

PELHAM SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

PELHAM SCHOOL DISTRICT
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JUNE 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *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, 2019, and the respective changes in financial position and 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 following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the School District's Proportionate Share of Net Pension Liability,
- Schedule of School District Contributions – Pensions,

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

- Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of School District Contributions – Other Postemployment Benefits,
- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with 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 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 individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



November 25, 2019

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, 2019

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, 2019. 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 \$30,522,235; total expenses from governmental activities were \$30,004,025; resulting in an increase of \$518,210 in net position over the prior years' ending net position.
- The District's total net position for the year ending June 30, 2019, was \$373,112. Net position increased by \$518,210 between July 1, 2018 and June 30, 2019. Capital assets, net of debt, were \$17,291,808, a decrease of \$206,668 from July 1, 2018 to June 30, 2019.
- During the year, the District's General Fund Non-GAAP budgetary expenditures and transfers of \$29,197,450 were \$1,099,181 less than the final adjusted budget and the General Fund Non-GAAP budgetary revenues of \$29,006,158 were \$216,399 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 \$1,261,523, or 4.32% of total General Fund expenditures, a decrease of 0.53% from the prior year.
- During the year, the District received \$618,693 in federal grants, a decrease of \$113,464 or 15.5% less than the prior year.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

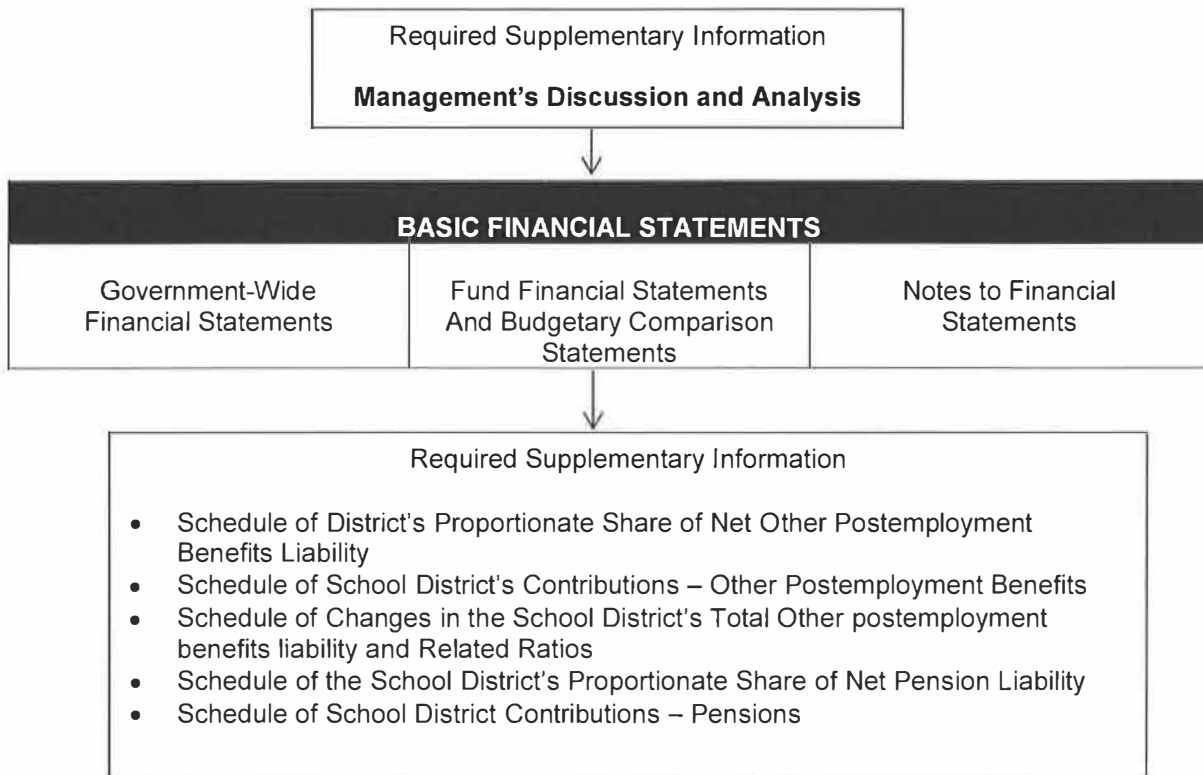
OVERVIEW OF FINANCIAL STATEMENTS

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
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
SCOPE	Entire District government (except fiduciary funds)	All activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
REQUIRED FINANCIAL STATEMENTS	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position (not required for agency funds)
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources
TYPE OF INFORMATION ASSETS AND LIABILITIES	All assets, 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
TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	

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

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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 private purpose trust funds held for the benefit of others 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
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

Net Position for the period ending June 30, 2019

Total net position at year end was \$373,112, an increase of \$518,210 or 357% above the prior year.

Net Position	2019	2018	\$ Change 2018-2019	% Change 2018-2019
Current Assets	4,696,224	3,428,730	1,267,494	37.0%
Non-current Assets	37,307,274	37,069,055	238,219	0.64%
Total Assets	42,003,498	40,497,785	1,505,713	3.72%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	5,172,532	4,642,462	530,070	11.42%
Current Liabilities	1,199,715	882,035	317,680	36.02%
Non-current Liabilities	44,803,237	43,911,457	891,780	2.03%
Total Liabilities	46,002,952	44,793,492	1,209,460	2.70%
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	799,966	491,853	308,113	62.64%
Investment in capital assets (net of debt)	17,291,808	17,498,476	(206,668)	-1.18%
Restricted net position	1,766,426	298,238	1,468,188	492.29%
Unrestricted net position	(18,685,122)	(17,941,812)	(743,310)	4.14%
Total Net Position	373,112	(145,098)	518,210	-357.14%

Change in Net Position

The District's total revenues were \$30,522,235; total expenses from governmental activities were \$30,004,025; resulting in an increase of \$518,210 in net position over the prior years' ending net position.

This year, 94.27% of the District's revenues came from the local tax assessment and the State of New Hampshire, an increase of 0.19% 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.

**PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019**

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

Statement of Activities	2019	% of Total	2018	% of Total	\$ Change	% Change
Revenues:						
Program revenues:						
Charges for services	735,543	2.4%	741,338	2.4%	(5,795)	-0.78%
Operating grants	1,299,998	4.3%	1,665,334	5.3%	(365,336)	-21.94%
General revenues:						
School district assessment	20,557,888	67.4%	20,880,721	67.0%	(322,833)	-1.55%
Unrestricted grants	7,801,447	25.6%	7,834,058	25.1%	(32,611)	-0.42%
Interest	24,803	0.1%	13,446	0.0%	11,357	84.46%
Miscellaneous	102,556	0.3%	26,281	0.1%	76,275	290.23%
Total revenues	\$30,522,235	100%	\$31,161,178	100%	(\$638,943)	-2.05%
Program Expenses:						
Instruction	17,394,074	58.0%	17,863,372	58.7%	(469,298)	-2.63%
Support services:						
Student	2,533,966	8.4%	2,413,260	7.9%	120,706	5.00%
Instructional staff	1,024,368	3.4%	823,295	2.7%	201,073	24.42%
General administration	71,797	0.2%	101,319	0.3%	(29,522)	-29.14%
Executive administration	696,687	2.3%	669,109	2.2%	27,578	4.12%
School administration	1,552,797	5.2%	1,539,281	5.1%	13,516	0.88%
Business	401,148	1.3%	414,528	1.4%	(13,380)	-3.23%
Operation and maintenance of plant	2,245,586	7.5%	2,413,765	7.9%	(168,179)	-6.97%
Student transportation	1,689,858	5.6%	1,798,507	5.9%	(108,649)	-6.04%
Other	857,361	2.9%	819,851	2.7%	37,510	4.58%
Non-instructional services	854,147	2.8%	871,865	2.9%	(17,718)	-2.03%
Interest on long-term debt	682,236	2.3%	678,030	2.2%	4,206	0.62%
Total governmental activities	\$30,004,025	100.0%	\$30,406,182	100%	(\$402,157)	-1.32%
Change in net position	518,210		754,996		\$ (236,786)	-31.36%
Net Position, Beginning	(145,098)		(900,094)		\$ 754,996	-83.88%
Net Position, Ending	\$ 373,112		\$ (145,098)		\$ 518,210	-357.14%

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

Revenues

School district assessment was 67.35% of total revenues for the fiscal year ended June 30, 2019, an increase of 0.34% from the prior year.

