

**PELHAM SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**PELHAM SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
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**JUNE 30, 2017**

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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

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, 2017, 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017, and the respective changes in financial position, the respective budgetary comparison for the general and grants funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3–18), the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 45), the Schedule of School District's Proportionate Share of Net Pension Liability (page 46), and the Schedule of School District Contributions (page 47) be presented to supplement the basic financial statements. Such information, although not



***Pelham School District  
Independent Auditor's Report***

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

**Other Information** - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund schedules and 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 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 December 7, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pelham School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pelham School District's internal control over financial reporting and compliance.

*Sheryl A. Piatt, CPA*

December 7, 2017

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, 2017

**PELHAM SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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**

- The District's total revenues were \$29,741,252; total expenses from governmental activities were \$32,544,267; resulting in a decrease of \$2,803,015 in net position over the prior years' ending net position.
- The District's total net position for the year ending June 30, 2017, was \$86,362. Net position decreased by \$2,803,015 between July 1, 2016 and June 30, 2017. Capital assets, net of debt, were \$13,193,759, an increase of \$369,495 from July 1, 2016 to June 30, 2017.
- During the year, the District's General Fund Non-GAAP budgetary expenditures and transfers of \$28,181,782 were \$1,102,209 less than the final adjusted budget and the General Fund Non-GAAP budgetary revenues of \$28,204,246 were \$355,401 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 \$1,457,591, or 4.44% of total General Fund expenditures, a decrease of 0.99% from the prior year.
- During the year, the District received \$643,366 in federal grants, an increase of \$17,689 or 2.83% more than the prior year.

PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

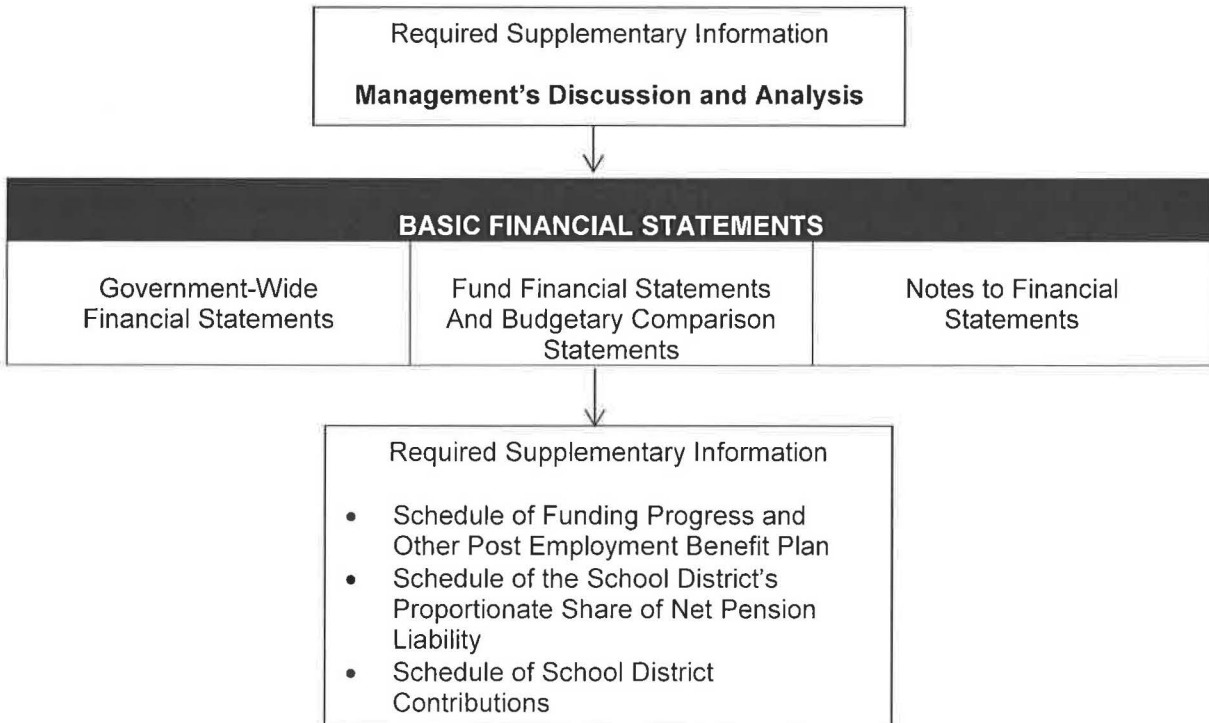
## OVERVIEW OF FINANCIAL STATEMENTS

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.



PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

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
<b>SCOPE</b>	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
<b>REQUIRED FINANCIAL STATEMENTS</b>	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)
<b>ACCOUNTING BASIS</b>	Accrual	Modified Accrual	Accrual
<b>MEASUREMENT FOCUS</b>	Economic Resources	Current Financial Resources	Economic Resources
<b>TYPE OF INFORMATION ASSETS AND LIABILITIES</b>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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
<b>TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES</b>	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.

PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

**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. Two of the 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.

PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

**Net Position for the period ending June 30, 2017**

Total net position at year end was \$86,362, a decrease of \$2,803,015 or 97.01% below the prior year.

<b>Net Position</b>	<b>2017</b>	<b>2016 (as restated)</b>	<b>% Variance</b>
<b>Current Assets</b>	3,326,898	8,019,996	-58.52%
<b>Non-current Assets</b>	34,167,515	34,139,983	0.08%
<b>Total Assets</b>	<b>37,494,413</b>	<b>42,159,979</b>	<b>-11.07%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	5,560,978	1,780,792	212.28%
<b>Current Liabilities</b>	2,447,656	4,139,410	-40.87%
<b>Non-current Liabilities</b>	40,267,359	36,184,963	11.28%
<b>Total Liabilities</b>	<b>42,715,015</b>	<b>40,324,373</b>	<b>5.93%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts related to pensions	254,014	727,021	-65.06%
<b>Investment in capital assets (net of debt)</b>			
Restricted net position	13,193,759	11,960,327	10.31%
Restricted for food service	420,562	300,704	39.86%
Unrestricted net position	(13,527,959)	(9,371,654)	44.35%
<b>Total Net Position</b>	<b>86,362</b>	<b>2,889,377</b>	<b>-97.01%</b>

**Change in Net Position**

The District's total revenues were \$29,741,252; total expenses from governmental activities were \$32,544,267; resulting in a decrease of \$2,803,015 in net position over the prior years' ending net position.

This year, 93.56% of the District's revenues came from the local tax assessment and the State of New Hampshire, an increase of 1.16% 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.



PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

Statement of Activities	2017	% of Total	2016	% of Total	Change	% Variance
<b>Revenues:</b>						
Program revenues:						
Charges for services	735,774	2.5%	727,134	2.5%	8,640	1.19%
Operating grants	1,659,345	5.6%	1,485,275	5.2%	174,070	11.72%
Capital grants	0	0.0%	0	0.0%	-	0.00%
General revenues:						
School district assessment	19,447,035	65.4%	18,273,047	63.4%	1,173,988	6.42%
Unrestricted grants	7,685,098	25.8%	7,906,731	27.4%	(221,633)	-2.80%
Interest	7,828	0.0%	21,223	0.1%	(13,395)	-63.12%
Miscellaneous	206,172	0.7%	422,430	1.5%	(216,258)	-51.19%
<b>Total revenues</b>	<b>\$29,741,252</b>	<b>100%</b>	<b>\$28,835,840</b>	<b>100%</b>	<b>\$905,412</b>	<b>3.14%</b>
<b>Program Expenses:</b>						
Instruction	17,310,283	53.2%	15,646,751	57.0%	1,663,532	10.63%
Support services:						
Student	2,231,444	6.9%	1,995,490	7.3%	235,954	11.82%
Instructional staff	880,210	2.7%	775,348	2.8%	104,862	13.52%
General administration	99,303	0.3%	90,140	0.3%	9,163	10.17%
Executive administration	587,797	1.8%	521,140	1.9%	66,657	12.79%
School administration	1,440,586	4.4%	1,327,567	4.8%	113,019	8.51%
Business	376,637	1.2%	373,717	1.4%	2,920	0.78%
Operation and maintenance of plant	2,093,314	6.4%	2,177,450	7.9%	(84,136)	-3.86%
Student transportation	1,549,202	4.8%	1,570,403	5.7%	(21,201)	-1.35%
Other	844,306	2.6%	891,813	3.3%	(47,507)	-5.33%
Non-instructional services	936,004	2.9%	859,004	3.1%	77,000	8.96%
Interest on long-term debt	740,141	2.3%	785,732	2.9%	(45,591)	-5.80%
Facilities acquisition and construction	3,455,040	10.6%	411,901	1.5%	3,043,139	738.80%
<b>Total governmental activities</b>	<b>\$32,544,267</b>	<b>100%</b>	<b>\$27,426,456</b>	<b>100%</b>	<b>\$5,117,811</b>	<b>18.66%</b>
<b>Change in net position</b>	<b>\$ (2,803,015)</b>		<b>\$ 1,409,384</b>		<b>\$ (4,212,399)</b>	<b>-298.88%</b>
<b>Change in Prior Year Capital Assets</b>	<b>\$ -</b>		<b>\$ (1,602,927)</b>			
<b>Beginning net position</b>	<b>\$ 2,889,377</b>		<b>\$ 3,082,920</b>		<b>\$ (193,543)</b>	<b>-6.28%</b>
<b>Ending net position</b>	<b>\$ 86,362</b>		<b>\$ 2,889,377</b>		<b>\$ (2,803,015)</b>	<b>-97.01%</b>

PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

## Revenues

School district assessment was 65.39% of total revenues for the fiscal year ended June 30, 2017, an increase of 6.42% from the prior year.

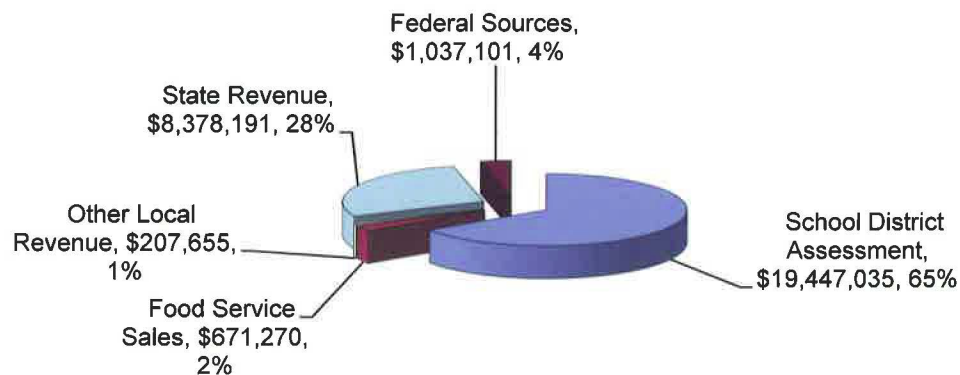
State of New Hampshire source intergovernmental revenues were 28.17% of total revenues for the fiscal year ended June 30, 2017, an increase of 0.06% from the prior year.

Federal revenues were 3.49% of total revenues for the fiscal year ended June 30, 2017, an increase of 1.98% from the prior year.

## Summary of Revenues

The biggest share, \$27,825,226 (93.56%), 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 2016- 2017**



## 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 50% of total expenses for the fiscal year ended June 30, 2017, an increase of 9.03% from the prior year, however, excluding the high school capital project, instruction expenses increased 0.60% to 59.82% of expenses.
- Instructional and staff support service expenses were 9.11% of total expenses for the fiscal year ended June 30, 2017, an increase of 1.68% from the prior year, and, excluding the high school capital project, these expenses increased 0.11% to 10.85% of expenses.

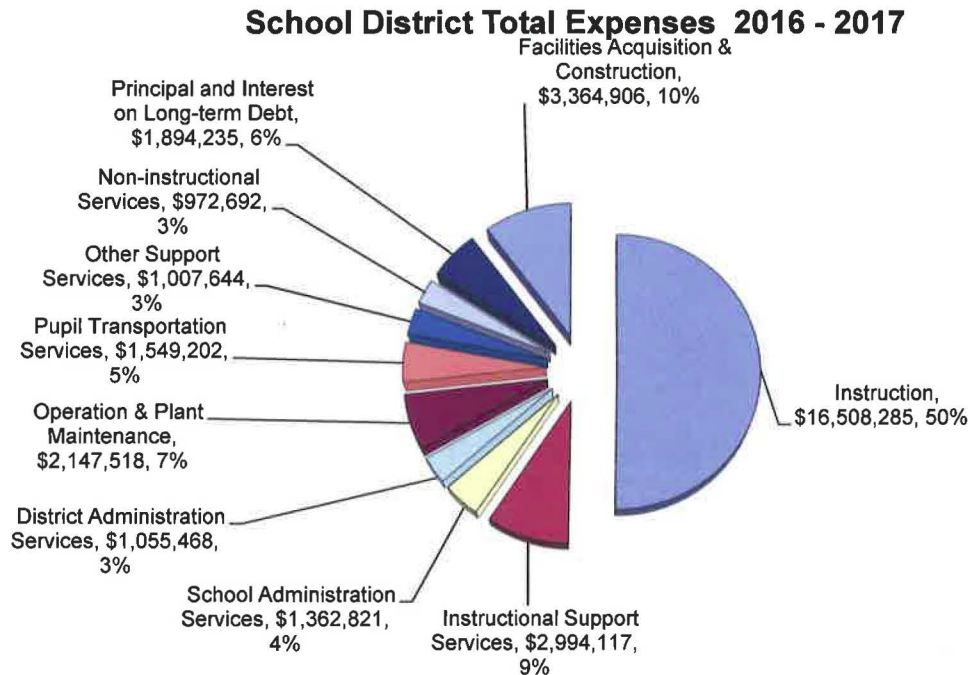


PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
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- Facilities acquisition and construction expenses were 10.85% of total expenses for the fiscal year ended June 30, 2017, a decrease of 14.91% from the prior year as a result of 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, 69.54% 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.



