

PELHAM SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Pelham School District
Pelham, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Pelham School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of the Pelham School District as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund and grants fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I-L to the financial statements, in 2015, the School District changed its method of accounting for pension reporting with the adoption of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

*Pelham School District
Independent Auditor's Report*

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 16), the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 43), the Schedule of the School District's Proportionate Share of Net Pension Liability (page 44) and the Schedule of School District Contributions (page 45) 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 them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pelham School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016 on our consideration of the Pelham School 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 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 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 Pelham School District's internal control over financial reporting and compliance.

Sheryl A. Platt, CPA

March 17, 2016

PLODZIK & SANDERSON
Professional Association

PELHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

The Superintendent of Schools and Business Administrator of New Hampshire School Administrative Unit (SAU) #28, as management of the Pelham School District (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2015. The District has prepared this discussion and analysis to encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

- During the fiscal year 2015, the School District implemented GASB (Government Accounting Standards Board) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements required the School District to restate the July 1, 2014 net position to include the District's proportionate share of Net Pension Liability of the New Hampshire Retirement System. This resulted in a net position restatement of \$2,285,692. See Note 15 for additional information concerning GASB Statements No. 68 and 71. See Note 2C for information related to the prior period adjustments.
- The District's total revenues were \$27,651,962; total expenses from governmental activities were \$26,854,733; resulting in an increase of \$797,229 in net position over the prior years' restated ending net position.
- The District's total net position for the year ending June 30, 2015, was \$3,082,920. Net position decreased by \$797,229 between July 1, 2014 and June 30, 2015 due to the implementation of GASB Statement No. 68. Capital assets, net of debt, were \$17,889,582, and increase of \$3,302,429 from July 1, 2014 to June 30, 2015.
- The District issued bonds in the amount of \$20,745,000 and received \$1,912,404.12 in premium proceeds for addition and renovation project for Pelham High School.
- During the year, the District's General Fund Non-GAAP budgetary expenditures and transfers of \$25,577,665 were \$1,089,795 less than the final adjusted budget and the General Fund Non-GAAP budgetary revenues of \$26,061,555 were \$628,447 higher than the final adjusted budget. Revenues consist of: charges for services; operating grants and contributions; and general revenues (which consist of local and state property tax assessments, state and federal grants and contributions not restricted to purpose).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$1,568,242, or 5.74% of total General Fund expenditures, an increase of - 11.67% from the prior year.
- During the year, the District received \$625,894 in federal grants, an increase of \$69,131 or 12.41% more than the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

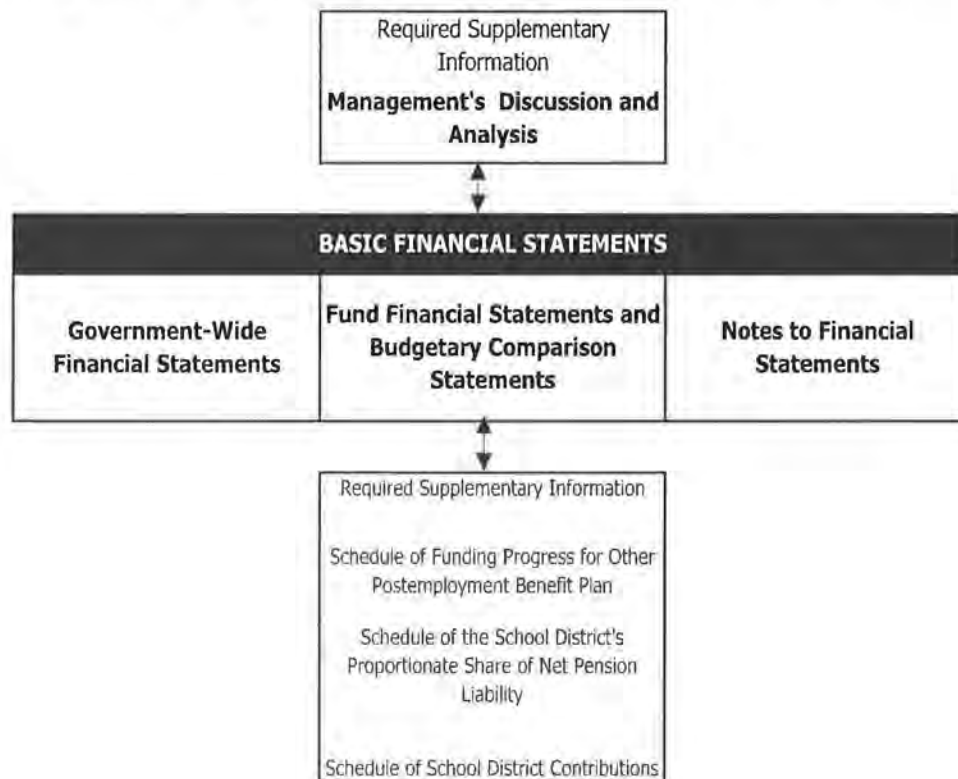
OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes to the financial statements, and related financial information. Our annual financial report consists of five elements: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) this discussion and analysis. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following exhibit shows how the required parts of this annual report are arranged and related to one another.



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

The following exhibit summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain.

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
SCOPE	Entire District government (except fiduciary funds)	All activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
REQUIRED FINANCIAL STATEMENTS	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position (not required for agency funds)
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources
TYPE OF INFORMATION ASSETS AND LIABILITIES	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term
TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

Government-wide Financial Statements

The Government-wide Financial Statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as "Governmental Activities." These functions are accounted for in the General Fund, Food Service Fund, Grants Fund, and Capital Projects Fund. Intergovernmental revenues include local, state and federal monies. The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support capital assets and related debt.

Fund Financial Statements

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

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds. The General Fund, Food Service Fund, Grants Fund, and Capital Projects Fund are consolidated as Governmental Funds. The major funds' expenditures are compared to budget in the Budgetary Comparison Statements. All Food Service revenues are expended on program operations and the Grants Fund revenues are spent mainly on instruction. Fiduciary Funds are agency funds established to account for monies belonging to student groups and are shown on a separate schedule.

Notes To The Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, and machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention thus the depreciated value of a District asset, as reflected in these reports, does not reflect an asset's useful, market or replacement value.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

Net Position for the period ending June 30, 2015

Total net position at year end was \$3,082,920, a increase of \$797,229 or 34.88% from the prior year.

Net Position	2015	2014 As Restated	% Variance
Current Assets	18,036,613	3,332,941	441.16%
Non-current Assets	26,557,498	15,789,004	68.20%
Total Assets	44,594,111	19,121,945	133.21%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	1,433,065	941,704	N/A
Current Liabilities	3,144,609	926,840	239.28%
Non-current Liabilities	38,000,514	16,851,117	125.51%
Total Liabilities	41,145,123	17,777,957	131.44%
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	1,799,133	0	N/A
Investment in capital assets (net of debt)			
Restricted net position	17,889,582	14,587,153	22.64%
Restricted for food service	271,169	233,289	16.24%
Unrestricted net position	(15,077,831)	(12,534,750)	20.29%
Total Net Assets	3,082,920	2,285,692	34.88%

Change in Net Position

During the fiscal year 2015, the School District implemented GASB (Government Accounting Standards Board) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements required the School District to restate the July 1, 2014 net position to include the District's proportionate share of Net Pension Liability of the New Hampshire Retirement System. This resulted in a net position restatement of \$2,285,692. See Note 15 for additional information concerning GASB Statements No. 68 and 71. See Note 2C for information related to the prior period adjustments. While the restated 2014 net position indicates a significant reduction, it does not reflect on the district's overall financial condition. The District's total revenues were \$27,651,962; total expenses from governmental activities were \$26,854,733; resulting in an increase of \$797,229 in net position over the prior years' restated ending net position.

This year, 92.51% of the District's revenues came from the local tax assessment and the State of New Hampshire, a decrease of 1.0% from last year. The State of New Hampshire's sources include the locally raised state property tax, federal aid received through the state, and the various state aid programs.