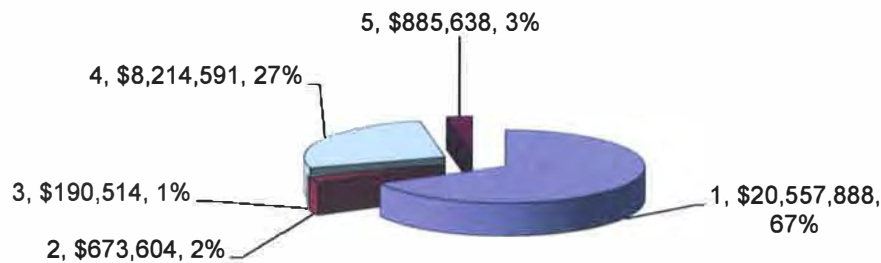
State of New Hampshire source intergovernmental revenues were 26.91% of total revenues for the fiscal year ended June 30, 2019, a decrease of 0.17% from the prior year.

Federal revenues were 2.90% of total revenues for the fiscal year ended June 30, 2019, a decrease of 0.42% from the prior year.

Summary of Revenues

The biggest share, \$28,772,479 (94.27%), of the revenue total 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 2018-2019



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:

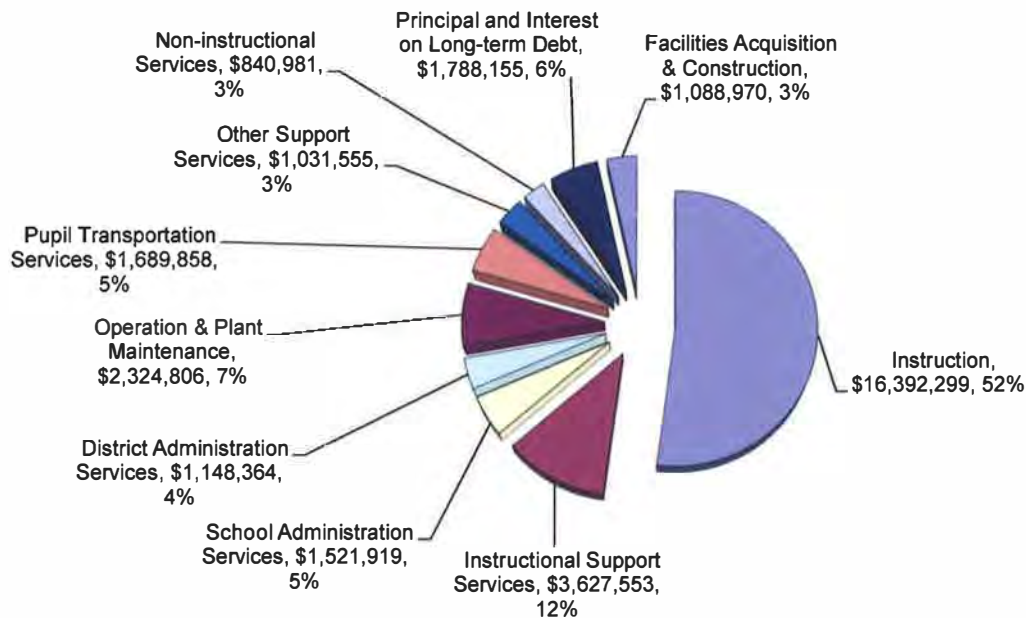
- Instruction expenses were 52.11% of total expenses for the fiscal year ended June 30, 2019, a decrease of 0.43% from the prior year.
- Instructional and staff support service expenses were 11.53% of total expenses for the fiscal year ended June 30, 2019, an increase of 1.29% from the prior year.
- Facilities acquisition and construction expenses were 3.46% of total expenses for the fiscal year ended June 30, 2019, a decrease of 0.12% from the prior year.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

Summary of Expenses

The Pelham School District used its budgetary resources as depicted in the following chart. 69.33% 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.

School District Total Expenses 2018 - 2019



Highlighted changes in total expenses include:

- An increase in Instruction spending of \$82,585 or 0.51% over the prior year.
- An increase in Instructional and Staff Support Services of \$449,001 or 14.13% over the prior year.
- An increase in District Administration of \$27,256 or 2.43% over the prior year.
- An increase in School Administration services of \$30,675 or 2.06% over the prior year.
- A decrease in Pupil Transportation services of \$108,649 or -6.04% over the prior year.
- A decrease in Facilities Acquisition & Construction spending of \$22,354 or -2.01% over the prior year.
- A decrease in Interest on Long-term Debt of \$53,040 or -2.88% over the prior year, due to the high school capital bond payment schedule.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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).

TOTAL AND NET COST OF SERVICES					
Total Cost of Services					
Functions / Programs	2019		2018		Variance
Instruction	\$17,394,074	58.0%	\$17,863,372	58.7%	(\$469,298)
Support services	11,073,568	36.9%	10,992,915	36.2%	\$80,653
Food service program	854,147	2.8%	871,865	2.9%	(\$17,718)
Facilities acquisition	0	0.0%	0	0.0%	\$0
Unallocated		0.0%			
Interest	682,236	2.3%	678,030	2.2%	\$4,206
	\$ 30,004,025	100.0%	\$ 30,406,182	100.0%	\$ (402,157)
Net Cost of Services					
Functions / Programs	2019		2018		Variance
Instruction	\$16,305,049	58.2%	\$16,565,782	59.1%	(\$260,733)
Support services	10,987,502	39.2%	10,771,335	38.5%	\$216,167
Food service program	(6,303)	0.0%	(8,453)	0.0%	\$2,150
Facilities acquisition	0	0.0%	0	0.0%	\$0
Unallocated					
Interest	682,236	2.4%	678,030	2.4%	\$4,206
	\$27,968,484	100%	\$28,006,694	100%	\$ (38,210)

The total cost of all governmental activities in 2019 was \$30,004,025; the total net cost was \$27,968,484. 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 \$24,143,112; which consisted of \$20,557,888 paid in the form of local property taxes and \$3,585,223 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 \$4,174,868 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. This figure includes \$8017 that was received for special education services provided at charter schools.
- The District also received \$49,374 in State Infrastructure Grant Funds for the PES and PMS School Door Locks project.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

Charges for Services

- Total food service revenues of \$860,451 consisted of food service sales and local miscellaneous revenues in the amount of \$673,604 and federal and state food nutrition program operating contributions (free and reduced lunch reimbursements and commodities) of \$186,847.

Operating Grants and Contributions

- Federal grants for instruction were received in the amount of \$618,693.