Highlighted changes in total expenses include:

- An increase in Instruction spending of \$750,831 or 4.76% over the prior year.
- An increase in Instructional and Staff Support Services of \$137,069 or 4.8% over the prior year.
- An increase in District Administration of \$64,979 or 6.56% over the prior year.
- A decrease in School Administration services of \$109,968 or **-7.46%** over the prior year.
- A decrease in Pupil Transportation services of \$21,201 or **-1.35%** over the prior year.
- A decrease in Facilities Acquisition & Construction spending of \$6,541,189 or **-6.03%** over the prior year.
- A decrease in Interest on Long-term Debt of \$53,040 or **-2.73%** over the prior year, due to the high school capital bond payment schedule.

PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

**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).

<b>TOTAL AND NET COST OF SERVICES</b>					
<b>Total Cost of Services</b>					
	<b>2017</b>		<b>2016</b>		<b>Variance</b>
<b>Functions / Programs</b>					
Instruction	\$17,310,283	53.2%	\$15,646,751	57.0%	\$1,663,532
Support services	10,102,799	31.0%	9,723,068	35.5%	\$379,731
Food service program	936,004	2.9%	859,004	3.1%	\$77,000
Facilities acquisition	3,455,040	10.6%	411,901	1.5%	\$3,043,139
<b>Unallocated</b>					
Interest	740,141	2.3%	785,732	2.9%	(45,591)
<b>\$</b>	<b>32,544,267</b>	<b>100%</b>	<b>\$27,426,456</b>	<b>100%</b>	<b>\$5,117,811</b>
<b>Net Cost of Services</b>					
	<b>2017</b>		<b>2016</b>		<b>Variance</b>
<b>Functions / Programs</b>					
Instruction	\$15,885,490	52.7%	\$14,399,038	57.1%	\$1,486,452
Support services	10,001,449	33.2%	9,642,096	38.2%	\$359,353
Food service program	67,028	0.2%	(24,720)	-0.1%	\$91,748
Facilities acquisition	3,455,040	11.5%	411,901	1.6%	\$3,043,139
<b>Unallocated</b>					
Interest	740,141	2.5%	785,732	3.1%	(45,591)
<b>\$</b>	<b>30,149,148</b>	<b>100%</b>	<b>\$25,214,047</b>	<b>100%</b>	<b>\$4,935,101</b>

The total cost of all governmental activities in 2017 was \$32,544,267; the total net cost was \$30,149,148. 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 \$22,824,856; which consisted of \$19,447,035 paid in the form of local property taxes and \$3,377,821 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 \$4,307,277 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.

PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
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Charges for Services

- Total food service revenues of \$868,976 consisted of food service sales and local miscellaneous revenues in the amount of \$671,270 and federal and state food nutrition program operating contributions (free and reduced lunch reimbursements and commodities) of \$197,706.

Operating Grants and Contributions

- Federal grants for instruction were received in the amount of \$643,366.



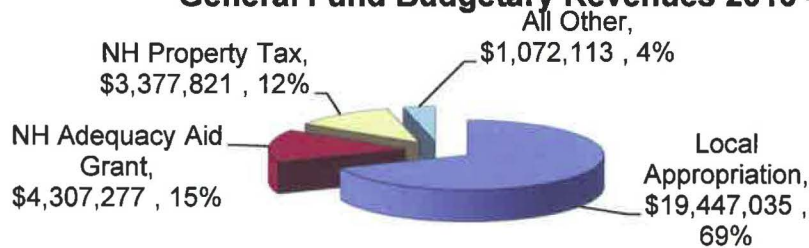
PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

## INDIVIDUAL FUND ANALYSIS

### General Fund

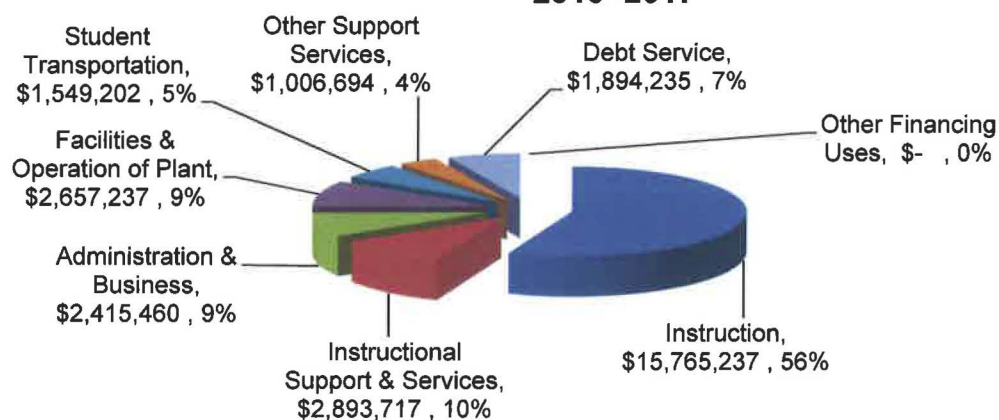
The General Fund is what most people think of as “the budget”, since it is the focal point of the Annual Deliberative Session and largely supported by locally raised taxes. The local appropriation and the state property tax are raised locally and make up 80.93% of general fund revenues. Together, the revenues raised locally and the state adequacy grant comprises 96.2% 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 2016 - 2017



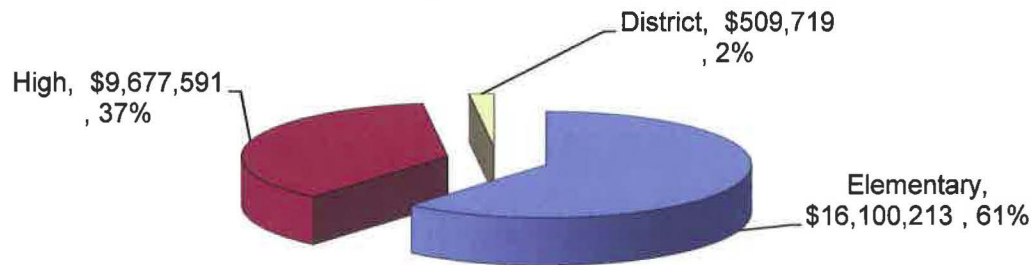
In 2017, instruction made up 55.94% of all general fund expenditures, an increase of 0.79% from the prior year expenditures, while all other support services including transportation, operation of plant, and administration make up 37.34% of all General Fund expenditures, an increase of 0.10% from the prior year. The remaining 6.72% includes facility acquisition & construction, debt service, and fund transfers, a decrease of 0.88% 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 2016- 2017



PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
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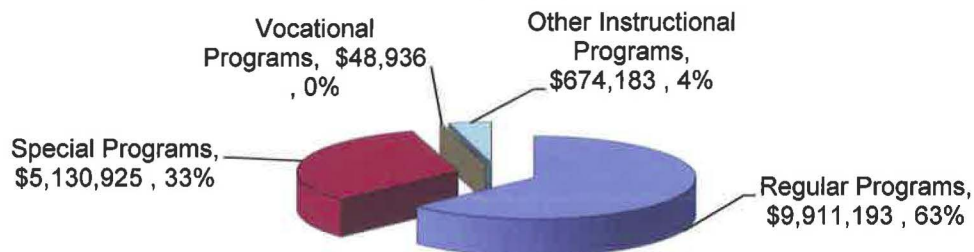
**General Fund Budgetary Expenditures by Grade Level  
2016 - 2017**



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  
2016 - 2017**



**SUMMARY OF FEDERAL SUPPORT OF THE DISTRICT**

During fiscal year 2017, 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 \$403,467. 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 \$142,587. These grants funded: supplemental instruction for math and reading intervention; summer programming in math and reading; and professional development in math and reading intervention.