The following Statement of Activities provides a more detailed breakdown of revenues and expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

Statement of Activities	2015 % of Total		2014 As Restated	% of Total	% Variance
Revenues:					
Program revenues:					
Charges for services	823,411	3.0%	740,014	2.7%	11.27%
Operating grants	1,238,076	4.5%	1,203,703	4.4%	2.86%
Capital grants	0	0.0%	0	0.0%	0.00%
General revenues:					
School district assessment	17,531,967	63.4%	17,796,307	65.1%	-1.49%
Unrestricted grants	7,548,782	27.3%	7,236,802	26.5%	4.31%
Interest	48,013	0.2%	341	0.0%	13980.06%
Miscellaneous	461,713	1.7%	357,555	1.3%	29.13%
Total revenues	\$27,651,962	100%	\$27,334,722	100%	1.16%
Program Expenses:					
Instruction	13,987,754	52.1%	14,542,304	55.5%	-3.81%
Support services:					
Student	2,301,381	8.6%	2,129,490	8.1%	8.07%
Instructional staff	1,274,984	4.7%	925,512	3.5%	37.76%
General administration	86,067	0.3%	113,588	0.4%	-24.23%
Executive administration	574,294	2.1%	543,506	2.1%	5.66%
School administration	1,587,505	5.9%	1,185,905	4.5%	33.86%
Business	591,662	2.2%	515,480	2.0%	14.78%
Operation and maintenance of plant	2,123,043	7.9%	2,212,002	8.4%	-4.02%
Student transportation	1,625,688	6.1%	1,706,615	6.5%	-4.74%
Other	807,543	3.0%	897,045	3.4%	-9.98%
Non-instructional services	965,493	3.6%	837,196	3.2%	15.32%
Interest on long-term debt	895,856	3.3%	6,858	0.0%	12962.93%
Facilities acquisition and construction	33,463	0.1%	610,017	2.3%	-94.51%
Total governmental activities	\$26,854,733	100%	\$26,225,518	100%	2.40%
Change in net position	\$797,229		\$1,109,204		-28.13%
Beginning net position (restated)	\$2,285,691		\$1,176,487		94.28%
Ending net position	\$3,082,920		\$2,285,691		34.88%

Revenues

School district assessment was 63.4% of total revenues for the fiscal year ended June 30, 2015, a decrease of 1.71% from the prior year.

State of New Hampshire source intergovernmental revenues were 28.1% of total revenues for the fiscal year ended June 30, 2015, an increase of 0.70% from the prior year.

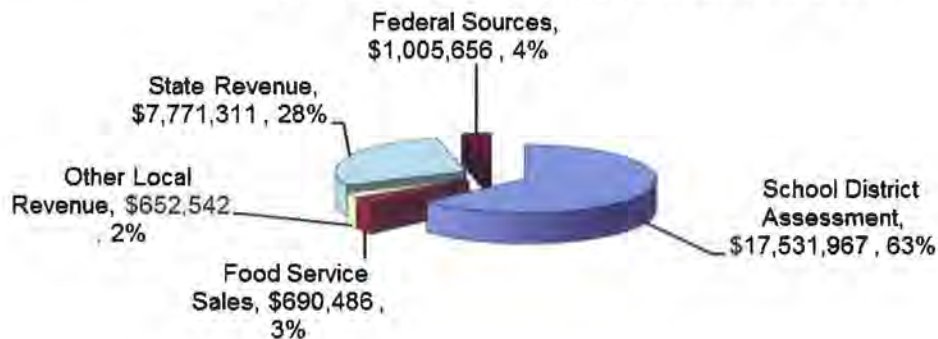
Federal revenues were 3.64% of total revenues for the fiscal year ended June 30, 2015, an increase of 0.16% from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

Summary of Revenues

The biggest share, \$25,303,165 (92.51%), of revenue was derived from local appropriations and intergovernmental sources (State of NH). The state property tax is included as part of intergovernmental revenue even though it is raised locally. This revenue statement includes all revenues from local, state and federal sources.

School District Total Revenues 2014 - 2015



Expenses

Expenses are reported on an accrual accounting basis. Amounts over or under the prior year expense amounts in the primary areas of instruction and instructional and staff support is as follows:

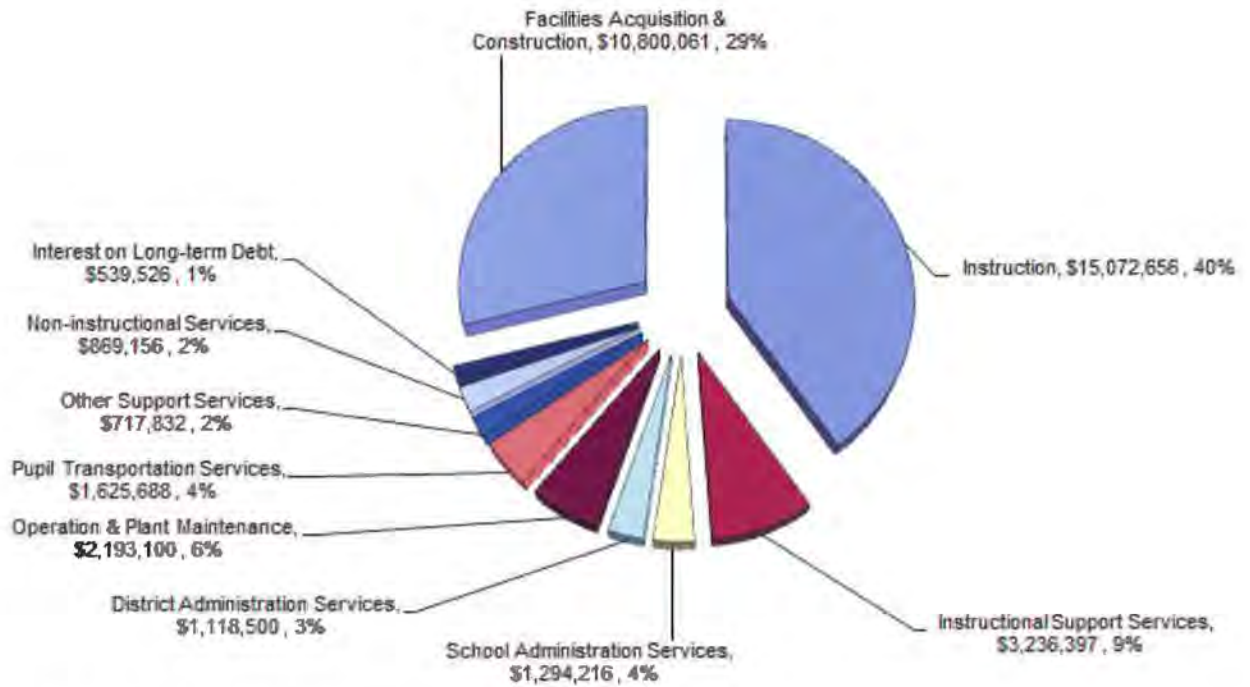
- Instruction expenses were 40.24% of total expenses for the fiscal year ended June 30, 2015, a decrease of 12.31% from the prior year, however, excluding the high school capital project, instruction expenses increased 3.27% to 55.82% of expenses.
- Instructional and staff support service expenses were 8.64% of total expenses for the fiscal year ended June 30, 2015, a decrease of 2.41% from the prior year, however, excluding the high school capital project, these expenses increased .94% to 11.99% of expenses.
- Facilities acquisition and construction expenses were 28.81% of total expenses for the fiscal year ended June 30, 2015, an increase of 21.26% from the prior year as a result of the high school capital project.

Summary of Expenses

The Pelham School District used its budgetary resources as depicted in the following chart. Excluding the high school capital project, 67.81% of all expenses were on instruction and instructional support. Federal revenues were expended mostly on special needs instruction and support, teacher professional development, and the district's school lunch program. This expense statement includes expenses paid from local, state and federal appropriations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

School District Total Expenses 2014 - 2015



Highlighted changes in total expenses include:

- An increase in Instruction spending of \$533,853 or 3.67% over the prior year
- An increase in Instructional and Staff Support Services of \$179,543 or 5.87% over the prior year
- A decrease in District Administration of \$36,694 or **-3.18%** over the prior year.
- An increase in School Administration services of \$104,843 or 8.81% over the prior year.
- A decrease in Pupil Transportation services of \$80,927 or **-4.74%** over the prior year.
- An increase in Facilities Acquisition & Construction spending of \$8,704,109 or 416.50% higher than the prior year.
- An increase in Interest on Long-term Debt of \$539,526 or 100% over the prior year, due to the high school capital project.

Governmental Activities

The following exhibit presents the net cost of the District's largest functions based upon the total expense, less charges for services and operating grants and contributions, of each function. The net cost reflects the amount that was funded by general revenues (principally the school district assessment, which is derived by local and statewide property taxes and general state aid).