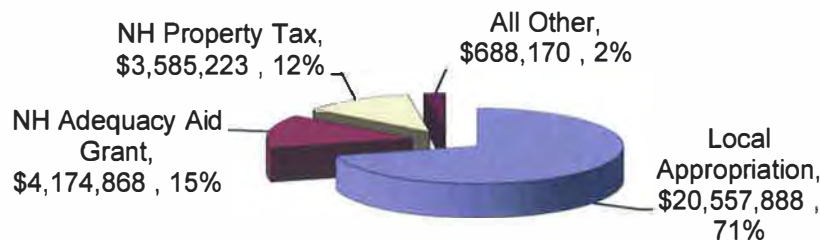
PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

INDIVIDUAL FUND ANALYSIS

General Fund

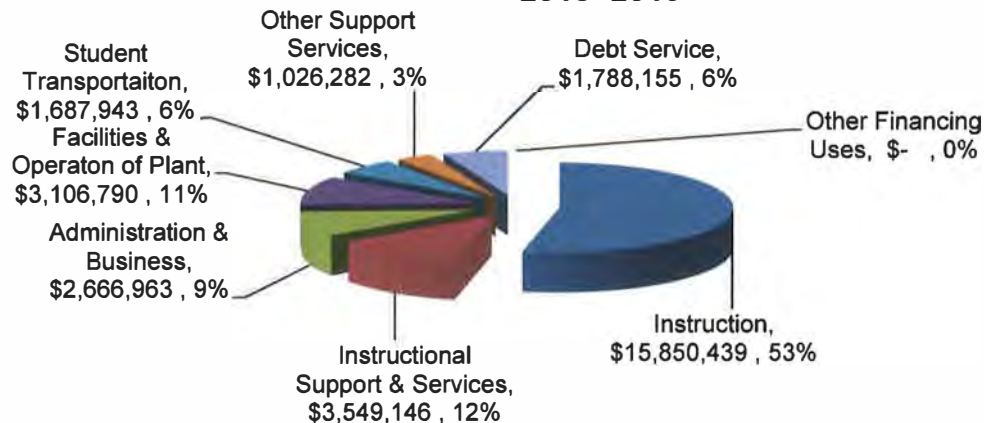
The General Fund is what most people think of as “the budget”, since it is the focal point of the Annual Deliberative Session and largely supported by locally raised taxes. The local appropriation and the state property tax are raised locally and make up 83.23% of general fund revenues. Together, the revenues raised locally and the state adequacy grant comprises 97.6% 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, including interfund transfers.

General Fund Budgetary Revenues 2018 - 2019



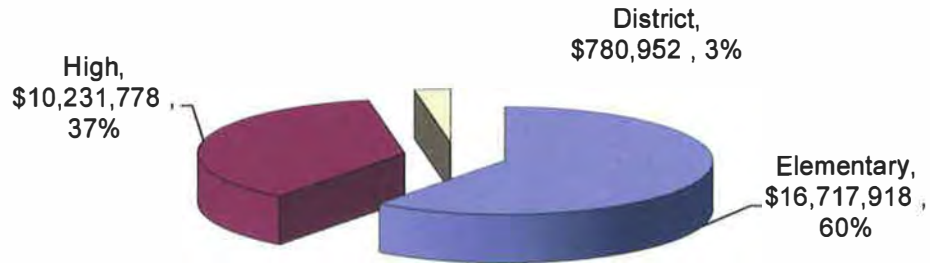
In 2019, instruction made up 53.41% of all general fund expenditures, a decrease of 0.45% from the prior year expenditures, while all other support services including transportation, operation of plant, and administration make up 40.56% of all General Fund expenditures, an increase of 0.71% from the prior year. The remaining 6.03% includes facility acquisition & construction, debt service, and fund transfers, a decrease of 0.26% 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
2018- 2019**



PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

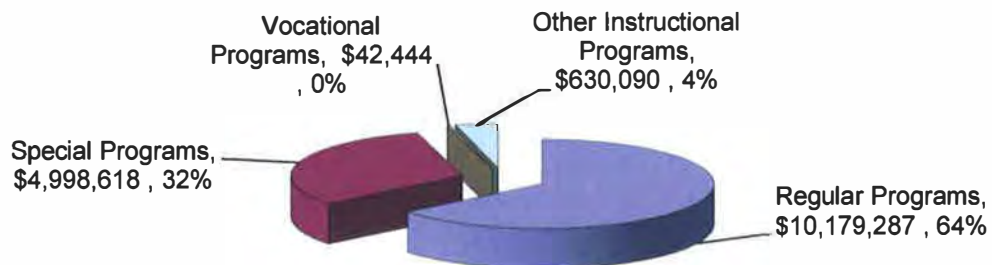
**General Fund Budgetary Expenditures by Grade Level
2018 - 2019**



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

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

**General Fund Budgetary Expenditures for Instruction
2018 - 2019**



PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

SUMMARY OF FEDERAL SUPPORT OF THE DISTRICT

During fiscal year 2019, 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 \$376,291. This grant 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 \$150,442. This grant funded: supplemental instruction for math and reading intervention and professional development in math and reading intervention.
- Title II, Improving Teacher Quality State Grants was awarded for the current period in the amount of \$53,423. These grants funded: differentiated instruction professional development; Common Core State Standards professional development; and mentoring.
- U. S. Department of Agriculture National School Lunch Program revenues for the current period were \$113,285 and for the National Breakfast Program for the current period were \$10,680 (up \$369), for a total of \$123,965. These revenues were used to offset the expenses of the school lunch program.
- Title IV(A), Student Support and Academic Enrichment Grant was awarded for the current period for Robotics for an amount of \$5,974 and for Personalized Learning and Coaching for SEL and for other district initiatives related to Science, Technology, Engineering and Math for \$31,963. These funds are issued by the Department of Education, Bureau of Integrated Programs.

CAPITAL RESERVE ACCOUNTS

The district currently has four expendable and capital reserve funds (established by voters at an annual school district meeting as trust funds in accordance with statutory requirements) that are 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 \$1,730.70, ending with a balance of \$28,607.27. Robinson Tennis Courts expendable trust increased by \$249.59, ending with a balance of \$4,174.44.

The Special Education CRF increased by \$4,174.05 through interest earned less fees, ending with a balance of \$206,127.43. The School Building Maintenance CRF increased by \$17,979.86 through interest earned less fees, ending with a balance of \$276,443.53.

Total of all funds increased from \$491,218.47 on June 30, 2018 to \$515,352.67 as of June 30, 2019, 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.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

The beginning General Fund equity was \$1,506,872. General Fund revenues, consisting largely of local taxes and state aid, were \$29,006,158. General Fund expenditures, including fund transfers, were \$29,197,450. The ending fund equity for the District was \$2,131,268 of which \$1,261,523 is an unassigned fund balance, a decrease of \$245,349 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 \$216,399.
- General Fund expenditures were less than the final adjusted budgeted spending by \$1,099,181. The major components of this budget underspend include:
 - Special Services' budget was underspent by approx. \$362,567. \$89,763 underspent in salaries, \$63,803 underspent in benefits, \$264,989 underspent in tuition, and \$134,068 underspent in transportation. Special Education professional services were over spent by \$270,501.
 - Salaries were underspent by approximately \$517,119 (excluding special services). This was primarily due to turnover, including \$425,515 in regular education, \$83,492 in building services and \$17,567 in bilingual programs.
 - All benefits (excluding special services) were underspent by \$124,687. NH retirement was underspent by \$56,827, social security was underspent by approximately \$62,742, worker's compensation was underspent by \$8,681, and unemployment was underspent by \$8,449. Medical and Dental insurance were overspent by about \$17,196 during this year.