PELHAM SCHOOL DISTRICT  
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- Title II, Supporting Effective Instruction State Grants was awarded for the current period in the amount of \$78,773. 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 \$1,521. The grant was used to purchase materials and equipment.
- U. S. Department of Agriculture National School Lunch Program revenues for the current period were \$187,124. These revenues were used to offset the expenses of the school lunch program.
- U.S. Environmental Protection Agency awarded an Environmental Education Grant during the current period in the amount of \$1,250. These revenues plus previous balances allowed \$4,828 in total expenses during the period for supervision and materials related to an arsenic testing and awareness campaign for water in our community.
- U.S. Department of Health and Human Services awarded a grant in during the current period in the amount of \$7,614 and it was used for social emotional supports for the district.

#### **CAPITAL RESERVE ACCOUNTS**

The district has seven expendable and 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. Each fund incurred fees and earned interest during this period. The ADA Modif Fund School District increased by \$1,009.87, ending with a balance of \$26,360.48. Memorial Athletic Field fund increased by \$15.59, ending with a balance of \$36,232.29. Robinson Tennis Courts expendable trust increased by \$283.66, ending with a balance of \$6,856.66. School Building Land and School Building Land - HS capital reserve fund account balances were transferred to the general fund to be returned to voters at the end of Fiscal Year 2018. The balances were \$10,053.29 and \$4,638.97. These accounts had a zero balance as of June 30, 2017, and will be requested for closure through the next warrant.

The Special Education CRF increased by \$71.28 through interest earned less fees, ending with a balance of \$200,226.01. The School Building Maintenance CRF increased by \$14,056.87 through interest earned less fees, ending with a balance of \$251,305.24.

Total of all funds increased from to \$520,229.53 on June 30, 2016 to \$520,980.68 as of June 30, 2017, inclusive of new funding and interest earned. 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 \$1,497,325. General Fund revenues, consisting largely of local taxes and state aid, were \$28,204,246. General Fund expenditures, including fund transfers, were \$28,181,782. The ending fund equity for the District was \$2,296,701 of which \$1,457,591 is an unassigned fund balance, a decrease of \$39,734 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 \$355,401.

PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

- General Fund expenditures were less than the final adjusted budgeted spending by \$1,102,209. The major components of this budget underspend include:
  - \$103,889 operating budget underspend in the Special Services functions, including a \$143,864 underspend in salaries for teacher and assistant positions, a \$69,017 underspend in benefits, and a \$65,692 underspend in transportation. Special Services tuition residential was overspent by \$215,535 and legal services overspent by \$19,205.
  - \$326,585 budget underspend in non-Special Services salaries. This was primarily due to turnover, including \$166,427 in regular education, \$53,072 in custodial/maintenance, \$16,280 in library, \$18,421 in improvement of instruction, and approximately \$61,602 in superintendent services that includes separation payments and merit pool.
  - \$394,000 budget underspend in non-Special Services health insurance. \$207,723 is for medical insurance and \$18,745 for dental insurance. Approximately \$35,000 is a result of actual worker's compensation and unemployment rates coming in under budget. The balance is from savings in payroll benefits such as social security and teacher retirement as a result of the underspend in salary accounts.

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 prior expenditure data.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

On June 30, 2017, the District reported capital assets of \$34,167,515 (net of accumulated depreciation), which consist of a broad range of capital assets, including land, buildings & improvements, and machinery and equipment.

There were building improvements as well as other adjustments for retired/replaced capital assets. Capital asset additions in 2017 included: PHS renovations, PMS Electronic Entrance Sign and technology equipment.



PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

Governmental Activities	2017	2016 (as restated)	Increase (Decrease)	% Increase (% Decrease)
Land & Improvements	\$ 699,000	\$ 699,000	\$ -	0.00%
CIP	0	19,650,449	(19,650,449)	(100.00%)
Land Improvements	1,873,405	1,429,194	444,211	31.08%
Buildings & Improvements	35,484,328	15,833,879	19,650,449	124.10%
Machinery, Equipment & Vehicles	794,886	516,385	278,501	53.93%
<b>Total Historical Cost</b>	<b>38,851,619</b>	<b>38,128,907</b>	<b>722,712</b>	<b>1.90%</b>
Total Accumulated Depreciation	(4,684,104)	(3,988,924)	(695,180)	(17.43%)
<b>NET CAPITAL ASSETS</b>	<b>34,167,515</b>	<b>34,139,983</b>	<b>27,532</b>	<b>0.08%</b>

### Long-Term Liabilities

On June 30, 2017, the District had \$20,386,164 in general obligation bonds. In addition, \$587,592 in capital leases and \$730,103 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.

Governmental Activities	2017	2016	Increase (Decrease)	% Increase (% Decrease)
General Obligation Bonds	20,386,164	21,521,784	(1,135,620)	-5.28%
Capital Lease	587,592	657,872	(70,280)	-10.68%
Compensated Absences	730,103	631,194	98,909	15.67%
Other Post Employment Benefits Payable	(37,734)	(151,487)	113,753	-75.09%
Net Pension Liability	20,115,897	14,937,721	5,178,176	34.67%
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>41,782,022</b>	<b>37,597,084</b>	<b>4,184,938</b>	<b>11.13%</b>

### 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 2017-2018 fiscal year is \$1,457,591.



PELHAM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

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

1. At the time of this report, there are no new collective bargaining agreements being negotiated for 2018-2019.
2. The State of New Hampshire legislature passed new legislation in 2012 that allows school districts 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 do so in the future.
3. The State of New Hampshire legislature passed new legislation in 2017 that funds an additional \$1,100 per student for those districts that provide full-day kindergarten with potential additional funding based on the success of Keno proceeds in the state. With this additional state support, the District may pursue a change in programming offered from half-day kindergarten to full-day kindergarten. Gross appropriations requirements may reflect an increase in future budget requirements that will be off-set by anticipated state funding.

Questions regarding this report should be directed to Dr. Betsey Cox-Buteau, Interim 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, 2017*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,649,739
Accounts receivable	2,891
Intergovernmental receivable	674,268
Capital assets, not being depreciated	699,000
Capital assets, net of accumulated depreciation	33,468,515
Total assets	<u>37,494,413</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	<u>5,560,978</u>
<b>LIABILITIES</b>	
Accounts payable	573,391
Retainage payable	36,244
Accrued interest payable	323,358
Noncurrent obligations:	
Due within one year	1,514,663
Due in more than one year	40,267,359
Total liabilities	<u>42,715,015</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts related to pensions	<u>254,014</u>
<b>NET POSITION</b>	
Net investment in capital assets	13,193,759
Restricted	420,562
Unrestricted	<u>(13,527,959)</u>
Total net position	<u>\$ 86,362</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, 2017**