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

TOTAL AND NET COST OF SERVICES					
Total Cost of Services					
	2015		2014		Variance
Functions / Programs					
Instruction	\$13,987,754	52.1%	\$14,542,304	55.5%	(\$554,550)
Support services	10,972,167	40.9%	10,229,143	39.0%	\$743,024
Food service program	965,493	3.6%	837,196	3.2%	\$128,297
Facilities acquisition	33,463	0.1%	610,017	2.3%	(\$576,554)
Unallocated					
Interest	895,856	3.3%	6,858	0.0%	\$888,998
	\$ 26,854,733	100%	\$ 26,225,518	100%	\$ 629,215
Net Cost of Services					
	2015		2014		Variance
Functions / Programs					
Instruction	\$12,843,105	51.8%	\$13,449,252	55.4%	(\$606,147)
Support services	10,972,167	44.2%	10,229,143	42.1%	\$743,024
Food service program	58,558	0.2%	-13,469	-0.1%	\$72,027
Facilities acquisition	33,463	0.1%	610,017	2.5%	(\$576,554)
Unallocated					
Interest	895,856	3.6%	6,858	0.0%	\$888,998
	\$24,803,149	100%	\$ 24,281,801	100%	\$ 521,348

The total cost of all governmental activities in 2015 was \$26,854,733; the total net cost was \$24,803,149. The primary financing for these activities of the District was as follows:

Property taxes

- The amount that was paid by taxpayers through property taxes was \$20,893,548; which consisted of \$17,531,967 paid in the form of local property taxes and \$3,361,581 paid in the form of property taxes under the State of New Hampshire state-wide education tax system raised locally for the annual school district assessment.
- An additional amount of \$4,187,201 was received from the State of New Hampshire under the "adequacy grant" provisions of the State's educational funding system, which in addition to other State funding sources includes statewide property taxes collected from other local governments.

Charges for Services

- Total food service revenues of \$907,036 consisted of food service sales and local miscellaneous revenues in the amount of \$690,486 and federal and state food nutrition program operating contributions (free and reduced lunch reimbursements and commodities) of \$216,550.

Operating Grants and Contributions

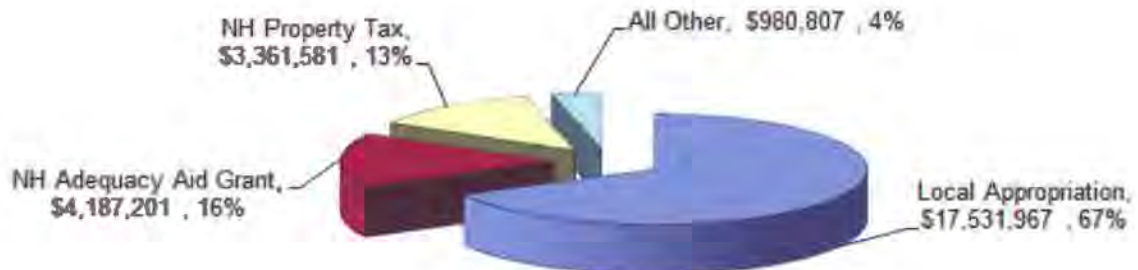
- Federal grants for instruction were received in the amount of \$625,894.

INDIVIDUAL FUND ANALYSIS

General Fund

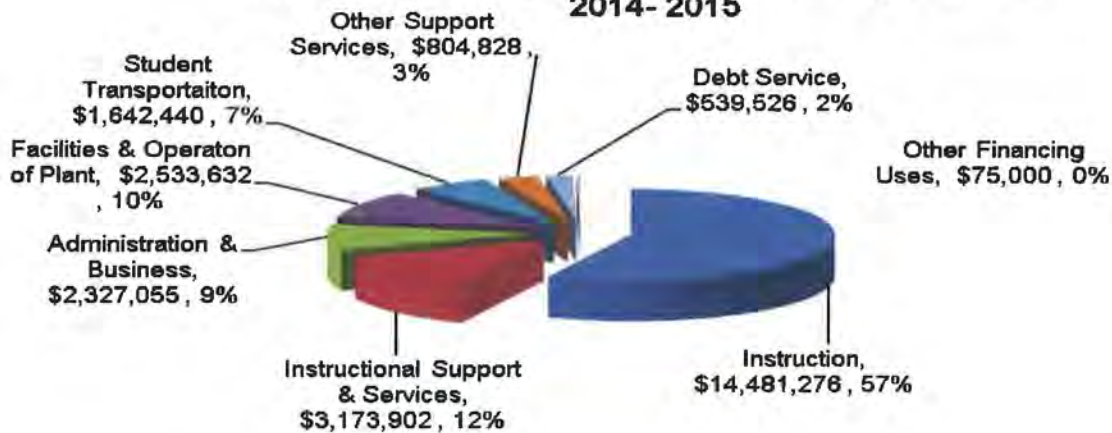
The General Fund is what most people think of as “the budget”, since it is the focal point of the Annual Deliberative Session and largely supported by locally raised taxes. The local appropriation and the state property tax are raised locally and make up 80.17% of general fund revenues. Together, the revenues raised locally and the state adequacy grant comprises 96.24% of the District's General Fund Budgetary Revenues. Also depicted below are expenditures and percentages by grade level and district wide including all facilities acquisition and construction expenditures, but excluding interfund transfers.

General Fund Budgetary Revenues 2014 - 2015



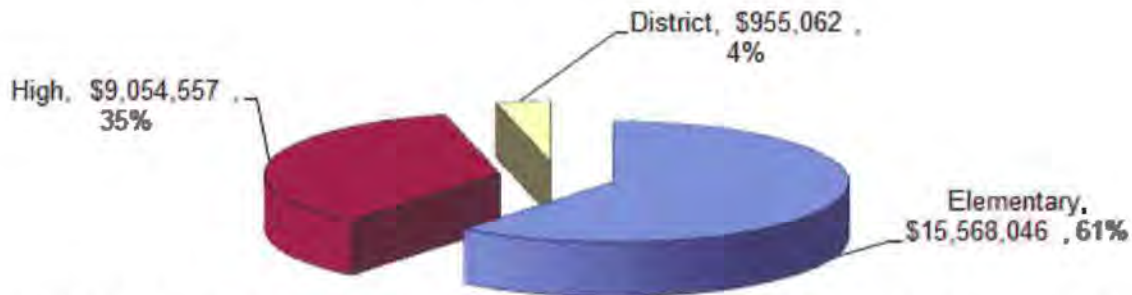
In 2015, instruction made up 56.62% of all general fund expenditures, an increase of 0.5% from the prior year expenditures, while all other support services including transportation, operation of plant, and administration make up 40.98% of all General Fund expenditures, an increase of 2.37% from the prior year. The remaining 3.4% includes facility acquisition & construction, debt service, and fund transfers, a decrease of 1.88% from the prior year. The following charts provide a more detailed depiction of the makeup and proportions of the expenditures in these broad categories.

General Fund Budgetary Expenditures by Functions 2014- 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

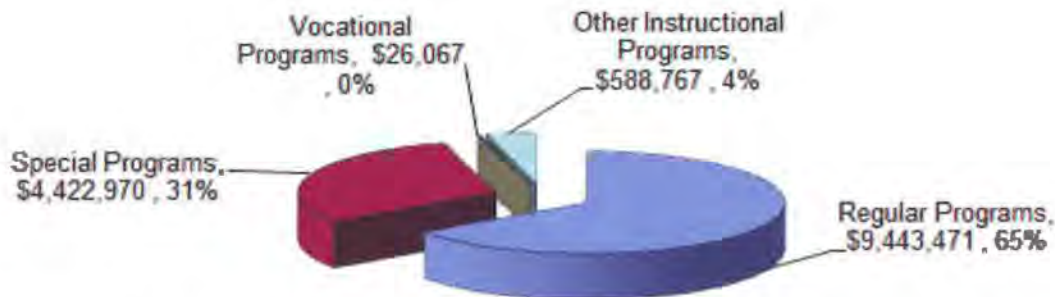
**General Fund Budgetary Expenditures by Grade Level
2014 - 2015**



Note that all grades Pre-Kindergarten through grade 8 are reported as elementary school expenditures as we do not have an approved middle school by the NH Department of Education.

The following chart examines how the direct instructional expenditures were allocated to the various programs.