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.

COMMENTS ON NUTRITION SERVICE FUND

The results for the Food Service Fund reflect expenses of \$840,981 with revenues of \$860,451. Post-audit results show a year-end restricted fund balance of \$242,189. Of this balance, up to \$90,000 will be utilized to fund the new fridge/freezer at Pelham Elementary, to be installed in the summer of 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2019, the District reported capital assets of \$37,307,274 (net of accumulated depreciation), which consist of a broad range of capital assets, including land, buildings & improvements, and machinery and equipment.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

There were building improvements as well as other adjustments for retired/replaced capital assets. Capital asset additions in 2019 included: PES and PMS Security Door Lock System, PES Chromebook Storage and teacher laptops and other technology equipment, PMS Band Modular Building, and PHS Grinder Sewage Pumps.

Governmental Activities	2019	2018	Increase (Decrease)	% Increase (% Decrease)
Land & Improvements	\$ 699,000	\$ 699,000	\$ -	0.00%
CIP	108,663	0	108,663	100.00%
Land Improvements	2,206,280	1,873,405	332,875	17.77%
Buildings & Improvements	39,349,351	38,954,895	394,456	1.01%
Machinery, Equipment & Vehicles	1,538,930	1,111,297	427,633	38.48%
Total Historical Cost	43,902,224	42,638,597	1,263,627	2.96%
Total Accumulated Depreciation	(6,594,950)	(5,569,542)	(1,025,408)	18.41%
NET CAPITAL ASSETS	37,307,274	37,069,055	238,219	0.64%

Long-Term Liabilities

On June 30, 2019, the District had \$18,114,924 in general obligation bonds. In addition, \$1,900,542 in capital leases, \$691,049 in compensated absences payable long term liabilities, \$4,109,763 in net other post employment benefits liability, and, \$19,986,959 in net pension liability were also reported as long term liabilities as can be seen below:

Governmental Activities	2019	2018	Increase (Decrease)	% Increase (% Decrease)
General Obligation Bonds	\$ 18,114,924	\$ 19,250,544	(1,135,620)	-5.90%
Capital Lease	1,900,542	320,035	1,580,507	493.85%
Compensated Absences	691,049	834,121	(143,072)	-17.15%
Other Post Employment Benefits Payable	4,109,763	4,550,494	(440,731)	-9.69%
Net Pension Liability	19,986,959	18,956,263	1,030,696	5.44%
TOTAL LONG-TERM LIABILITIES	44,803,237	43,911,457	891,780	2.03%

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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 2019-2020 fiscal year is \$1,261,523.

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

1. At the time of this report, the district is currently in negotiations with the Pelham Education Support Personnel Association, for the Fiscal Year 2021 and forward.
2. The State of New Hampshire legislature passed legislation in 2012 that allows school district's with voter approval to withhold up to 2.5% of the current year's net assessment of any uncommitted year-end fund balance, such fund balance to be used only for reducing the tax rate or for emergency expenditures. The School Board is not planning to place an article on the warrant to ask the voters to approve the school district's ability to carry a year-end fund balance, but may do so in the future.
3. The State of New Hampshire legislature continues to review funding related to full-day kindergarten and has passed new legislation in 2019 that funds full-day kindergarten students at the same adequacy rate as all other regular students in the District. With this additional state support in mind, the District may pursue a change in programming offered from half-day kindergarten to full-day kindergarten in the future. Gross appropriations requirements may reflect an increase in future budget requirements that will be off-set by available state funding. The community may see a warrant article the future, for this purpose.
4. The Pelham School Board has directed a Pelham Renovations and Upgrade committee for Pelham Memorial School to assess the current facility status and make recommendations for improvements. The committee and board have worked with an Owner's Project Management team to prepare a comprehensive building plan that offers the required educational spaces to meet educational standards for a "middle school" as well as better meets the overall needs of the students and community. A warrant article for the PMS Renovation/Addition project will be on the ballot in March of 2020. A general obligation bond will be pursued to fund the project that is planned to start in Summer 2020.

Questions regarding this report should be directed to William Furbush, 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, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,028,686
Other receivables	14,078
Intergovernmental receivable	645,200
Prepaid items	8,260
Capital assets, not being depreciated	807,663
Capital assets, net of accumulated depreciation	36,499,611
Total assets	<u>42,003,498</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	4,693,701
Amounts related to other postemployment benefits	478,831
Total deferred outflows of resources	<u>5,172,532</u>
LIABILITIES	
Accounts payable	811,183
Accrued interest payable	325,514
Contracts payable	52,152
Retainage payable	10,866
Noncurrent obligations:	
Due within one year	1,446,675
Due in more than one year	43,356,562
Total liabilities	<u>46,002,952</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	624,351
Amounts related to other postemployment benefits	175,615
Total deferred inflows of resources	<u>799,966</u>
NET POSITION	
Net investment in capital assets	17,291,808
Restricted	1,766,426
Unrestricted	(18,685,122)
Total net position	<u>\$ 373,112</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, 2019

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
Instruction	\$ 17,394,074	\$ 61,940	\$ 1,027,085	\$ (16,305,049)
Support services:				
Student	2,533,966	-	-	(2,533,966)
Instructional staff	1,024,368	-	78,411	(945,957)
General administration	71,797	-	-	(71,797)
Executive administration	696,687	-	-	(696,687)
School administration	1,552,797	-	-	(1,552,797)
Business	401,148	-	-	(401,148)
Operation and maintenance of plant	2,245,586	-	-	(2,245,586)
Student transportation	1,689,858	-	1,914	(1,687,944)
Other	857,361	-	5,741	(851,620)
Noninstructional services	854,147	673,603	186,847	6,303
Interest on long-term debt	682,236	-	-	(682,236)
Total governmental activities	<u>\$ 30,004,025</u>	<u>\$ 735,543</u>	<u>\$ 1,299,998</u>	<u>(27,968,484)</u>
General revenues:				
School district assessment				20,557,888
Grants and contributions not restricted to specific programs				7,801,447
Miscellaneous				127,359
Total general revenues				<u>28,486,694</u>
Change in net position				518,210
Net position, beginning				(145,098)
Net position, ending				<u>\$ 373,112</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, 2019

	General	Grants	Energy Efficiency Capital Project	Other Governmental Fund (Food Service)	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,103,463	\$ 86,276	\$ -	\$ 251,692	\$ 2,441,431
Accounts receivable	13,923	-	-	155	14,078
Intergovernmental receivable	522,873	116,020	-	6,307	645,200
Interfund receivables	111,894	-	-	4,126	116,020
Prepaid items	8,260	-	-	-	8,260
Restricted assets:					
Cash and cash equivalents	75,671	-	1,511,584	-	1,587,255
Total assets	<u>\$ 2,836,084</u>	<u>\$ 202,296</u>	<u>\$ 1,511,584</u>	<u>\$ 262,280</u>	<u>\$ 4,812,244</u>
LIABILITIES					
Accounts payable	\$ 704,816	\$ 86,276	\$ -	\$ 20,091	\$ 811,183
Interfund payable	-	116,020	-	-	116,020
Contracts payable	-	-	52,152	-	52,152
Retainage payable	-	-	10,866	-	10,866
Total liabilities	<u>704,816</u>	<u>202,296</u>	<u>63,018</u>	<u>20,091</u>	<u>990,221</u>
FUND BALANCES					
Nonspendable	8,260	-	-	-	8,260
Restricted	75,671	-	1,448,566	242,189	1,766,426
Committed	515,353	-	-	-	515,353
Assigned	270,461	-	-	-	270,461
Unassigned	1,261,523	-	-	-	1,261,523
Total fund balances	<u>2,131,268</u>	<u>-</u>	<u>1,448,566</u>	<u>242,189</u>	<u>3,822,023</u>
Total liabilities and fund balances	<u>\$ 2,836,084</u>	<u>\$ 202,296</u>	<u>\$ 1,511,584</u>	<u>\$ 262,280</u>	<u>\$ 4,812,244</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 - Governmental Funds to the Statement of Net Position
June 30, 2019