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change In
	Expenses	Services	Contributions	Net Position
Instruction	\$ 17,310,283	\$ 64,504	\$ 1,360,289	\$ (15,885,490)
Support services:				
Student	2,231,444	-	894	(2,230,550)
Instructional staff	880,210	-	99,506	(780,704)
General administration	99,303	-	-	(99,303)
Executive administration	587,797	-	-	(587,797)
School administration	1,440,586	-	-	(1,440,586)
Business	376,637	-	-	(376,637)
Operation and maintenance of plant	2,093,314	-	-	(2,093,314)
Student transportation	1,549,202	-	-	(1,549,202)
Other	844,306	-	950	(843,356)
Noninstructional services	936,004	671,270	197,706	(67,028)
Interest on long-term debt	740,141	-	-	(740,141)
Facilities acquisition and construction	3,455,040	-	-	(3,455,040)
Total governmental activities	<u>\$ 32,544,267</u>	<u>\$ 735,774</u>	<u>\$ 1,659,345</u>	<u>(30,149,148)</u>
General revenues:				
School district assessment				19,447,035
Grants and contributions not restricted to specific programs				7,685,098
Miscellaneous				214,000
Total general revenues				<u>27,346,133</u>
Change in net position				(2,803,015)
Net position, beginning, as restated (see Note 15)				<u>2,889,377</u>
Net position, ending				<u>\$ 86,362</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, 2017**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,134,074	\$ 38,924	\$ 476,741	\$ 2,649,739
Accounts receivable	2,793	-	98	2,891
Intergovernmental receivable	538,853	126,696	8,719	674,268
Interfund receivable	127,587	-	902	128,489
Total assets	<u>\$ 2,803,307</u>	<u>\$ 165,620</u>	<u>\$ 486,460</u>	<u>\$ 3,455,387</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 505,704	\$ 38,033	\$ 29,654	\$ 573,391
Interfund payable	902	127,587	-	128,489
Retainage payable	-	-	36,244	36,244
Total liabilities	<u>506,606</u>	<u>165,620</u>	<u>65,898</u>	<u>738,124</u>
<b>FUND BALANCES</b>				
Restricted	-	-	420,562	420,562
Committed	528,817	-	-	528,817
Assigned	310,293	-	-	310,293
Unassigned	1,457,591	-	-	1,457,591
Total fund balances	<u>2,296,701</u>	<u>-</u>	<u>420,562</u>	<u>2,717,263</u>
Total liabilities and fund balances	<u>\$ 2,803,307</u>	<u>\$ 165,620</u>	<u>\$ 486,460</u>	<u>\$ 3,455,387</u>

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

**EXHIBIT C-2**  
**PELHAM SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2017**

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,717,263
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	\$ 38,851,619	
Less accumulated depreciation	<u>(4,684,104)</u>	
		34,167,515
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 5,560,978	
Deferred inflows of resources related to pensions	<u>(254,014)</u>	
		5,306,964
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (128,489)	
Payables	<u>128,489</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(323,358)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 18,665,000	
Unamortized bond premium	1,721,164	
Capital leases	587,592	
Compensated absences	730,103	
Other postemployment benefits	(37,734)	
Net pension liability	<u>20,115,897</u>	
		<u>(41,782,022)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 86,362</u>

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

**EXHIBIT C-3**  
**PELHAM SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2017**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
School district assessment	\$ 19,447,035	\$ -	\$ -	\$ 19,447,035
Other local	200,980	2,672	675,273	878,925
State	8,367,609	-	10,582	8,378,191
Federal	206,611	643,366	187,124	1,037,101
Total revenues	<u>28,222,235</u>	<u>646,038</u>	<u>872,979</u>	<u>29,741,252</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	15,963,597	544,688	-	16,508,285
Support services:				
Student	2,067,886	894	-	2,068,780
Instructional staff	825,831	99,506	-	925,337
General administration	99,303	-	-	99,303
Executive administration	593,832	-	-	593,832
School administration	1,362,821	-	-	1,362,821
Business	362,333	-	-	362,333
Operation and maintenance of plant	2,147,518	-	-	2,147,518
Student transportation	1,549,202	-	-	1,549,202
Other	1,006,694	950	-	1,007,644
Noninstructional services	-	-	972,692	972,692
Debt service:				
Principal	1,040,000	-	-	1,040,000
Interest	854,235	-	-	854,235
Facilities acquisition and construction	509,719	-	2,855,187	3,364,906
Total expenditures	<u>28,382,971</u>	<u>646,038</u>	<u>3,827,879</u>	<u>32,856,888</u>
Deficiency of revenues under expenditures	<u>(160,736)</u>	<u>-</u>	<u>(2,954,900)</u>	<u>(3,115,636)</u>
<b>OTHER FINANCING SOURCES</b>				
Capital lease	198,360	-	-	198,360
Net change in fund balances	37,624	-	(2,954,900)	(2,917,276)
Fund balances, beginning	2,259,077	-	3,375,462	5,634,539
Fund balances, ending	<u>\$ 2,296,701</u>	<u>\$ -</u>	<u>\$ 420,562</u>	<u>\$ 2,717,263</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, 2017*

Net change in fund balances of total governmental funds (Exhibit C-3)			\$ (2,917,276)
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	\$ 722,712		
Depreciation expense	(695,180)		
		27,532	
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.			
Inception of capital lease	\$ (198,360)		
Principal repayment of bond	1,040,000		
Amortization of bond premium	95,620		
Principal repayment of capital lease	268,640		
		1,205,900	
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.			
Decrease in accrued interest expense	\$ 18,474		
Increase in compensated absences payable	(98,909)		
Increase in other postemployment benefits	(113,753)		
Changes in balances relating to GASB Statement No. 68	(924,983)		
		(1,119,171)	
Change in net position of governmental activities (Exhibit B)			\$ (2,803,015)



**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, 2017**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
School district assessment	\$ 19,447,035	\$ 19,447,035	\$ 19,447,035	\$ -
Other local	65,300	100,300	182,991	82,691
State	8,151,510	8,151,510	8,367,609	216,099
Federal	150,000	150,000	206,611	56,611
Total revenues	27,813,845	27,848,845	28,204,246	355,401
EXPENDITURES				
Current:				
Instruction	16,265,303	16,265,730	15,858,940	406,790
Support services:				
Student	2,167,737	2,167,907	2,071,704	96,203
Instructional staff	765,409	836,366	801,159	35,207
General administration	97,891	97,891	88,182	9,709
Executive administration	706,166	708,237	593,832	114,405
School administration	1,358,467	1,358,467	1,370,334	(11,867)
Business	362,980	362,980	365,164	(2,184)
Operation and maintenance of plant	2,314,455	2,314,455	2,132,927	181,528
Student transportation	1,803,974	1,803,974	1,645,313	158,661
Other	1,207,612	1,168,987	1,002,471	166,516
Debt service:				
Principal	1,040,000	1,040,000	1,040,000	-
Interest	854,195	854,195	854,235	(40)
Facilities acquisition and construction	367,000	367,000	419,719	(52,719)
Total expenditures	29,311,189	29,346,189	28,243,980	1,102,209
Net change in fund balance	\$ (1,497,344)	\$ (1,497,344)	(39,734)	\$ 1,457,610
Unassigned fund balance, beginning			1,497,325	
Unassigned fund balance, ending			\$ 1,457,591	