**General Fund Budgetary Expenditures for Instruction
2014 - 2015**



SUMMARY OF FEDERAL SUPPORT OF THE DISTRICT

During fiscal year 2015, the Pelham School District applied for and received the following significant federal grants:

- Special Education, Individuals with Disabilities Education Improvement Act (IDEA) revenues for the current period were \$424,055. These grants funded special needs services and supplies for students throughout the District.
- Title I, Student Achievement and School Accountability Programs revenues for the current period were \$131,735. These grants funded: supplemental instruction for math and reading intervention; summer programming in math and reading; and professional development in math and reading intervention.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

- Title IIA, Improving Teacher Quality State Grants was awarded for the current period in the amount of \$59,284. These grants funded: differentiated instruction professional development; Common Core State Standards professional development; and mentoring.
- A Preschool Grant was awarded for the current period in the amount of \$7,928. The grant was used to purchase materials and equipment.
- U. S. Department of Agriculture National School Lunch Program revenues for the current period were \$205,002. These revenues were used to offset the expenses of the school lunch program.

CAPITAL RESERVE ACCOUNTS

The district has six expendable capital reserve funds (established by voters at an annual school district meeting as trust funds in accordance with statutory requirements) classified as a "Committed" fund balance in the general fund for the basic financial statements. The District's School Building Maintenance, ADA Modif Fund School District, Memorial Athletic Field, School Building Land and School Building Land - HS capital reserve funds increased \$28.87 during the year. In addition, the new Special Education CRF was funded with \$75,000 and earned \$0.62 in interest. Total of all funds increased from to \$288,234.38 on June 30, 2014 to \$363,263.87 as of June 30, 2015. In March 2015, voters approved an additional \$125,000 for Special Education CRF and \$25,000 for School Building Maintenance CRF. In accordance with statutory requirements, these funds are held in custody by the Trustees of Trust Funds of the Town of Pelham and are only released for the restricted specific purposes of the individual funds.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

The beginning General Fund equity was \$1,404,305. General Fund revenues, consisting largely of local taxes and state aid, were \$26,061,555. General Fund expenditures, including fund transfers, were \$25,577,665. The ending fund equity for the District was \$2,384,914 of which \$1,568,242 is an unassigned fund balance, an increase of \$163,937 from the prior year's unassigned fund balance. The unassigned fund balance is used to lower the amount of money raised by property taxes.

- General Fund actual revenues were greater than the final budgeted revenues by \$628,447.
- General Fund expenditures were less than the final adjusted budgeted spending by \$1,089,795. The major components of this budget underspend include:
 - \$320,437 operating budget underspend from the RSA 198:20 (b) hearing budget adjustment for the HealthTrust Payment Holiday.
 - \$498,067 operating budget underspend in the Special Services functions including a \$358,000 underspend in salaries for teacher and assistant positions, a \$151,000 underspend in health insurance, and a \$96,000 underspend in transportation.
 - \$146,000 or 1.49% operating budget underspend in non-Special Services salaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

- \$625, 494 or 20.2% operating budget underspend in non-Special Services health insurance.

We are constantly monitoring our budget planning processes to improve the accuracy of our budget assessments and reduce the size and frequency of future budget variances. Since it is not possible to know in advance all of the circumstances that might create budget variances, we will continue to estimate future costs based on our experience, judgment, and actual expenditure data.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2015, the District reported capital assets of \$26,557,498 (net of accumulated depreciation), which consist of a broad range of capital assets, including land, buildings & improvements, and machinery and equipment.

There were land improvements during this year and there was also an increase in capital assets. Capital asset additions in 2015 included: New tennis courts and an additional parking lot at PHS; the SAU classroom modular, and technology equipment. In addition, there was a \$10,101,279 work in progress as a result of the high school construction project.

Governmental Activities	2015	2014	% Variance
Land & Improvements	2,494,709	1,853,963	34.56%
Buildings & Improvements	18,525,018	17,461,608	6.09%
Machinery, Equipment & Vehicles	468,536	416,885	12.39%
Work In Progress	10,101,279	741,753	1261.81%
Totals at Historical Cost	31,589,542	20,474,209	54.29%
Total Accumulated Depreciation	5,032,044	4,685,205	7.40%
NET CAPITAL ASSETS	26,557,498	15,789,004	68.20%

Long-Term Liabilities

On June 30, 2015, the District had \$22,657,404 in general obligation bonds consisting of \$20,745,000 in bonds payable and \$1,912,404 in bond premium. In addition, \$923,935 in capital leases and \$522,582 in compensated absences payable long term liabilities.

The District has implemented the provisions of the Governmental Accounting Standards Board Statement 45 (GASB-45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, which requires that the long-term cost of retiree health care and obligations for other OPEB benefits be determined on an actuarial basis and reported in the District's annual financial report. The District does not explicitly subsidize health care benefits of its retirees. In general, retirees pay 100% of their benefit costs. However, the State of New Hampshire requires that the District include its retirees in the same insurance pool as active employees, which may result in an implicit cost to the District as the rates the District pays for its active employees may be higher due to this pooling. This higher rate cost to the District may create a GASB-45 liability to the District. The District has historically funded these higher OPEB costs on a pay-as-you-go basis. Some retirees who meet eligibility requirements under the PEA collective bargaining agreement may qualify for district contributions towards their health and dental insurance costs which are also calculated into the GASB-45 liability to the district.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

Governmental Activities	2015	2014	% Variance
General Obligation Bonds	22,657,404	0	N/A
Compensated Absences	522,582	291,147	79.49%
Capital Leases Payable	923,935	1,201,851	-23.12%
Other Post Employment Benefits Payable	(164,538)	(221,093)	-25.58%
TOTAL LONG-TERM LIABILITIES	23,939,383	1,271,905	1782.17%

FUTURE BUDGETARY IMPLICATIONS

In New Hampshire, the public school fiscal year is July 1 to June 30; other programs, i.e., some federal budgets, operate on a different fiscal calendar, but are reflected in the District overall budget as they impact on the District.

The beginning General Fund unassigned equity for the 2015-2016 fiscal year is \$1,568,242.

The significant activities or events which will have an impact on future district finances include:

1. At the time of this report, the Pelham School Board and the Pelham Education Association (teachers) have negotiated a new three-year contract to be effective with the 2016-2017 school year. Should the voters approve the agreement, the first year costs are estimated to be \$245,454, increasing to \$283,660 in year 2 and year 3.
2. The State of New Hampshire legislature passed new legislation in 2012 that allows school district's with voter approval to withhold up to 2.5% of the current year's net assessment of any uncommitted year-end fund balance, such fund balance to be used only for reducing the tax rate or for emergency expenditures. The School Board is not planning to place an article on the warrant to ask the voters to approve the school district's ability to carry a year-end fund balance, but may in the future.

Questions regarding this report should be directed to Ms. Amanda Lecaroz, Superintendent of Schools, or to Ms. Deborah Mahoney, Business Administrator, at (603-635-1145), or by mail at:

Pelham School District, SAU #28
59A Marsh Road
Pelham, NH 03076

BASIC FINANCIAL STATEMENTS

EXHIBIT A
PELHAM SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 17,460,410
Accounts receivable	6,581
Intergovernmental receivable	569,622
Capital assets, not being depreciated	10,845,959
Capital assets, net of accumulated depreciation	15,711,539
Total assets	<u>44,594,111</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>1,433,065</u>
LIABILITIES	
Accounts payable	1,918,202
Retainage payable	858,652
Accrued interest payable	367,755
Noncurrent obligations:	
Due within one year	1,401,683
Due in more than one year	22,537,700
Net pension liability	14,061,131
Total liabilities	<u>41,145,123</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>1,799,133</u>
NET POSITION	
Net investment in capital assets	17,889,582
Restricted	271,169
Unrestricted	(15,077,831)
Total net position	<u>\$ 3,082,920</u>

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

EXHIBIT B
PELHAM SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2015

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Change In Net Position
Instruction	\$ 13,971,003	\$ 132,925	\$ 960,371	\$ (12,877,707)
Support services:				
Student	2,294,923	-	2,010	(2,292,913)
Instructional staff	1,274,984	-	54,028	(1,220,956)
General administration	86,067	-	-	(86,067)
Executive administration	574,294	-	-	(574,294)
School administration	1,593,963	-	-	(1,593,963)
Business	499,548	-	-	(499,548)
Operation and maintenance of plant	2,123,043	-	-	(2,123,043)
Student transportation	1,642,439	-	-	(1,642,439)
Other	899,657	-	5,117	(894,540)
Noninstructional services	965,493	690,486	216,550	(58,457)
Interest on long-term debt	895,856	-	-	(895,856)
Facilities acquisition and construction	33,463	-	-	(33,463)
Total governmental activities	<u>\$ 26,854,733</u>	<u>\$ 823,411</u>	<u>\$ 1,238,076</u>	<u>(24,793,246)</u>