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,822,023
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 43,902,224	
Less accumulated depreciation	(6,594,950)	
		37,307,274
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 4,693,701	
Deferred inflows of resources related to pensions	(624,351)	
Deferred outflows of resources related to OPEB	478,831	
Deferred inflows of resources related to OPEB	(175,615)	
		4,372,566
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (116,020)	
Payables	116,020	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(325,514)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 16,585,000	
Unamortized bond premium	1,529,924	
Capital leases	1,900,542	
Compensated absences	691,049	
Net pension liability	19,986,959	
Other postemployment benefits	4,109,763	
		(44,803,237)
Net position of governmental activities (Exhibit A)		\$ 373,112

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, 2019

	General	Grants	Energy Efficiency Capital Project	Other Governmental Fund (Food Service)	Total Governmental Funds
REVENUES					
School district assessment	\$ 20,557,888	\$ -	\$ -	\$ -	\$ 20,557,888
Other local	181,030	9,233	251	673,604	864,118
State	8,204,084	-	-	10,507	8,214,591
Federal	90,605	618,693	-	176,340	885,638
Total revenues	<u>29,033,607</u>	<u>627,926</u>	<u>251</u>	<u>860,451</u>	<u>30,522,235</u>
EXPENDITURES					
Current:					
Instruction	15,850,439	541,860	-	-	16,392,299
Support services:					
Student	2,494,490	-	-	-	2,494,490
Instructional staff	1,054,652	78,411	-	-	1,133,063
General administration	71,797	-	-	-	71,797
Executive administration	680,492	-	-	-	680,492
School administration	1,521,919	-	-	-	1,521,919
Business	396,075	-	-	-	396,075
Operation and maintenance of plant	2,324,806	-	-	-	2,324,806
Student transportation	1,687,944	1,914	-	-	1,689,858
Other	1,025,814	5,741	-	-	1,031,555
Noninstructional services	-	-	-	840,981	840,981
Debt service:					
Principal	1,040,000	-	-	-	1,040,000
Interest	748,155	-	-	-	748,155
Facilities acquisition and construction	980,307	-	108,663	-	1,088,970
Total expenditures	<u>29,876,890</u>	<u>627,926</u>	<u>108,663</u>	<u>840,981</u>	<u>31,454,460</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(843,283)</u>	<u>-</u>	<u>(108,412)</u>	<u>19,470</u>	<u>(932,225)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	45,645	-	45,645
Transfers out	(45,645)	-	-	-	(45,645)
Capital lease	400,407	-	1,511,333	-	1,911,740
Total other financing sources (uses)	<u>354,762</u>	<u>-</u>	<u>1,556,978</u>	<u>-</u>	<u>1,911,740</u>
Net change in fund balances	(488,521)	-	1,448,566	19,470	979,515
Fund balances, beginning	2,619,789	-	-	222,719	2,842,508
Fund balances, ending	<u>\$ 2,131,268</u>	<u>\$ -</u>	<u>\$ 1,448,566</u>	<u>\$ 242,189</u>	<u>\$ 3,822,023</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 - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ 979,515
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 1,263,627	
Depreciation expense	<u>(1,025,408)</u>	
		238,219
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (45,645)	
Transfers out	<u>45,645</u>	
		-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital leases	\$ (1,911,740)	
Principal repayment of bond	1,040,000	
Amortization of bond premium	95,620	
Principal repayment of capital leases	<u>331,233</u>	
		(444,887)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (29,701)	
Decrease in compensated absences payable	143,072	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(660,265)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>292,257</u>	
		(254,637)
Change in net position of governmental activities (Exhibit B)		<u>\$ 518,210</u>

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

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, 2019

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
School district assessment	\$ 20,557,889	\$ 20,557,889	\$ 20,557,888	\$ (1)
Other local	65,300	65,300	153,581	88,281
State	8,066,570	8,066,570	8,204,084	137,514
Federal	100,000	100,000	90,605	(9,395)
Total revenues	<u>28,789,759</u>	<u>28,789,759</u>	<u>29,006,158</u>	<u>216,399</u>
EXPENDITURES				
Current:				
Instruction	16,877,914	16,705,771	15,810,851	894,920
Support services:				
Student	2,339,567	2,345,630	2,495,135	(149,505)
Instructional staff	974,520	976,619	900,997	75,622
General administration	104,340	104,340	67,719	36,621
Executive administration	830,219	833,948	680,492	153,456
School administration	1,492,663	1,486,995	1,523,040	(36,045)
Business	375,433	375,433	393,420	(17,987)
Operation and maintenance of plant	2,355,293	2,144,543	2,121,316	23,227
Student transportation	1,888,613	1,888,613	1,721,712	166,901
Other	986,144	980,774	1,022,056	(41,282)
Debt service:				
Principal	1,040,000	1,040,000	1,040,000	-
Interest	748,155	748,155	748,155	-
Facilities acquisition and construction	283,770	665,810	672,557	(6,747)
Total expenditures	<u>30,296,631</u>	<u>30,296,631</u>	<u>29,197,450</u>	<u>1,099,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,506,872)</u>	<u>(1,506,872)</u>	<u>(191,292)</u>	<u>1,315,580</u>
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>-</u>	<u>(45,645)</u>	<u>(45,645)</u>
Net change in fund balance	<u>\$ (1,506,872)</u>	<u>\$ (1,506,872)</u>	<u>(236,937)</u>	<u>\$ 1,269,935</u>
Increase in nonspendable fund balance			(8,260)	
Increase in restricted fund balance			(152)	
Unassigned fund balance, beginning			1,506,872	
Unassigned fund balance, ending			<u>\$ 1,261,523</u>	

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

EXHIBIT D-2
PELHAM SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Other local	\$ -	\$ -	\$ 9,233	\$ 9,233
Federal	750,000	750,000	618,693	(131,307)
Total revenues	750,000	750,000	627,926	(122,074)
EXPENDITURES				
Current:				
Instruction	640,473	609,648	541,860	67,788
Support services:				
Student	109,527	38,031	-	38,031
Instructional staff	-	99,821	78,411	21,410
Student transportation	-	1,000	1,914	(914)
Other	-	1,500	5,741	(4,241)
Total expenditures	750,000	750,000	627,926	122,074
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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

EXHIBIT E-1
PELHAM SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2019

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 263,189
Intergovernmental receivable	4,032	-
Total assets	<u>4,032</u>	<u>263,189</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>263,189</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 4,032</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 Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
Additions:	
New funds	\$ 297
Deductions:	
Administrative expenses	32
Change in net position	265
Net position, beginning	3,767
Net position, ending	<u>\$ 4,032</u>

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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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 U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and are presented in the other governmental column of 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 subclassified 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.

Other Financing Sources (Uses) – These additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as "transfers in" by the receiving fund and as "transfers out" by the disbursing fund.

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 the 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.

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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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, 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, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the expendable trust funds are consolidated in the general fund.

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

Capital Project Fund – the energy efficiency capital project fund accounts for the activity pertaining to the capital lease for energy efficiency upgrades throughout the District.