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 Budgetary Basis)*  
**Grants Fund**  
*For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
Other local	\$ -	\$ -	\$ 2,672	\$ 2,672
Federal	731,385	731,385	643,366	(88,019)
Total revenues	731,385	731,385	646,038	(85,347)
<b>EXPENDITURES</b>				
Current:				
Instruction	731,385	607,581	544,688	62,893
Support services:				
Student	-	2,150	894	1,256
Instructional staff	-	121,654	99,506	22,148
Other	-	-	950	(950)
Total expenditures	731,385	731,385	646,038	85,347
Net change in fund balance	\$ -	\$ -	-	\$ -
Unassigned fund balance, beginning			-	
Unassigned 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, 2017**

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 249,500
Intergovernmental receivable	3,658	-
Total assets	<u>3,658</u>	<u>249,500</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>249,500</u>
<b>NET POSITION</b>	<u>\$ 3,658</u>	<u>\$ -</u>

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

**EXHIBIT E-2**  
**PELHAM SCHOOL DISTRICT**  
*Fiduciary Funds*  
*Statement of Net Position*  
*June 30, 2017*

	Private Purpose Trust
Additions:	
Interest	\$ 250
Deductions:	
Fees	35
Change in net position	215
Net position, beginning	3,443
Net position, ending	<u>\$ 3,658</u>

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

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2017**

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**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2017**

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

The financial statements of the Pelham School District, in Pelham, New Hampshire (the School District), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2017 the School District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a government should apply.

**1-A Reporting Entity**

The Pelham School District is a municipal corporation governed by an elected five-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

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

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

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

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

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

In the governmental fund financial statements, expenditures are reported by character: current, debt service or facilities acquisition and construction. Current expenditures are sub-classified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

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

**Measurement Focus and Basis of Accounting** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2017**

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The School District reports the following major governmental funds:

**General Fund** – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, debt service, and facilities acquisition and construction. Under GASB Statement No. 54 guidance the expendable trust funds are consolidated in the general fund.

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

**Fiduciary Fund Financial Statements** – Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in 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.

**Nonmajor Funds** – The School District also reports two nonmajor governmental funds. All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

***1-D 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. 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.

***1-E 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.

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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***1-F Capital Assets***

Capital assets are defined by the School District as assets with an initial individual cost of \$10,000 or more per individual item for all classes except infrastructure assets, which has a capitalization threshold of \$100,000 per item, for all assets with estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, sidewalks, drainage, and similar items) and are reported in governmental activities.

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

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

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

Capital assets of the School District are depreciated or amortized using the straight-line method over the following estimated useful lives:

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

***1-G Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***1-H Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2017.

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

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

*Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.



**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2017**

***1-J 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-K 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.

***1-L Defined Benefit Pension Plan***

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

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

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

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

**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.

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

**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.

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2017**

**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.

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

***1-N Use of Estimates***

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

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

***2-A Budgetary Information***

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School 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 2017, \$1,497,344 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.

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2017**

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)	\$ 28,204,246
Adjustments:	
Basis difference:	
Capital lease inception	198,360
GASB Statement No. 54:	
Miscellaneous revenue of blended funds	17,989
Per Exhibit C-3 (GAAP basis)	<u>\$ 28,420,595</u>
Expenditures:	
Per Exhibit D-1 (budgetary basis)	\$ 28,243,980
Adjustments:	
Basis difference:	
Encumbrances, beginning	248,095
Encumbrances, ending	(310,293)
Capital lease	198,360
GASB Statement No. 54:	
Expenditures of blending funds	2,829
Per Exhibit C-3 (GAAP basis)	<u>\$ 28,382,971</u>

**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 collateral. As of year-end, the carrying amount of the School District's deposits was \$2,899,239 and the bank balances totaled \$3,873,008.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 2,649,739
Cash per Statement of Net Position, Fiduciary Funds (Exhibit E-1)	249,500
Total cash and cash equivalents	<u>\$ 2,899,239</u>

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2017, 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**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 consisted of the following:

	Balance, beginning, (as restated)	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 699,000	\$ -	\$ -	\$ 699,000
Construction in progress	19,650,449	-	(19,650,449)	-
Total capital assets not being depreciated	20,349,449	-	(19,650,449)	699,000
Being depreciated:				
Land improvements	1,429,194	444,211	-	1,873,405
Buildings and building improvements	15,833,879	19,650,449	-	35,484,328
Machinery and equipment	516,385	278,501	-	794,886
Total capital assets being depreciated	17,779,458	20,373,161	-	38,152,619
Total capital assets	38,128,907	20,373,161	(19,650,449)	38,851,619
Less accumulated depreciation:				
Land improvements	(314,181)	(62,358)	-	(376,539)
Buildings and building improvements	(3,480,839)	(567,670)	-	(4,048,509)
Machinery and equipment	(193,904)	(65,152)	-	(259,056)
Total accumulated depreciation	(3,988,924)	(695,180)	-	(4,684,104)
Net book value, capital assets being depreciated	13,790,534	19,677,981	-	33,468,515
Net book value, all capital assets	\$ 34,139,983	\$ 19,677,981	\$ (19,650,449)	\$ 34,167,515

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	\$ 65,277
Other	11,679
Noninstructional services	6,426
Facilities acquisition and construction	611,798
Total depreciation expense	<u>\$ 695,180</u>

**NOTE 6 – INTERFUND BALANCES**

Interfund receivable and payable balances consisting of overdrafts in pooled cash at June 30, 2017 are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 127,587
Nonmajor	General	902
		<u>\$ 128,489</u>

**NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows and inflows of resources of \$5,560,978 and \$254,014, respectively, in the government-wide activities at June 30, 2017 consists of amounts related to pensions, see Note 10 for further information on deferred amounts related to pensions.

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**NOTE 8 – CAPITAL LEASE OBLIGATIONS**

The School District has entered into a capital lease agreement under which the related equipment will become the property of the School District when all the terms of the lease agreement are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2017
Capital lease obligations:		
Modular Building	2.67%	\$ 458,437
Lenovo computers	5.526%	129,155
Total capital lease obligations		<u>\$ 587,592</u>

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

	Governmental Activities
Buildings and building improvements:	
Modular building	\$ 1,063,410
Less: accumulated depreciation	114,494
Total capital lease equipment	<u>\$ 948,916</u>

The annual requirements to amortize the capital lease payable as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2018	\$ 287,118
2019	287,120
2020	44,610
Total requirements	618,848
Less: interest	31,256
Present value of remaining payments	<u>\$ 587,592</u>

**NOTE 9 – LONG-TERM LIABILITIES**

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Bond payable:					
General obligation bond	\$ 19,705,000	\$ -	\$1,040,000	\$18,665,000	\$ 1,040,000
Premium	1,816,784	-	95,620	1,721,164	95,620
Total bond payable	21,521,784	-	1,135,620	20,386,164	1,135,620
Capital leases	657,872	198,360	268,640	587,592	267,558
Compensated absences	631,194	98,909	-	730,103	111,485
Net other postemployment benefits	(151,487)	113,753	-	(37,734)	-
Net pension liability	14,937,721	5,178,176	-	20,115,897	-
Total long-term liabilities	<u>\$ 37,597,084</u>	<u>\$5,589,198</u>	<u>\$1,404,260</u>	<u>\$41,782,022</u>	<u>\$ 1,514,663</u>

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2017
General obligation bond payable:					
School renovations/construction	\$ 20,745,000	2015	2035	3.10-5.10%	\$ 18,665,000