General revenues:	
School district assessment	17,531,967
Grants and contributions not restricted to specific programs	7,548,782
Miscellaneous	509,726
Total general revenues	<u>25,590,475</u>
Change in net position	797,229
Net position, beginning as restated (see Note 14)	2,285,691
Net position, ending	<u>\$ 3,082,920</u>

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

EXHIBIT C-1
PELHAM SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2015

	General	Grants	Capital Project High School	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,262,221	\$ -	\$ 14,913,423	\$ 284,766	\$ 17,460,410
Accounts receivable	6,581	-	-	-	6,581
Intergovernmental receivable	403,256	155,359	-	11,007	569,622
Interfund receivable	161,656	-	-	-	161,656
Total assets	<u>\$ 2,833,714</u>	<u>\$ 155,359</u>	<u>\$ 14,913,423</u>	<u>\$ 295,773</u>	<u>\$ 18,198,269</u>
LIABILITIES					
Accounts payable	\$ 448,800	\$ -	\$ 1,451,095	\$ 18,307	\$ 1,918,202
Interfund payable	-	155,359	-	6,297	161,656
Retainage payable	-	-	858,652	-	858,652
Total liabilities	<u>448,800</u>	<u>155,359</u>	<u>2,309,747</u>	<u>24,604</u>	<u>2,938,510</u>
FUND BALANCES					
Restricted	-	-	12,603,676	271,169	12,874,845
Committed	513,268	-	-	-	513,268
Assigned	303,404	-	-	-	303,404
Unassigned	1,568,242	-	-	-	1,568,242
Total fund balances	<u>2,384,914</u>	<u>-</u>	<u>12,603,676</u>	<u>271,169</u>	<u>15,259,759</u>
Total liabilities and fund balances	<u>\$ 2,833,714</u>	<u>\$ 155,359</u>	<u>\$ 14,913,423</u>	<u>\$ 295,773</u>	<u>\$ 18,198,269</u>

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

EXHIBIT C-2
PELIHAM SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balances of governmental funds (Exhibit C-1)		\$ 15,259,759
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 31,589,542	
Less accumulated depreciation	<u>(5,032,044)</u>	
		26,557,498
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (161,656)	
Payables	<u>161,656</u>	
		-
Certain items are not current financial resources in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 1,433,065	
Deferred inflows of resources related to pensions	<u>(1,799,133)</u>	
		(366,068)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(367,755)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 20,745,000	
Unamortized bond premium	1,912,404	
Capital leases	923,935	
Compensated absences	522,582	
Net pension liability	14,061,131	
Other postemployment benefits	<u>(164,538)</u>	
		(38,000,514)
Net position of governmental activities (Exhibit A)		<u>\$ 3,082,920</u>

EXHIBIT C-3
PELHAM SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2015

	General	Grants	Capital Project High School	Other Governmental Fund	Total Governmental Funds
REVENUES					
School district assessment	\$ 17,531,967	\$ -	\$ -	\$ -	\$ 17,531,967
Other local	595,100	9,891	47,551	690,486	1,343,028
State	7,759,763	-	-	11,548	7,771,311
Federal	174,760	625,894	-	205,002	1,005,656
Total revenues	<u>26,061,590</u>	<u>635,785</u>	<u>47,551</u>	<u>907,036</u>	<u>27,651,962</u>
EXPENDITURES					
Current:					
Instruction	14,481,275	574,630	-	-	15,055,905
Support services:					
Student	2,072,513	2,010	-	-	2,074,523
Instructional staff	1,101,388	54,028	-	-	1,155,416
General administration	78,537	-	-	-	78,537
Executive administration	519,756	-	-	-	519,756
School administration	1,300,674	-	-	-	1,300,674
Business	428,093	-	-	-	428,093
Operation and maintenance of plant	2,193,100	-	-	-	2,193,100
Student transportation	1,642,439	-	-	-	1,642,439
Other	804,829	5,117	-	-	809,946
Noninstructional services	-	-	-	869,156	869,156
Debt service:					
Interest	539,526	-	-	-	539,526
Facilities acquisition and construction	340,535	-	10,101,279	358,247	10,800,061
Total expenditures	<u>25,502,665</u>	<u>635,785</u>	<u>10,101,279</u>	<u>1,227,403</u>	<u>37,467,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>558,925</u>	<u>-</u>	<u>(10,053,728)</u>	<u>(320,367)</u>	<u>(9,815,170)</u>
OTHER FINANCING SOURCES (USES)					
Bond issued	-	-	20,745,000	-	20,745,000
Bond Premium	-	-	1,912,404	-	1,912,404
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,657,404</u>	<u>-</u>	<u>22,657,404</u>
Net change in fund balances	558,925	-	12,603,676	(320,367)	12,842,234
Fund balances, beginning	1,825,989	-	-	591,536	2,417,525
Fund balances, ending	<u>\$ 2,384,914</u>	<u>\$ -</u>	<u>\$ 12,603,676</u>	<u>\$ 271,169</u>	<u>\$ 15,259,759</u>

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

EXHIBIT C-4
PELHAM SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 12,842,234
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 11,115,333	
Depreciation expense	<u>(346,839)</u>	
		10,768,494
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
Contributions subsequent to measurement date	\$ 1,260,506	
Net pension expense	<u>(1,050,197)</u>	
		210,309
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 current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Issuance of bond	\$ (20,745,000)	
Issuance of bond premium	(1,912,404)	
Principal repayment of capital leases	<u>277,916</u>	
		(22,379,488)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (356,330)	
Increase in compensated absences payable	(231,435)	
Increase in other postemployment benefits	<u>(56,555)</u>	
		(644,320)
Change in net position of governmental activities (Exhibit B)		<u>\$ 797,229</u>

EXHIBIT D-1
PELHAM SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 17,531,967	\$ 17,531,967	\$ -
Other local	85,300	595,065	509,765
State	7,715,841	7,759,763	43,922
Federal	100,000	174,760	74,760
Total revenues	25,433,108	26,061,555	628,447
EXPENDITURES			
Current:			
Instruction	15,427,332	14,558,555	868,777
Support services:			
Student	2,266,405	2,072,769	193,636
Instructional staff	965,453	1,106,210	(140,757)
General administration	106,548	78,537	28,011
Executive administration	678,249	517,325	160,924
School administration	1,272,449	1,302,601	(30,152)
Business	380,997	404,908	(23,911)
Operation and maintenance of plant	2,113,986	2,242,268	(128,282)
Student transportation	1,852,033	1,642,439	209,594
Other	670,085	815,432	(145,347)
Debt service:			
Interest	597,500	539,526	57,974
Facilities acquisition and construction	431,374	392,048	39,326
Total expenditures	26,762,413	25,672,618	1,089,794
Excess (deficiency) of revenues over (under) expenditures	(1,329,305)	388,937	1,718,241
OTHER FINANCING USES			
Transfers out	(75,000)	(75,000)	-
Net change in fund balance	\$ (1,404,305)	313,937	\$ 1,718,241
Increase in committed fund balance		(150,000)	
Unassigned fund balance, beginning		1,404,305	
Unassigned fund balance, ending		\$ 1,568,242	

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

EXHIBIT D-2
PELHAM SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Local	\$ -	\$ 9,801	\$ 9,891	\$ 90
Federal	730,000	625,894	625,894	-
Total revenues	730,000	635,695	635,785	90
EXPENDITURES				
Current:				
Instruction	730,000	575,090	574,630	460
Support services:				
Student	-	2,444	2,010	434
Instructional staff	-	52,268	54,028	(1,760)
Other	-	5,893	5,117	776
Total expenditures	730,000	635,695	635,785	(90)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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

EXHIBIT E-1
PELHAM SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2015

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 269,740
Intergovernmental receivable	3,641	-
Total assets	3,641	269,740
LIABILITIES		
Due to student groups	-	269,740
NET POSITION		
Held in trust for specific purposes	\$ 3,641	\$ -

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

EXHIBIT E-2
PELHAM SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
Interest	\$ 1
Deductions:	
Scholarships	(195)
Change in net position	(194)
Net position, beginning	3,835
Net position, ending	<u>\$ 3,641</u>

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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A Reporting Entity

The Pelham School District, in Pelham, New Hampshire (the School District) is a municipal corporation governed by an elected five member School Board. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States.