Nonmajor Fund – The School District also reports one nonmajor governmental fund, the food service fund.

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.

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 Restricted Assets

Restricted assets occur when statutory limitation is placed on the use of the assets as they are earmarked for a specific purpose and are unavailable for general use.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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1-F Receivables

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

1-G Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used.

1-H Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The School District has established a threshold of \$10,000 or more for all classes except infrastructure assets, which have a capitalization threshold of \$100,000 per item, for all assets with an estimated useful life greater than one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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 government-wide Statement of Net Position.

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-I 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.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-J 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, 2019.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

1-K 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) which will not be recognized as an inflow of resources (revenue) until that time.

1-L Long-term Obligations

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

1-M Compensated Absences

General leave for the School District includes vacation, sick, and retirement severance pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

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

1-O Postemployment Benefits Other Than Pensions (OPEB)

The School District maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the School District's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

1-P Net Position/Fund Balances

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

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of bonds or other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The School District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future period.

Unrestricted Net Position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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 extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

Committed – 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 – 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 – 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-Q 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/expenditures during the period reported. These estimates include the useful lives of capital 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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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 2019, \$1,506,872 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis and GAAP basis of accounting for the major grants and food service funds. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 29,006,158
Adjustments:	
Basis difference:	
Capital lease inception	400,407
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	27,449
Per Exhibit C-3 (GAAP Basis)	<u>\$ 29,434,014</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 29,243,095
Adjustments:	
Basis difference:	
Encumbrances, beginning	546,179
Encumbrances, ending	(270,461)
Capital lease inception	400,407
GASB Statement No. 54:	
Expenditures of the blended expendable trust funds	3,315
Per Exhibit C-3 (GAAP basis)	<u>\$ 29,922,535</u>

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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 \$4,291,875 and the bank balances totaled \$4,654,134.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 4,028,686
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	263,189
Total cash and cash equivalents	<u>\$ 4,291,875</u>

NOTE 4 – RESTRICTED ASSETS

Certain School District cash is restricted for the following purposes:

Cash and cash equivalents:	
General fund	\$ 75,671
Capital projects fund:	
Energy efficiency	1,511,584
Total restricted assets	<u>\$ 1,587,255</u>

NOTE 5 – RECEIVABLES

Receivables at June 30, 2019, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, Medicaid, and expendable trust funds held by the Town of Pelham Trustees of Trust Funds for the School District. 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.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 consisted of the following:

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 699,000	\$ -	\$ 699,000
Construction in progress	-	108,663	108,663
Total capital assets not being depreciated	<u>699,000</u>	<u>108,663</u>	<u>807,663</u>
Being depreciated:			
Land improvements	1,873,405	332,875	2,206,280
Buildings and building improvements	38,954,895	394,456	39,349,351
Machinery and equipment	1,111,297	427,633	1,538,930
Total capital assets being depreciated	<u>41,939,597</u>	<u>1,154,964</u>	<u>43,094,561</u>
Total capital assets	<u>42,638,597</u>	<u>1,263,627</u>	<u>43,902,224</u>
Less accumulated depreciation:			
Land improvements	(442,807)	(132,029)	(574,836)
Buildings and building improvements	(4,716,997)	(715,661)	(5,432,658)
Machinery and equipment	(409,738)	(177,718)	(587,456)
Total accumulated depreciation	<u>(5,569,542)</u>	<u>(1,025,408)</u>	<u>(6,594,950)</u>
Net book value, capital assets being depreciated	<u>36,370,055</u>	<u>129,556</u>	<u>36,499,611</u>
Net book value, all capital assets	<u>\$ 37,069,055</u>	<u>\$ 238,219</u>	<u>\$ 37,307,274</u>

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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:

Instruction	\$ 902,418
Support services:	
Operation and maintenance of plant	96,285
Other support	17,227
Noninstructional services	9,478
Total depreciation expense	<u>\$ 1,025,408</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash at June 30, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 111,894
Nonmajor (food service)	Grants	4,126
		<u>\$ 116,020</u>

The interfund transfer in the amount of \$45,645 during the year ended June 30, 2019 was made to transfer expenditures charged to the general fund related to the energy efficiency capital project.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at June 30, 2019 consist of amounts related to pensions totaling \$4,693,701 and amounts related to OPEB totaling \$478,831. For further discussion on these amounts, see Notes 11 and 12, respectively.

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	Governmental Activities
Amounts related to pensions, see Note 11	\$ 624,351
Amounts related to OPEB, see Note 12	175,615
Total deferred inflows of resources	<u>\$ 799,966</u>

NOTE 9 – CAPITAL LEASE OBLIGATIONS

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

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2019
Capital lease obligations:		
Modular classroom (2014)	2.67%	\$ 43,450
Energy efficiency (2019)	3.75%	1,511,333
Lenovo computers (2019)	5.60%	100,759
Modular classroom (2019)	3.71%	245,000
Total capital lease obligations		<u>\$ 1,900,542</u>

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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

	Governmental Activities
Equipment:	
Modular buildings	\$ 1,393,288
Less: accumulated depreciation	(203,230)
Total capital lease equipment	<u>\$ 1,190,058</u>

The annual requirements to amortize the capital leases payable as of June 30, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2020	\$ 284,821
2021	240,211
2022	185,563
2023	185,563
2024	185,563
2025-2029	748,462
2030-2033	562,901
Total requirements	2,393,084
Less: interest	(492,542)
Present value of remaining payments	<u>\$ 1,900,542</u>

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

NOTE 10 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Bond payable:					
General obligation bond	\$ 17,625,000	\$ -	\$ (1,040,000)	16,585,000	\$ 1,040,000
Premium	1,625,544	-	(95,620)	1,529,924	95,620
Total bond payable	19,250,544	-	(1,135,620)	18,114,924	1,135,620
Capital leases	320,035	1,911,740	(331,233)	1,900,542	220,261
Compensated absences	834,121	-	(143,072)	691,049	90,794
Pension related liability	18,956,263	1,030,696	-	19,986,959	-
Net other postemployment benefits	4,550,494	-	(440,731)	4,109,763	-
Total long-term liabilities	<u>\$ 43,911,457</u>	<u>\$ 2,942,436</u>	<u>\$ (2,050,656)</u>	<u>\$ 44,803,237</u>	<u>\$ 1,446,675</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2019
General obligation bond payable:					
High School renovations/construction	\$ 20,745,000	2015	2035	3.20%	<u>\$ 16,585,000</u>

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

The annual requirements to amortize all general obligation bond outstanding as of June 30, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,040,000	535,995	1,575,995
2024	1,040,000	482,955	1,522,955
2025-2029	5,175,000	1,767,263	6,942,263
2030-2034	5,175,000	742,613	5,917,613
2035-2039	1,035,000	21,218	1,056,218
Totals	<u>\$ 16,585,000</u>	<u>\$ 5,476,269</u>	<u>\$ 22,061,269</u>

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

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a 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 ¼ 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.

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.

