14.33%	7.74%
June 30, 2020	June 30, 2019	0.21027940%	\$921,888	\$ 6,824,634	13.51%	7.75%
June 30, 2019	June 30, 2018	0.20351106%	\$931,767	\$ 6,642,578	14.03%	7.53%
June 30, 2018	June 30, 2017	0.25907337%	\$1,184,571	\$ 6,601,391	17.94%	7.91%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2022	June 30, 2021	\$107,421	\$107,421	\$ -	\$8,055,883	1.33%
June 30, 2021	June 30, 2020	\$124,091	\$124,091	\$ -	\$7,912,678	1.57%
June 30, 2020	June 30, 2019	\$108,218	\$108,218	\$ -	\$7,077,786	1.53%
June 30, 2019	June 30, 2018	\$95,962	\$95,962	\$ -	\$6,824,634	1.41%
June 30, 2018	June 30, 2017	\$89,842	\$89,842	\$ -	\$6,642,578	1.35%

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

See Independent Auditor's Report.

MASCENIC REGIONAL SCHOOL DISTRICT

Required Supplementary Information
Schedules of Changes in the Total OPEB Liability and Contributions

(Unaudited)

Mascenic Regional School District OPEB Plan *

Changes in Total OPEB Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 96,736	\$ 94,691	\$ 78,511	\$ 75,856	\$ 134,555
Interest	34,060	32,183	42,219	40,073	53,407
Differences between expected and actual experience	-	365,039	-	(755,934)	-
Changes in assumptions	-	(154,536)	-	(42,301)	(50,884)
Benefit payments, including refunds of member contributions	<u>(40,381)</u>	<u>(39,527)</u>	<u>(55,562)</u>	<u>(53,683)</u>	<u>(81,967)</u>
Net change in total OPEB liability	90,415	297,850	65,168	(735,989)	55,111
Total OPEB liability - beginning	<u>1,597,057</u>	<u>1,299,207</u>	<u>1,234,039</u>	<u>1,970,028</u>	<u>1,914,917</u>
Total OPEB liability - ending (a)	\$ <u>1,687,472</u>	\$ <u>1,597,057</u>	\$ <u>1,299,207</u>	\$ <u>1,234,039</u>	\$ <u>1,970,028</u>
Covered employee payroll	\$ 7,191,694	\$ 7,050,680	\$ 5,332,957	\$ 5,228,389	6,660,725
Total OPEB liability as a percentage of covered employee payroll	23.46%	22.65%	24.36%	23.60%	29.58%

* Does not include New Hampshire Retirement System Medical Subsidy.

Schedule of Contributions

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 169,623	\$ 163,591	\$ 145,607	\$ 139,568	\$ 235,877
Contributions in relation to the actuarially determined contribution	<u>40,381</u>	<u>39,527</u>	<u>55,562</u>	<u>53,683</u>	<u>81,449</u>
Contribution deficiency	\$ <u>129,242</u>	\$ <u>124,064</u>	\$ <u>90,045</u>	\$ <u>85,885</u>	\$ <u>154,428</u>
Covered employee payroll	\$ 7,191,694	\$ 7,050,680	\$ 5,332,957	\$ 5,228,389	6,660,725
Contributions as a percentage of covered employee payroll	2.36%	2.32%	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 Auditor's Report.