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,040,000	642,075	1,682,075
2022	1,040,000	589,035	1,629,035
2023-2027	5,185,000	2,192,123	7,377,123
2028-2032	5,175,000	1,166,963	6,341,963
2033-2035	3,105,000	190,958	3,295,958
Totals	<u>\$ 18,665,000</u>	<u>\$ 7,025,619</u>	<u>\$ 25,690,619</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

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

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

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

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



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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 2017, the School District contributed 15.67% for teachers and 11.17% for other employees. The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$1,465,785, \$1,623,384, and \$1,703,246, 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, 2017 the School District reported a liability of \$20,115,897 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the School District's proportion was 0.37828936% which was an increase of 0.00121958% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$2,337,041. At June 30, 2017, 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	\$ 358,836	\$ -
Net difference between projected and actual investment earnings on pension plan investments	1,258,554	-
Differences between expected and actual experience	55,902	254,014
Changes in assumptions	2,475,628	-
Contributions subsequent to the measurement date	1,412,058	-
Total	<u>\$5,560,978</u>	<u>\$ 254,014</u>

The \$1,412,058 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, 2017. 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,	
2017	\$ 820,219
2018	820,219
2019	1,236,432
2020	970,694
2021	47,342
Totals	<u>\$3,894,906</u>

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

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

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

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

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**Long-term Rates of Return:** The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighed average long-term expected real rate of return
		2016
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.47%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.64%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.71%
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

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

**Sensitivity of the School 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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2016	\$ 25,847,558	\$ 20,115,897	\$ 15,362,393

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

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**NOTE 11 – 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 2017:

Annual required contribution/OPEB cost	\$ 239,886
Interest on net OPEB obligation	(6,817)
Adjustment to annual required contribution	11,655
Annual OPEB cost (expense)	244,724
Contributions made	(130,971)
Increase in net OPEB obligation	113,753
Net OPEB obligation - beginning of year	(151,487)
Net OPEB obligation - end of year	<u>\$ (37,734)</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 2017 and the four 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, 2017	\$ 239,886	\$ 130,971	54.60%	\$ (37,734)
June 30, 2016	\$ 251,711	\$ 243,915	96.90%	\$ (151,487)
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	\$ 300,323	\$ 312,488	104.05%	\$ (290,688)

As of July 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$1,747,918, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,747,918. The covered payroll (annual payroll of active employees covered by the plan) was \$12,224,866 during fiscal year 2017, and the ratio of the UAAL to the covered payroll was 14.30%.

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.

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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 July 1, 2016 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, 2017 was 30 years.

**NOTE 12 – ENCUMBRANCES**

Encumbrances outstanding at June 30, 2017 are as follows:

Current:	
Instruction:	
Regular programs	\$ 48,587
Special programs	36,295
Vocational programs	18,766
Total instruction	<u>103,648</u>
Support services:	
Student	3,970
Instructional staff	2,246
General administration	3,626
School administration	9,149
Business	4,331
Operation and maintenance of plant	68,054
Student transportation	97,476
Other	17,793
Total support services	<u>206,645</u>
Total encumbrances	<u>\$ 310,293</u>

**NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2017 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 34,167,515
Less:	
General obligation bond payable	(18,665,000)
Unamortized bond premium	(1,721,164)
Capital leases payable	(587,592)
Total net investment in capital assets	<u>13,193,759</u>
Restricted:	
Food service	196,988
Capital project	223,574
Total restricted net position	<u>420,562</u>
Unrestricted	(13,527,959)
Total net position	<u>\$ 86,362</u>

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 14 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2017 consist of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted:</b>			
Food service	\$ -	\$ 196,988	\$ 196,988
Capital project remaining balance	-	223,574	223,574
Total restricted fund balance	-	420,562	420,562
<b>Committed:</b>			
Expendable trust	528,817	-	528,817
<b>Assigned:</b>			
Encumbrances	310,293	-	310,293
<b>Unassigned</b>	1,457,591	-	1,457,591
Total governmental fund balances	<u>\$ 2,296,701</u>	<u>\$ 420,562</u>	<u>\$ 2,717,263</u>

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

Net position at July 1, 2016 was restated to \$2,889,377 due to a prior year unrecorded capital asset disposal that was recognized during the current year, as follows:

	Government-wide Statements
To adjust for prior year capital asset disposal	\$ (1,602,927)
Net position, as previously reported	4,492,304
Net position, as restated	<u>\$ 2,889,377</u>

**NOTE 16 – 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 2017, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance program for member School Districts and cities.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1 to June 30, 2017 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the School District billed and paid for the year ended June 30, 2017 was \$63,150 for workers' compensation and \$84,264 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

**NOTE 17 – 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.

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 18 – 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 December 7, 2017, the date the June 30, 2017 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, 2017*

Fiscal Year End	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, 2017	July 1, 2016	\$ -	\$ 1,747,918	\$ 1,747,918	0.00%	\$ 12,224,866	14.30%
June 30, 2016	July 1, 2015	\$ -	\$ 1,955,271	\$ 1,955,271	0.00%	\$ 12,107,395	16.15%
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, 2017*

Fiscal Year End	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, 2017	July 1, 2016	0.37828936%	\$ 20,115,897	\$ 10,819,430	185.92%	58.30%
June 30, 2016	July 1, 2015	0.37706978%	\$ 14,937,721	\$ 10,751,805	138.93%	65.47%
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, 2017*

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	July 1, 2016	\$ 1,354,575	\$ 1,354,575	\$ -	\$ 10,819,430	12.52%
June 30, 2016	July 1, 2015	\$ 1,265,024	\$ 1,265,024	\$ -	\$ 10,751,805	11.77%
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**  
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***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, 2017, and the six 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, 2016. For the current year GASB valuation, the per capita costs have been updated.

<b>Cost Method</b>	Projected Unit Credit with linear proration to decrement.
<b>Amortization</b>	Level % of pay over fifteen years based on an open group.
<b>Employer Funding Policy</b>	Pay-as-you-go cash basis.
<b>Mortality</b>	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.

<b>Health Care Trend Rates</b>	<b>FYE</b>	<b>Medical/RX</b>
	2017	8.5%
	2018	8.0%
	2019	7.5%
	2020	7.0%
	2021	6.5%
	2022	6.0%
	2023	5.5%
	2024+	5.0%

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

<b>Retiree Contributions</b>	Retiree contributions are assumed to increase according to health care trend rates.
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***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, 2017.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
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Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.
<b>Other Information:</b>	
Notes	Contribution rates for Fiscal Year 2016 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.