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For fiscal year 2019, the School District contributed 15.70% for teachers and 11.08% for other employees. The contribution requirement for the fiscal year 2019 was \$1,754,369, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the School District reported a liability of \$19,986,959 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2018, the School District's proportion was 0.41508034% which was an increase of 0.02963319% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$2,456,750. At June 30, 2019, 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	\$ 1,357,187	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	462,516
Changes in assumptions	1,383,196	-
Differences between expected and actual experience	159,532	161,835
Contributions subsequent to the measurement date	1,793,786	-
Total	<u>\$ 4,693,701</u>	<u>\$ 624,351</u>

The \$1,793,786 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, 2020. 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,	
2019	\$ 1,238,984
2020	954,264
2021	(57,864)
2022	140,180
Totals	<u>\$ 2,275,564</u>

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2017, rolled forward to June 30, 2018, using the following assumptions:

Inflation:	2.5% per year
Wage inflation	3.25% per year
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, 2018 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 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
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	Current Single Rate Assumption	1% Increase
	6.25%	7.25%	8.25%
June 30, 2018	\$ 26,592,812	\$ 19,986,959	\$ 14,451,051

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 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

12-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2018 Comprehensive Annual Financial Report, which can be found on the system’s website at www.nhrs.org.

Benefits Provided – Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal years 2017 and 2016 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2019, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$168,866, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2019, the School District reported a liability of \$1,747,895 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB liability was based on a projection of the School District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the School District’s proportion was 0.38176494% which was a decrease of 0.1095234% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the School District recognized OPEB expense of \$216,978. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 106,582
Net difference between projected and actual investment earnings on OPEB plan investments	-	5,554
Differences between expected and actual experience	10,260	-
Contributions subsequent to the measurement date	173,305	-
Total	<u>\$ 183,565</u>	<u>\$ 112,136</u>

The \$173,305 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2019	\$ (98,055)
2020	(1,733)
2021	(1,733)
2022	(355)
Totals	<u>\$ (101,876)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2017 and a measurement date of June 30, 2018. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5% per year
Wage inflation:	3.25% per year
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on OPEB 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.

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Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the School District's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the School District's proportionate share of the OPEB 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, 2018	\$ 1,819,216	\$ 1,747,895	\$ 1,548,110

Sensitivity of the School District's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rate – GASB No. 75 requires the sensitivity of the Net OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are a fixed stipend, there is no sensitivity to the change in the healthcare cost trend assumption.

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

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12-B Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The School District provides postemployment healthcare benefits for certain eligible retirees. The School District provides medical benefits to its eligible retirees. The benefits are provided through HealthTrust.

Employees Covered by Benefit Terms – At July 1, 2018 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	83
Inactive employees entitled to but not yet receiving benefit payments	10
Active employees	176
Total participants covered by OPEB plan	<u>269</u>

Total OPEB Liability – The School District's total OPEB liability of \$2,361,868 was measured as of July 1, 2018, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$2,361,868 in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.51%
Healthcare Cost Trend Rates:	
Current Year Trend	8.50%
Second Year Trend	8.00%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2027+
Salary Increases:	3.25%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of July 1, 2018.

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

Changes in the Total OPEB Liability

	June 30,	
	2018	2019
Total OPEB liability beginning of year	\$ 1,948,233	\$ 2,304,157
Changes for the year:		
Service cost	120,793	117,868
Interest	71,538	90,976
Assumption changes and difference between actual and expected experience	306,353	(7,298)
Benefit payments	(142,760)	(143,835)
Total OPEB liability end of year	<u>\$ 2,304,157</u>	<u>\$ 2,361,868</u>

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Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2018 actuarial valuation was prepared using a discount rate of 3.51%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$2,191,726 or by 7.20%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$2,537,969 or by 7.46%.

	Discount Rate		
	1% Decrease	Baseline 3.51%	1% Increase
Total OPEB Liability	\$ 2,537,969	\$ 2,361,868	\$ 2,191,726

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2018 actuarial valuation was prepared using an initial trend rate of 8.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$2,611,792 or by 10.58%. If the trend rate were 1% lower than what was used the OPEB liability would increase to \$2,036,486 or by 13.78%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 8.50%	1% Increase
Total OPEB Liability	\$ 2,036,486	\$ 2,361,868	\$ 2,611,792

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the School District recognized OPEB expense of \$242,073. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 55,164	\$ 1,827
Differences between expected and actual experience	240,102	61,652
Total	\$ 295,266	\$ 63,479

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

Fiscal Year Ending	
June 30,	
2020	\$ 33,229
2021	33,229
2022	33,229
2023	33,229
2024	33,229
Thereafter	65,642
Totals	\$ 231,787

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NOTE 13 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2019 are as follows:

Current:	
Instruction:	
Regular programs	\$ 12,290
Special programs	22,253
Vocational programs	21,402
Other	12,000
Total instruction	<u>67,945</u>
Support services:	
Student	3,459
Instructional staff	5,882
School administration	1,121
Business	3,195
Operation and maintenance of plant	131,485
Student transportation	33,768
Other	8,606
Total support services	<u>187,516</u>
Facilities acquisition and construction	<u>15,000</u>
Total encumbrances	<u><u>\$ 270,461</u></u>

NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2019 include the following:

Net investment in capital assets:	
Net book value of all capital assets	\$ 37,307,274
Less:	
General obligation bond payable	(16,585,000)
Unamortized bond premium	(1,529,924)
Capital leases payable	(1,900,542)
Total net investment in capital assets	<u>17,291,808</u>
Restricted:	
Food service	242,189
Capital project interest	75,671
Energy efficiency project	1,448,566
Total restricted net position	<u>1,766,426</u>
Unrestricted	<u>(18,685,122)</u>
Total net position	<u><u>\$ 373,112</u></u>

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NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2019 consist of the following:

	General Fund	Capital Project Fund Energy Efficiency	Nonmajor Governmental Fund (Food Service)	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 8,260	\$ -	\$ -	\$ 8,260
Restricted:				
Food service	-	-	242,189	242,189
Energy efficiency capital project	-	1,448,566	-	1,448,566
Interest income related to high school renovation bond	75,671	-	-	75,671
Total restricted fund balance	75,671	1,448,566	242,189	1,766,426
Committed:				
Expendable trust	515,353	-	-	515,353
Assigned:				
Encumbrances	270,461	-	-	270,461
Unassigned	1,261,523	-	-	1,261,523
Total governmental fund balances	\$ 2,131,268	\$ 1,448,566	\$ 242,189	\$ 3,822,023

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 2019, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2018 to June 30, 2019 by Primex³, which retained \$2,000,000 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 workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2018-19 the School District paid \$92,991 and \$55,901, respectively, to Primex for workers' compensation and property/liability. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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.

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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 November 25, 2019, the date the June 30, 2019 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 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, 2019

	June 30,					
	2014	2015	2016	2017	2018	2019
School District's proportion of the net pension liability	0.36%	0.37%	0.38%	0.38%	0.39%	0.42%
School District's proportionate share of the net pension liability	\$ 15,579,212	\$ 14,061,131	\$ 14,937,721	\$ 20,115,897	\$ 18,956,263	\$ 19,986,959
School District's covered payroll	\$ 10,076,276	\$ 10,418,741	\$ 10,751,805	\$ 10,819,430	\$ 11,716,086	\$ 11,977,651
School District's proportionate share of the net pension liability as a percentage of its covered payroll	154.61%	134.96%	138.93%	185.92%	161.80%	166.87%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%	64.73%

EXHIBIT G
PELHAM SCHOOL DISTRICT
Schedule of School District Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2019

	June 30,					
	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 900,098	\$ 1,215,306	\$ 1,265,024	\$ 1,354,575	\$ 1,412,060	\$ 1,754,369
Contributions in relation to the contractually required contributions	900,098	1,215,306	1,265,024	1,354,575	1,412,060	1,754,369
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,076,276	\$ 10,418,741	\$ 10,751,805	\$ 10,819,430	\$ 11,716,086	\$ 11,977,651
Contributions as a percentage of covered payroll	8.93%	11.66%	11.77%	12.52%	12.05%	14.65%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

PELHAM SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

***Schedule of the School District's Proportionate Share of Net Pension Liability and
Schedule of School District Contributions – Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the School District's pension plan at June 30, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 years beginning July 1, 2018 (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
Municipal Bond Rate	3.62% 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.