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

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

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The School District’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the School District. Fiduciary activities of the School District are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the School District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in two categories: 1) charges for services, and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, receivables, and payables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds, and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The School District has presented all major funds that met those qualifications. In addition, the School District has presented certain funds, specifically the general fund and grants fund, as major funds because the School District believes the financial position and activities of these funds are significant to the School District as a whole.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The School District’s deferred outflows of resources and deferred inflows of resources are noncurrent. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measureable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the School District, are district assessments, intergovernmental revenues, and other local sources. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. These funds account for resources held by the School District for the benefit of other parties, and include the private purpose trust funds and agency funds. Fiduciary funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

Major Funds – The School District reports the following major governmental funds:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Grants Fund – accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Capital Project Fund – the Pelham High School capital project fund accounts for the activity pertaining to the construction/renovation of Pelham High School.

Nonmajor Funds – The School District also reports two nonmajor governmental funds, the food service fund, and capital project fund for the modular building. All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The School District recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Various intergovernmental revenues, the district assessment, and most donations are examples of nonexchange transactions.

Under the terms of grant agreements, the School District funds certain programs by specific grants, resources, and/or general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District’s policy to first apply grant resources to such programs and then general revenues.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prioritization and Use of Available Resources – When both restricted and unrestricted resources are available for use, it is the School District’s practice to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources are available for use in the general fund, it is the School District’s practice to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources are available for use in any other governmental fund, it is the School District’s practice to use committed resources first, then assigned, and then unassigned as needed.

1-C Cash and Cash Equivalents

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash 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 cash equivalents.”

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

PELHAM SCHOOL DISTRICT
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1-D Receivables

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

1-E Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-F Capital Assets

General capital assets are those assets of a capital nature which the School District owns. All capital assets are capitalized at cost (or estimated at historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$10,000 per individual item for all classes except infrastructure assets, which has a capitalization threshold of \$100,000 per item, for all assets with one year or more of estimated useful life. Improvements to capital assets are capitalized; the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are expensed.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. All reported capital assets are depreciated over their estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	30
Buildings and building improvements	20-50
Machinery and equipment	5-15

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-G Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-H Compensated Absences

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

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

PELHAM SCHOOL DISTRICT
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1-I Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums are deferred and amortized over the life of the bond using the straight line method. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types report bond premiums and bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premium received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-J Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-K Net Position/Fund Balances

Net position in government-wide financial statements is classified as follows:

Net Investment in Capital Assets – This classification includes the School District's capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitation on their use. The School District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

Unassigned – This classification is the portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

PELHAM SCHOOL DISTRICT
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1-L Defined Benefit Pension Plan

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general and grants funds, as well as the nonmajor food service fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2015, \$1,404,305 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The School District employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis, presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 26,061,555
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Miscellaneous revenue of blended funds	35
Per Exhibit C-3 (GAAP basis)	\$ 26,061,590

(Continued)

PELHAM SCHOOL DISTRICT
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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 25,747,618
Adjustments:	
Basis difference:	
Encumbrances, beginning	133,451
Encumbrances, ending	(303,404)
GASB Statement No. 54:	
Net effect of transfers between blended funds	(75,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 25,502,665</u>

2-C Change in Accounting Principle

Effective July 1, 2014, the School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the School District calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the School District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$14,637,508 (see Note 14). The reduction accounts for the associated net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

Also, the School District adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the School District's deposits was \$17,730,150 and the bank balances totaled \$20,271,245.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 17,460,410
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	269,740
Total cash and cash equivalents	<u>\$ 17,730,150</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2015, consisted of accounts and intergovernmental amounts arising from grants and school lunch program. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 consisted of the following:

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 744,680	\$ -	\$ -	\$ 744,680
Construction in progress	741,753	10,101,279	(741,753)	10,101,279
Total capital assets not being depreciated	<u>1,486,433</u>	<u>10,101,279</u>	<u>(741,753)</u>	<u>10,845,959</u>
Being depreciated:				
Land improvements	1,109,283	640,746	-	1,750,029
Buildings and building improvements	17,461,608	1,063,410	-	18,525,018
Machinery and equipment	416,885	51,651	-	468,536
Total capital assets being depreciated	<u>18,987,776</u>	<u>1,755,807</u>	<u>-</u>	<u>20,743,583</u>
Total capital assets	<u>20,474,209</u>	<u>11,857,086</u>	<u>(741,753)</u>	<u>31,589,542</u>
Less accumulated depreciation:				
Land improvements	(516,947)	(144,172)	-	(661,119)
Buildings and building improvements	(4,016,049)	(178,196)	-	(4,194,245)
Machinery and equipment	(152,209)	(24,471)	-	(176,680)
Total accumulated depreciation	<u>(4,685,205)</u>	<u>(346,839)</u>	<u>-</u>	<u>(5,032,044)</u>
Net book value, capital assets being depreciated	<u>14,302,571</u>	<u>1,408,968</u>	<u>-</u>	<u>15,711,539</u>
Net book value, all capital assets	<u>\$ 15,789,004</u>	<u>\$ 11,510,247</u>	<u>\$ (741,753)</u>	<u>\$ 26,557,498</u>

Depreciation expense was charged to functions of the School District based on their usage of the related assets. The amounts allocated to each function are as follows:

Support services:	
Operation and maintenance of plant	\$ 32,568
Other	5,827
Noninstructional services	3,206
Facilities acquisition and construction	305,238
Total depreciation expense	<u>\$ 346,839</u>

NOTE 6 – INTERFUND BALANCES

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2015, are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 155,359
	Nonmajor - Food Service	6,297
		<u>\$ 161,656</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$1,433,065 on the Statement of Net Position in the governmental activities at June 30, 2015 consist of amounts related to pensions.

Deferred inflows of resources of \$1,799,133 on the Statement of Net Position in the governmental activities at June 30, 2015 consist of amounts related to pensions.

See Note 15 for further discussion of the above noted amounts.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 – CONSTRUCTION COMMITMENTS

At June 30, 2015 the School District had an uncompleted construction contract in the High School capital project fund. The remaining commitment on this construction contract is approximately \$11,196,421.

NOTE 9 – LEASE OBLIGATIONS

Capital Leases – The School District has entered into certain capital lease agreements under which the related equipment will become the property of the School District when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2015
Capital lease obligations:		
Modular library	2.54%	\$ 73,639
Modular building	2.67%	912,610
Total capital lease obligations		<u>\$ 986,249</u>

Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Buildings and building improvements:	
Modular building	\$ 1,063,410
Modular library	465,803
Total equipment	<u>1,529,213</u>
Less: accumulated depreciation	98,860
Total capital lease equipment	<u>\$ 1,430,353</u>

The annual requirements to amortize the capital leases payable as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2016	\$ 290,639
2017	217,000
2018	217,000
2019	217,000
2020	<u>44,610</u>
Total requirements	986,249
Less: interest	62,314
Present value of remaining payments	<u>\$ 923,935</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

Operating Leases – The School District is committed under various noncancelable operating leases, primarily for photo copy machines in the general fund. Future minimum operating lease commitments are as follows:

Fiscal Year Ending June 30,	Principal
2016	\$ 15,420
2017	15,420
2018	<u>15,420</u>
Totals	<u>\$ 46,260</u>

PELHAM SCHOOL DISTRICT
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NOTE 10 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	One Year
Bond payable	\$ -	\$ 20,745,000	\$ -	\$ 20,745,000	\$ 1,040,000
Bond premium	-	1,912,404	-	1,912,404	95,620
Capital leases	1,201,851	-	277,916	923,935	266,063
Compensated absences	291,147	260,393	28,958	522,582	-
Net other postemployment benefits	(221,093)	56,555	-	(164,538)	-
Total long-term liabilities	<u>\$ 1,271,905</u>	<u>\$ 22,974,352</u>	<u>\$ 306,874</u>	<u>\$ 23,939,383</u>	<u>\$ 1,401,683</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2015
General obligation bond payable: Pelham High School Addition	\$ 20,745,000	2015	2035	3.10-5.10%	\$ 20,745,000

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,040,000	\$ 907,275	\$ 1,947,275
2017	1,040,000	854,235	1,894,235
2018	1,040,000	801,195	1,841,195
2019	1,040,000	748,155	1,788,155
2020	1,040,000	695,115	1,735,115
2021-2025	5,195,000	2,680,103	7,875,103
2026-2030	5,175,000	1,570,613	6,745,613
2031-2035	5,175,000	530,437	5,705,437
Totals	<u>\$ 20,745,000</u>	<u>\$ 8,787,128</u>	<u>\$ 29,532,128</u>

The bond premium will be amortized using the straight-line method over the life of the bond.

