

**PELHAM SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

PELHAM SCHOOL DISTRICT
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JUNE 30, 2020

TABLE OF CONTENTS

		<u>PAGES</u>
	INDEPENDENT AUDITOR'S REPORT	1 - 2
	MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 17
BASIC FINANCIAL STATEMENTS		
	Government-wide Financial Statements	
A	Statement of Net Position	18
B	Statement of Activities	19
	Fund Financial Statements	
	<i>Governmental Funds</i>	
C-1	Balance Sheet	20
C-2	Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	21
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	22
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	23
	<i>Budgetary Comparison Information</i>	
D-1	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	24
D-2	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis) – Grants Fund	25
	<i>Fiduciary Funds</i>	
E-1	Statement of Fiduciary Net Position	26
E-2	Statement of Changes in Fiduciary Net Position	27
	NOTES TO THE BASIC FINANCIAL STATEMENTS	28 - 47
REQUIRED SUPPLEMENTARY INFORMATION		
F	Schedule of the School District's Proportionate Share of Net Pension Liability.....	48
G	Schedule of School District Contributions - Pensions	49
	NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY	50
H	Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability	51
I	Schedule of School District Contributions – Other Postemployment Benefits.....	52
J	Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios ..	53
	NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY.....	54

PELHAM SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

TABLE OF CONTENTS

		<u>PAGES</u>
COMBINING AND INDIVIDUAL FUND SCHEDULES		
Governmental Funds		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	55
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis).....	56
3	Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis).....	57
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet	58
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	59
<i>Student Activity Funds</i>		
6	Combining Balance Sheet	60
7	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	61
SINGLE AUDIT ACT SCHEDULES AND INDEPENDENT AUDITOR'S REPORTS		
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		
		62
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....		
		63 - 64
I	Schedule of Findings and Questioned Costs.....	65
II	Schedule of Expenditures of Federal Awards.....	66
	NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	67



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, 2020, 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, 2020, 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.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2020 the School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

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

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the 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,
- 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 combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 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.

Sheryl A. Platt, CPA

November 16, 2020

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, 2020

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, 2020. 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 \$31,965,419; total expenses from governmental activities were \$31,898,742; resulting in an increase of \$66,677 in net position over the prior years' ending net position.
- The District's total net position for the year ending June 30, 2020, was \$702,978. Net position increased by \$329,866 between July 1, 2019 and June 30, 2020, as a result of a restatement in net position from the implementation of GASB Statement No. 84. Capital assets, net of debt, were \$19,342,377, an increase of \$2,050,569 from July 1, 2019 to June 30, 2020.
- During the year, the District's General Fund Non-GAAP budgetary expenditures and transfers of \$29,762,334 were \$1,378,102 less than the final adjusted budget and the General Fund Non-GAAP budgetary revenues of \$30,250,775 were \$371,712 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 \$1,721,607, or 5.78% of total General Fund expenditures, an increase of 1.46% from the prior year.
- During the year, the District received \$1,008,924 in federal grants, an increase of \$213,891 or 26.9% more than the prior year.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