***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, 2017*

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 19,447,035	\$ 19,447,035	\$ -
Other local sources:			
Tuition	50,000	64,504	14,504
Investment income	300	527	227
Miscellaneous	50,000	117,960	67,960
Total from other local sources	100,300	182,991	82,691
State sources:			
Adequacy aid (grant)	4,306,921	4,307,277	356
Adequacy aid (tax)	3,377,821	3,377,821	-
Catastrophic aid	448,292	593,119	144,827
Vocational aid	18,476	15,871	(2,605)
Other state aid	-	73,521	73,521
Total from state sources	8,151,510	8,367,609	216,099
Federal sources:			
Medicaid	150,000	206,611	56,611
Total revenues	27,848,845	\$ 28,204,246	\$ 355,401
Fund balance used to reduce school district assessment	1,497,344		
Total revenues and use of fund balance	\$ 29,346,189		

**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, 2017**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 2,105	\$ 10,329,690	\$ 9,911,193	\$ 48,587	\$ 372,015
Special programs	-	5,166,673	5,130,925	36,295	(547)
Vocational programs	-	100,000	48,936	18,766	32,298
Other	7,840	669,367	674,183	-	3,024
Total instruction	9,945	16,265,730	15,765,237	103,648	406,790
Support services:					
Student	152	2,167,907	2,067,886	3,970	96,203
Instructional staff	26,918	836,366	825,831	2,246	35,207
General administration	11,918	97,891	96,474	3,626	9,709
Executive administration	-	708,237	593,832	-	114,405
School administration	1,636	1,358,467	1,362,821	9,149	(11,867)
Business	1,500	362,980	362,333	4,331	(2,184)
Operation and maintenance of plant	82,645	2,314,455	2,147,518	68,054	181,528
Student transportation	1,365	1,803,974	1,549,202	97,476	158,661
Other	22,016	1,168,987	1,006,694	17,793	166,516
Total support services	148,150	10,819,264	10,012,591	206,645	748,178
Debt service:					
Principal of long-term debt	-	1,040,000	1,040,000	-	-
Interest on long-term debt	-	854,195	854,235	-	(40)
Total debt service	-	1,894,195	1,894,235	-	(40)
Facilities acquisition and construction	90,000	367,000	509,719	-	(52,719)
Total appropriations, expenditures, and encumbrances	\$ 248,095	\$ 29,346,189	\$ 28,181,782	\$ 310,293	\$ 1,102,209

**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, 2017***

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Unassigned fund balance, beginning		\$ 1,497,325
Changes:		
Fund balance used to reduce school district assessment		(1,497,344)
2016-2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 355,401	
Unexpended balance of appropriations (Schedule 2)	<u>1,102,209</u>	
2016-2017 Budget surplus		<u>1,457,610</u>
Unassigned fund balance, ending		<u><u>\$ 1,457,591</u></u>

**SCHEDULE 4**  
**PELHAM SCHOOL DISTRICT**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**June 30, 2017**

	Special Revenue Fund Food Service	Capital Project Fund High School	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 207,486	\$ 269,255	\$ 476,741
Accounts receivable	98	-	98
Intergovernmental receivable	8,719	-	8,719
Interfund receivable	902	-	902
Total assets	<u>\$ 217,205</u>	<u>\$ 269,255</u>	<u>\$ 486,460</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 20,217	\$ 9,437	\$ 29,654
Retainage payable	-	36,244	36,244
Total liabilities	<u>20,217</u>	<u>45,681</u>	<u>65,898</u>
<b>FUND BALANCE</b>			
Restricted	<u>196,988</u>	<u>223,574</u>	<u>420,562</u>
Total liabilities and fund balances	<u>\$ 217,205</u>	<u>\$ 269,255</u>	<u>\$ 486,460</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, 2017**

	Special Revenue Fund Food Service	Capital Project Fund High School	Total
Revenues:			
Local	\$ 671,270	\$ 4,003	\$ 675,273
State	10,582	-	10,582
Federal	187,124	-	187,124
Total revenues	<u>868,976</u>	<u>4,003</u>	<u>872,979</u>
Expenditures:			
Current:			
Noninstructional services	972,692	-	972,692
Facilities acquisition and construction	-	2,855,187	2,855,187
Total expenditures	<u>972,692</u>	<u>2,855,187</u>	<u>3,827,879</u>
Net change in fund balances	(103,716)	(2,851,184)	(2,954,900)
Fund balances, beginning	300,704	3,074,758	3,375,462
Fund balances, ending	<u>\$ 196,988</u>	<u>\$ 223,574</u>	<u>\$ 420,562</u>



**SCHEDULE 6**  
**PELHAM SCHOOL DISTRICT**  
*Student Activities Funds*  
**Combining Schedule of Changes in Student Activities Funds**  
**For the Fiscal Year Ended June 30, 2017**

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Pelham High School	\$ 208,015	\$ 181,729	\$ 204,322	\$ 185,422
Pelham Memorial School	35,991	59,470	67,374	28,087
Pelham Elementary School	30,974	29,496	31,826	28,644
Athletics	4,472	33,301	35,448	2,325
High School Principal's Account	8,244	3,575	6,797	5,022
Totals	<u>\$ 287,696</u>	<u>\$ 307,571</u>	<u>\$ 345,767</u>	<u>\$ 249,500</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 the aggregate remaining fund information of the Pelham School District, as of and for the year ended June 30, 2017, 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 December 7, 2017.

#### ***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*.

***Pelham School District***

***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***

***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.

*Sheryl A. Platt, CPA*

December 7, 2017

PLODZIK & SANDERSON  
Professional Association



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### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

#### ***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 federal program and to test and report on internal control over

***Pelham School District***

***Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

compliance in accordance with the Uniform Guidance, 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.

*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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Sheryl A. Platt, CPA*

December 7, 2017

PLODZIK & SANDERSON  
Professional Association

**SCHEDULE I**  
**PELHAM SCHOOL DISTRICT**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended June 30, 2017*

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report the auditor issues on whether the financial statements audited were prepared in accordance with GAAP:

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 2 CFR 200.516(a)?                           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:                    \$750,000

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, 2017*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through the State of New Hampshire Department of Education				
<b>CHILD NUTRITION CLUSTER</b>				
School Breakfast Program	10.553	N/A	\$ -	\$ 1,569
National School Lunch Program <i>(note 4)</i>	10.555	N/A	-	185,555
<i>CLUSTER TOTAL</i>			-	187,124
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Passed Through MDI Biological Laboratory				
Environmental Education Grants	66.951	83592001/PELHAM	-	4,828
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I	84.010	60110	-	2,614
Title I	84.010	61638	-	12,500
Title I	84.010	70110	-	127,473
<i>PROGRAM TOTAL</i>			-	142,587
<b>SPECIAL EDUCATION CLUSTER</b>				
Special Education - Grants to States:				
IDEA	84.027	72501	-	386,521
COIIN	84.027	72654	-	16,946
Special Education - Preschool Grants	84.173	72501	-	1,521
<i>CLUSTER TOTAL</i>			-	404,988
Supporting Effective Instruction State Grant:				
Title II	84.367	54909	-	4,131
Title II	84.367	64909	-	27,814
Title II	84.367	74909	-	46,828
<i>PROGRAM TOTAL</i>			-	78,773
Passed Through the Hudson School District, New Hampshire				
English Language State Acquisition Grants:				
Title III	84.365	60815	-	1,438
Title III	84.365	70815	-	3,138
<i>PROGRAM TOTAL</i>			-	4,576

*(continued)*



**SCHEDULE II (Continued)**  
**PELHAM SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended June 30, 2017*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed Through the State of New Hampshire Department of Education				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance:				
AWARE - YMHFA	93.243	62657	-	2,655
AWARE	93.243	72648	-	4,959
<i>PROGRAM TOTAL</i>			-	7,614
<i>Total Expenditures of Federal Awards</i>			\$ -	\$ 830,490

**PELHAM SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

***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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, 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.

***Note 3. Indirect Cost Rate***

The Pelham School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

***Note 4. 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, 2017 the value of food donations received was \$57,522.