All debt is general obligation debt of the School District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 11 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2015 are as follows:

Current:	
Instruction:	
Regular programs	\$ 61,868
Special programs	4,477
Vocational programs	43,665
Total instruction	<u>110,010</u>
	(Continued)

PELHAM SCHOOL DISTRICT
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Encumbrances continued:

Support services:	
Student	739
Instructional staff	7,109
Executive administration	65
School administration	1,927
Business	6,712
Operation and maintenance of plant	72,144
Other	45,886
Total support services	<u>134,582</u>
Facilities acquisition and construction	<u>58,812</u>
Total encumbrances	<u>\$ 303,404</u>

NOTE 12 – GOVERNMENTAL ACTIVITIES NET POSITION

The government-wide Statement of Net Position at June 30, 2015 consisted of the following:

	Governmental Activities
Net investment in capital assets:	
Net book value of all capital assets	\$ 26,557,498
Less:	
General obligation bond payable	(20,745,000)
Unamortized bond premium	(1,912,404)
Capital leases payable	(923,935)
Amount of debt related to unspent proceeds	14,913,423
Total net investment in capital assets	<u>17,889,582</u>
Restricted for food service	271,169
Unrestricted	(15,077,831)
Total net position	<u>\$ 3,082,920</u>

NOTE 13 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2015 consist of the following:

Restricted:		
Major fund:		
High school capital project	\$ 12,603,676	
Nonmajor fund:		
Food service	<u>271,169</u>	
Total restricted		\$ 12,874,845
Committed:		
Major fund:		
General:		
Expendable trust	363,268	
March 2015 approved warrant articles	<u>150,000</u>	
Total committed		513,268

(Continued)

PELHAM SCHOOL DISTRICT
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Governmental fund balances continued:

Assigned:	
Major fund:	
General:	
Encumbrances	303,404
Unassigned:	
Major fund:	
General	1,568,242
Total governmental fund balances	<u>\$ 15,259,759</u>

NOTE 14 – PRIOR PERIOD ADJUSTMENT

Net position at July 1, 2014 was restated to record net pension liability.

	Government-wide Statements
To record the deferred outflows of resources for implementation of GASB Statement No. 68	\$ 941,704
To record the net pension liability for implementation of GASB Statement No. 68	(15,579,213)
Net position, as previously reported	16,923,200
Net position, as restated	<u>\$ 2,285,691</u>

NOTE 15 – DEFINED BENEFIT PENSION PLAN

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

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by 1/4 of 1% or age 60.

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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Contributions: The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2015, the School District contributed 14.16% for teachers and 10.77% for other employees. The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$1,110,425, \$1,406,493, and \$1,465,785, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015 the School District reported a liability of \$14,061,131 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2014, the School District's proportion was .37460529% which was an increase of .36198867% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$1,050,197. At June 30, 2015 the School 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
Changes in proportion	\$ 172,559	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	1,799,133
Contributions subsequent to the measurement date	1,260,506	-
Total	<u>\$ 1,433,065</u>	<u>\$ 1,799,133</u>

The \$1,260,506 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2016	\$ (352,952)
2017	(352,952)
2018	(352,952)
2019	58,837
Totals	<u>\$ (1,000,019)</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2013, using the following actuarial assumptions which, accordingly apply to both 2014 and 2013 measurements:

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class.

PELHAM SCHOOL DISTRICT
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These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2014 and 2013:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2014	2013
Large Cap Equities	22.50%	3.25%	3.75%
Small/Mid Cap Equities	7.50%	3.25%	4.00%
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.25%	4.75%
Emerging Int'l Equities	7.00%	6.50%	6.75%
Total international equity	20.00%		
Core Bonds	18.00%	(0.47%)	(0.96%)
High-Yield Bonds	1.50%	1.50%	2.00%
Global Bonds (unhedged)	5.00%	(1.75%)	(2.25%)
Emerging Market Debt (external)	0.50%	2.00%	1.00%
Total fixed income	25.00%		
Private equity	5.00%	5.75%	6.00%
Private debt	5.00%	5.00%	5.50%
Real estate	10.00%	3.25%	3.00%
Opportunistic	5.00%	2.50%	2.63%
Total alternative investments	25.00%		
Total	100.00%		

Discount Rate: The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2013	\$ 19,972,877	\$ 15,579,212	\$ 11,885,923
June 30, 2014	\$ 18,520,797	\$ 14,061,131	\$ 10,298,734

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

PELHAM SCHOOL DISTRICT
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NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Annual OPEB Cost - The School District provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provision of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the School District's contractual agreements.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The School District has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2015:

Annual required contribution/OPEB cost	\$ 273,040
Interest on net OPEB obligation	(9,949)
Adjustment to annual required contribution	17,010
Annual OPEB cost (expense)	280,101
Contributions made	(223,546)
Increase in net OPEB obligation	56,555
Net OPEB obligation - beginning of year, as restated	(221,093)
Net OPEB obligation - end of year	<u>\$ (164,538)</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2015	\$ 273,040	\$ 223,546	81.87%	\$ (164,538)
June 30, 2014	\$ 372,896	\$ 343,727	92.18%	\$ (221,093)
June 30, 2013	\$ 313,168	\$ 313,168	100.00%	\$ (290,688)
June 30, 2012	\$ 313,293	\$ 468,370	149.50%	\$ (278,523)

As of January 1, 2014, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$2,158,881, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,158,881. The covered payroll (annual payroll of active employees covered by the plan) was \$11,787,433 during fiscal year 2015, and the ratio of the UAAL to the covered payroll was 18.30%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 9% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2015 was 30 years.

NOTE 17 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2015, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2015 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Pelham School District billed and paid for the year ended June 30, 2015 was \$85,616 for workers' compensation and \$62,658 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 18 – CONTINGENT LIABILITIES

There are various claims and suits pending against the School District which arose in the normal course of the School District's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the School District.

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

NOTE 19 – USDA FOOD COMMODITIES

The food service program received \$52,059 in nonmonetary assistance for the 2014-2015 fiscal year from the Department of Agriculture. This is reported at fair market value on the date received and has been reported as both a revenue and expenditure in the food service fund.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through March 17, 2016, the date the June 30, 2015 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
PELHAM SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2015

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
June 30, 2015	July 1, 2014	\$ -	\$ 2,158,881	\$ 2,158,881	0.00%	\$ 11,787,433	18.30%
June 30, 2014	July 1, 2013	\$ -	\$ 2,583,801	\$ 2,583,801	0.00%	\$ 12,328,171	21.00%
June 30, 2013	July 1, 2012	\$ -	\$ 2,844,286	\$ 2,844,286	0.00%	\$ 11,234,948	25.30%
June 30, 2012	July 1, 2011	\$ -	\$ 3,163,069	\$ 3,163,069	0.00%	\$ 12,307,661	25.70%
June 30, 2011	July 1, 2010	\$ -	\$ 3,468,953	\$ 3,468,953	0.00%	\$ 11,218,953	30.90%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT G
PELHAM SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2015

Fiscal Year	Actuarial Valuation Date	District's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	July 1, 2014	0.37460529%	\$ 14,061,131	\$ 10,418,741	134.96%	59.81%
June 30, 2014	July 1, 2013	0.36198867%	\$ 15,579,212	\$ 10,076,276	154.61%	66.32%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT H
PELHAM SCHOOL DISTRICT
Schedule of School District Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2015

Fiscal Year	Actuarial Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	July 1, 2014	\$ 1,215,306	\$ 1,215,306	\$ -	\$ 10,418,741	11.66%
June 30, 2014	July 1, 2013	\$ 900,098	\$ 900,098	\$ -	\$ 10,076,276	8.93%

The notes to the required supplementary information is an integral part of this schedule.

PELHAM SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit F represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2015, and the four preceding years.

The actuarial assumptions used represent a reasonable long-term expectation of future OPEB outcomes. As national economic and School District experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2013. For the current year GASB valuation, the per capita costs have been updated.

Two actuarial assumptions have been updated since the last valuation:

1. Mortality table has been updated from (a) RP-2000 Combines Mortality Table fully generational projected using Scale AA to (b) RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015. This caused a slight decrease in liabilities.
2. For non-Teachers and non-Administrators, the election rate has been reduced from 100% to 40% for those with coverage. Furthermore, for non-Teachers and non-Administrators who currently waive health coverage, the election rate has been reduced from 10% to 0%. This group of employees does not receive a healthcare subsidy upon retirement. This change cause a decrease in liabilities.

Cost Method	Projected Unit Credit with linear proration to decrement.
Amortization	Level % of pay over thirty years based on an open group.
Census Data	Census data was provided by the District and it was collected as of October 2015. We have reviewed it for reasonableness and no material modifications were made to the census data.
Employer Funding Policy	Pay-as-you-go cash basis.
Mortality	RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 (RPH-2015 table is calculated based on RPH-2014 table with 8 years of MP-2014 mortality improvement backed out and projected to 2015 using Scale MP-2015.