Other Information:

Notes	The roll-forward of total pension liability from June 30, 2017 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments.
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EXHIBIT H
PELHAM SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2019

	June 30,		
	2017	2018	2019
School District's proportion of the net OPEB liability	0.48%	0.49%	0.38%
School District's proportionate share of the net OPEB liability (asset)	\$ 2,319,087	\$ 2,246,337	\$ 1,747,895
School District's covered payroll	\$10,819,430	\$ 11,716,086	\$11,977,651
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	21.43%	19.17%	14.59%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

EXHIBIT I
PELHAM SCHOOL DISTRICT
Schedule of School District Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2019

	June 30,		
	2017	2018	2019
Contractually required contribution	\$ 278,355	\$ 291,187	\$ 168,866
Contributions in relation to the contractually required contribution	278,355	291,187	168,866
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,819,430	\$ 11,716,086	\$ 11,977,651
Contributions as a percentage of covered payroll	2.57%	2.49%	1.41%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

EXHIBIT J
PELHAM SCHOOL DISTRICT
Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019

	June 30,	
	2018	2019
OPEB liability, beginning of year	\$ 1,948,233	\$ 2,304,157
Changes for the year:		
Service cost	120,793	117,868
Interest	71,538	90,976
Assumption changes and difference between actual and expected experience	306,353	(7,928)
Benefit payments	(142,760)	(143,835)
OPEB liability, end of year	<u>\$ 2,304,157</u>	<u>\$ 2,361,238</u>
Covered payroll	<u>\$12,171,447</u>	<u>\$13,930,110</u>
Total OPEB liability as a percentage of covered payroll	18.93%	16.95%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

PELHAM SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of School District Contributions – Other Postemployment Benefits

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
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 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Schedule of Changes in School District's Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2019. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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, 2019

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 20,557,889	\$ 20,557,888	\$ (1)
Other local sources:			
Tuition	50,000	61,940	11,940
Investment earnings	300	669	369
Miscellaneous	15,000	90,972	75,972
Total from other local sources	65,300	153,581	88,281
State sources:			
Adequacy aid (grant)	4,166,850	4,166,850	-
Adequacy aid (tax)	3,585,223	3,585,223	-
Catastrophic aid	299,497	375,552	76,055
Vocational aid	15,000	19,068	4,068
Other state aid	-	57,391	57,391
Total from state sources	8,066,570	8,204,084	137,514
Federal sources:			
Medicaid	100,000	90,605	(9,395)
Total revenues	28,789,759	\$ 29,006,158	\$ 216,399
Use of fund balance to reduce school district assessment	1,506,872		
Total revenues and use of fund balance	\$ 30,296,631		

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, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 64,195	\$ 10,612,219	\$ 10,179,287	\$ 12,290	\$ 484,837
Special programs	21,643	5,344,322	4,998,618	22,253	345,094
Vocational programs	21,695	100,000	42,444	21,402	57,849
Other programs	-	649,230	630,090	12,000	7,140
Total instruction	<u>107,533</u>	<u>16,705,771</u>	<u>15,850,439</u>	<u>67,945</u>	<u>894,920</u>
Support services:					
Student	2,814	2,345,630	2,494,490	3,459	(149,505)
Instructional staff	4,130	976,619	899,245	5,882	75,622
General administration	763	104,340	68,482	-	36,621
Executive administration	-	833,948	680,492	-	153,456
School administration	-	1,486,995	1,521,919	1,121	(36,045)
Business	5,850	375,433	396,075	3,195	(17,987)
Operation and maintenance of plant	334,975	2,144,543	2,324,806	131,485	23,227
Student transportation	-	1,888,613	1,687,944	33,768	166,901
Other	12,364	980,774	1,025,814	8,606	(41,282)
Total support services	<u>360,896</u>	<u>11,136,895</u>	<u>11,099,267</u>	<u>187,516</u>	<u>211,008</u>
Debt service:					
Principal of long-term debt	-	1,040,000	1,040,000	-	-
Interest on long-term debt	-	748,155	748,155	-	-
Total debt service	<u>-</u>	<u>1,788,155</u>	<u>1,788,155</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>77,750</u>	<u>665,810</u>	<u>735,307</u>	<u>15,000</u>	<u>(6,747)</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>-</u>	<u>45,645</u>	<u>-</u>	<u>(45,645)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 546,179</u>	<u>\$ 30,296,631</u>	<u>\$ 29,518,813</u>	<u>\$ 270,461</u>	<u>\$ 1,053,536</u>

SCHEDULE 3
PELHAM SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2019

Unassigned fund balance, beginning		\$ 1,506,872
Changes:		
Unassigned fund balance used to reduce school district assessment		(1,506,872)
2018-2019 Budget summary:		
Revenue surplus (Schedule 1)	\$ 216,399	
Unexpended balance of appropriations (Schedule 2)	<u>1,053,536</u>	
2018-2019 Budget surplus		1,269,935
Increase in nonspendable fund balance		(8,260)
Increase in restricted fund balance		<u>(152)</u>
Unassigned fund balance, ending		<u><u>\$ 1,261,523</u></u>

SCHEDULE 4
PELHAM SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2019

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Pelham High School	\$ 183,908	\$ 203,875	\$ 187,608	\$ 200,175
Pelham Memorial School	25,365	81,861	81,000	26,226
Pelham Elementary School	29,204	23,579	23,111	29,672
Athletics	3,310	33,502	34,566	2,246
High School Principal's Account	3,373	5,482	3,985	4,870
Totals	<u>\$ 245,160</u>	<u>\$ 348,299</u>	<u>\$ 330,270</u>	<u>\$ 263,189</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, 2019, 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 November 25, 2019.

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

November 25, 2019

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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, 2019. 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 program 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, 2019.

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 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.

Pelham School District

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

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 a 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.



PLODZIK & SANDERSON
Professional Association

November 25, 2019

SCHEDULE I
PELHAM SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued 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, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 10,680
National School Lunch Program <i>(note 4)</i>	10.555	N/A	-	165,660
<i>CLUSTER TOTAL</i>			-	176,340
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I	84.010	80110	-	478
Title I	84.010	20190201	-	149,964
<i>PROGRAM TOTAL</i>			-	150,442
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA	84.027	72501	-	3,502
IDEA	84.027	82501	-	31,959
IDEA	84.027	92578	-	336,957
Special Education - Preschool Grants:				
Preschool	84.173	72501	-	330
Preschool	84.173	82501	-	763
Preschool	84.173	92578	-	2,780
<i>CLUSTER TOTAL</i>			-	376,291
Supporting Effective Instruction State Grant:				
Title II	84.367	84909	-	31,543
Title II - GSLA	84.367	20188877	-	12,500
Title II		20190193	-	9,380
<i>PROGRAM TOTAL</i>			-	53,423
Student Support and Academic Enrichment Program:				
Title IV - Robotics	84.424	20189118	-	5,974
Title IV - Personalized Learning	84.424	20189143	-	9,364
Title IV	84.424	20190400	-	22,599
<i>PROGRAM TOTAL</i>			-	37,937
English Language State Acquisition Grants:				
Passed Through the Milford School District, New Hampshire				
Title III	84.365	80824	-	600
Total Expenditures of Federal Awards			\$ -	\$ 795,033

The accompanying notes are an integral part of this schedule.

PELHAM SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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 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, 2018 the value of food donations received was \$52,375.