Health Care Trend Rates	FYE	Medical/RX	Dental
	2016	9.0%	4.0%
	2017	8.5%	3.5%
	2018	8.0%	3.0%
	2019	7.5%	3.0%
	2020	7.0%	3.0%
	2021	6.5%	3.0%
	2022	6.0%	3.0%
	2023	5.5%	3.0%
	2024+	5.0%	3.0%

NHRS subsidy is assumed to remain the same in the future.

Retiree Contributions Retiree contributions are assumed to increase according to health care trend rates.

PELHAM SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Schedule of the School District's Proportionate Share of Net Pension Liability & Schedule of School District Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the School District's pension plan at June 30, 2015.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2014:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 years beginning July 1, 2014
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Other Information:

Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
PELHAM SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 17,531,967	\$ 17,531,967	\$ -
Other local sources:			
Tuition	45,000	104,415	59,415
Transportation	25,000	28,510	3,510
Investment income	300	463	163
Rentals	5,000	27,783	22,783
Miscellaneous	10,000	433,894	423,894
Total from other local sources	<u>85,300</u>	<u>595,065</u>	<u>509,765</u>
State sources:			
Adequacy aid (grant)	4,187,201	4,187,201	-
Adequacy aid (tax)	3,361,581	3,361,581	-
Catastrophic aid	152,390	190,262	37,872
Vocational aid	14,669	20,719	6,050
Total from state sources	<u>7,715,841</u>	<u>7,759,763</u>	<u>43,922</u>
Federal sources:			
Medicaid	<u>100,000</u>	<u>174,760</u>	<u>74,760</u>
Total revenues	25,433,108	<u>\$ 26,061,555</u>	<u>\$ 628,447</u>
Fund balance used to reduce school district assessment	<u>1,404,305</u>		
Total revenues and use of fund balance	<u>\$ 26,837,413</u>		

SCHEDULE 2
PELHAM SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 3,015	\$ 10,182,845	\$ 9,443,471	\$ 61,868	\$ 680,521
Special programs	26,306	4,579,658	4,422,970	4,477	178,517
Vocational programs	3,180	63,053	26,067	43,665	(3,499)
Other	229	601,776	588,767	-	13,238
Total instruction	<u>32,730</u>	<u>15,427,332</u>	<u>14,481,275</u>	<u>110,010</u>	<u>868,777</u>
Support services:					
Student	483	2,266,405	2,072,513	739	193,636
Instructional staff	2,287	965,453	1,101,388	7,109	(140,757)
General administration	-	106,548	78,537	-	28,011
Executive administration	2,496	678,249	519,756	65	160,924
School administration	-	1,272,449	1,300,674	1,927	(30,152)
Business	29,897	380,997	428,093	6,712	(23,911)
Operation and maintenance of plant	22,976	2,113,986	2,193,100	72,144	(128,282)
Student transportation	-	1,852,033	1,642,439	-	209,594
Other	35,283	670,085	804,829	45,886	(145,347)
Total support services	<u>93,422</u>	<u>10,306,207</u>	<u>10,141,329</u>	<u>134,582</u>	<u>123,718</u>
Debt service:					
Interest on long-term debt	-	597,500	539,526	-	57,974
Facilities acquisition and construction	<u>7,299</u>	<u>431,374</u>	<u>340,535</u>	<u>58,812</u>	<u>39,326</u>
Other financing uses:					
Transfers out	-	75,000	75,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 133,451</u>	<u>\$ 26,837,413</u>	<u>\$ 25,577,665</u>	<u>\$ 303,404</u>	<u>\$ 1,089,795</u>

*SCHEDULE 3
 PELHAM SCHOOL DISTRICT
 Major General Fund
 Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2015*

Unassigned fund balance, beginning		\$ 1,404,305
Changes:		
Fund balance used to reduce school district assessment		(1,404,305)
2014-2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 628,447	
Unexpended balance of appropriations (Schedule 2)	<u>1,089,795</u>	
2014-2015 Budget surplus		1,718,242
Increase in committed fund balance		<u>(150,000)</u>
Unassigned fund balance, ending		<u>\$ 1,568,242</u>

SCHEDULE 4
PELHAM SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue Fund Food Service	Capital Project Fund Modular Building	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 278,625	\$ 6,141	\$ 284,766
Intergovernmental receivable	11,007	-	11,007
Total assets	<u>\$ 289,632</u>	<u>\$ 6,141</u>	<u>\$ 295,773</u>
LIABILITIES			
Accounts payable	\$ 18,307	\$ -	\$ 18,307
Interfund payable	156	6,141	6,297
Total liabilities	<u>18,463</u>	<u>6,141</u>	<u>24,604</u>
FUND BALANCES			
Restricted	<u>271,169</u>	<u>-</u>	<u>271,169</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 289,632</u>	<u>\$ 6,141</u>	<u>\$ 295,773</u>

SCHEDULE 5
PELHAM SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2015

	Special Revenue Fund Food Service	Capital Project Fund Modular Building	Total Other Governmental Funds
Revenues:			
Local	\$ 690,486	\$ -	\$ 690,486
State	11,548	-	11,548
Federal	205,002	-	205,002
Total revenues	<u>907,036</u>	<u>-</u>	<u>907,036</u>
Expenditures:			
Noninstructional services	869,156	-	869,156
Facilities acquisition and construction	-	358,247	358,247
Total expenditures	<u>869,156</u>	<u>358,247</u>	<u>1,227,403</u>
Net change in fund balances	37,880	(358,247)	(320,367)
Fund balances, beginning	233,289	358,247	591,536
Fund balances, ending	<u>\$ 271,169</u>	<u>\$ -</u>	<u>\$ 271,169</u>

SCHEDULE 6
PELHAM SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2015

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Pelham High School	\$ 190,883	\$ 177,834	\$ 173,439	\$ 195,278
Pelham Memorial School	54,909	58,912	74,894	38,927
Pelham Elementary School	21,467	23,692	20,025	25,134
Athletics	11,229	35,007	42,367	3,869
High School Principal's Account	5,870	3,072	2,410	6,532
Totals	<u>\$ 284,358</u>	<u>\$ 298,517</u>	<u>\$ 313,135</u>	<u>\$ 269,740</u>

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

To the Members of the School Board
Pelham School District
Pelham, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Pelham School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pelham School District's basic financial statements, and have issued our report thereon dated March 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pelham School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pelham School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pelham School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

March 17, 2016

Sheryl A. Pratt, CPA
PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Members of the School Board
Pelham School District
Pelham, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Pelham School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Pelham School District's major federal program for the year ended June 30, 2015. The Pelham School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Pelham School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pelham School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Pelham School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Pelham School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Pelham School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pelham School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pelham School District's internal control over compliance.

Pelham School District

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by OMB Circular A-133

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

March 17, 2016

Sheryl A. Platt, CPA

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
PELHAM SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133? yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027 and 84.173</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between type A and
type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
PELHAM SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of New Hampshire Department of Education			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	N/A	\$ 2,242
National School Lunch Program (<i>note 3</i>)	10.555	N/A	202,749
Special Milk Program for Children	10.556	N/A	11
<i>CLUSTER TOTAL</i>			<u>205,002</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through the State of New Hampshire Department of Education			
Title I Grants to Local Educational Agencies:			
Title I	84.010	40110	9,961
Title I	84.010	50110	121,774
<i>PROGRAM TOTAL</i>			<u>131,735</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States:			
IDEA	84.027	42584	5,099
IDEA	84.027	52571	418,956
Special Education - Preschool Grants	84.173	52571	7,928
<i>CLUSTER TOTAL</i>			<u>431,983</u>
Improving Teacher Quality State Grants:			
Title II	84.367	44909	29,522
Title II	84.367	45390	7,543
Title II	84.367	54909	22,219
<i>PROGRAM TOTAL</i>			<u>59,284</u>
English Language Acquisition Grants:			
Passed Through the Windham School District, New Hampshire			
Title III	84.365	30810	543
Passed Through the Hudson School District, New Hampshire			
Title III	84.365	40815	62
Title III	84.365	50815	2,287
<i>PROGRAM TOTAL</i>			<u>2,892</u>
Total Expenditures of Federal Awards			<u><u>\$ 830,896</u></u>

The accompanying notes are an integral part of this schedule.

PELHAM SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Pelham School District under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Pelham School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Pelham School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2015 the value of food donations received was \$52,059.