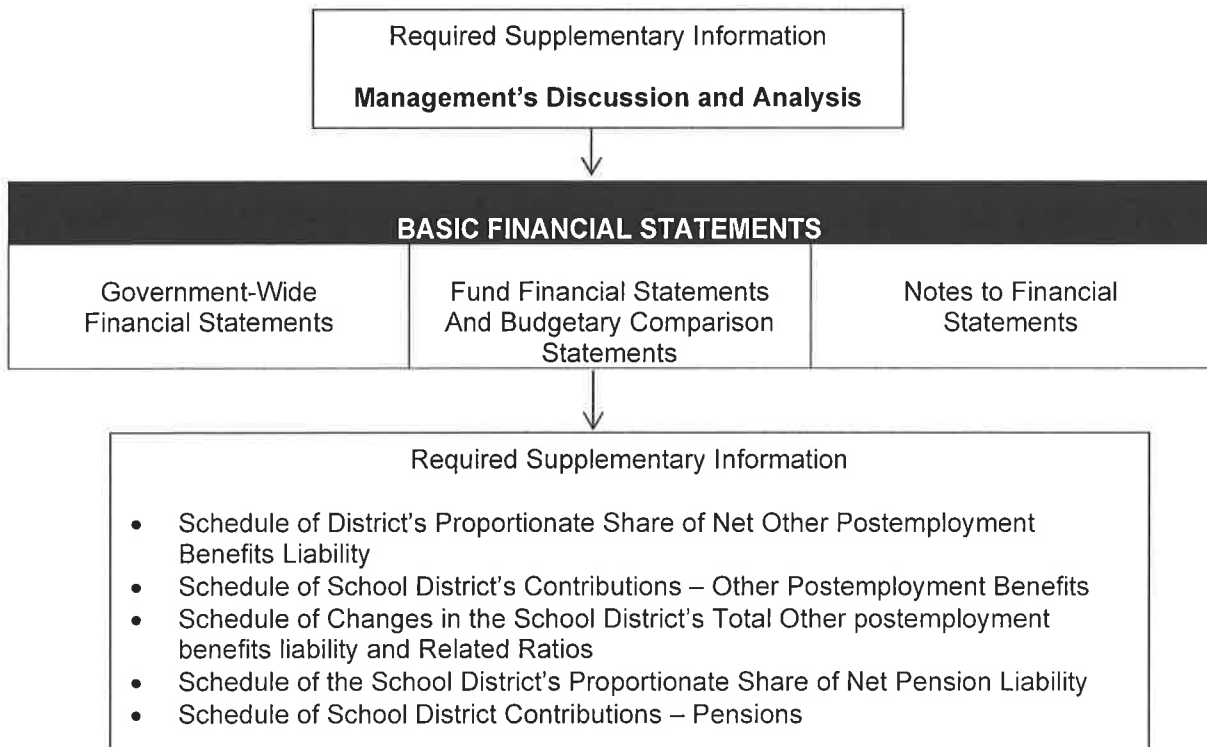
OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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



PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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 (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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, Student Activity 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, Student Activity 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 established to account for monies belonging to 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 (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

Net Position for the period ending June 30, 2020

Total net position at year end was \$702,978, an increase of \$66,677 or 10.48% above the prior year.

Net Position	2020	2019 (as restated)	\$ Change 2019-2020	% Change 2019-2020
Current Assets	3,912,617	4,959,413	(1,046,796)	-21.1%
Non-current Assets	38,118,669	37,307,274	811,395	2.17%
Total Assets	42,031,286	42,266,687	-235,401	-0.56%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	4,311,769	5,172,532	(860,763)	-16.64%
Current Liabilities	998,803	1,199,715	(200,912)	-16.75%
Long Term Liabilities	43,804,171	44,803,237	(999,066)	-2.23%
Total Liabilities	44,802,974	46,002,952	-1,199,978	-2.61%
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	837,103	799,966	37,137	4.64%
Investment in capital assets (net of debt)	19,342,377	17,291,808	2,050,569	11.86%
Restricted net position	92,171	1,766,426	(1,674,255)	-94.78%
Unrestricted net position	(18,731,570)	(18,421,933)	(309,637)	1.68%
Total Net Position	702,978	636,301	66,677	10.48%

Change in Net Position

The District's total revenues were \$31,965,419; total expenses from governmental activities were \$31,898,742; resulting in an increase of \$66,677 in net position over the prior years' ending net position.

This year, 93.22% of the District's revenues came from the local tax assessment and the State of New Hampshire, a decrease of 1.05% from last year. The State of New Hampshire's sources include the locally raised state property tax, federal aid received through the state, and the various state aid programs.

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

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

Statement of Activities	2020	% of Total	2019	% of Total	\$ Change	% Change
Revenues:						
Program revenues:						
Charges for services	462,651	1.4%	735,543	2.4%	(272,892)	-37.10%
Operating grants	1,325,501	4.1%	1,299,998	4.3%	25,503	1.96%
General revenues:						
School district assessment	21,842,048	68.3%	20,557,888	67.4%	1,284,160	6.25%
Unrestricted grants	7,625,778	23.9%	7,801,447	25.6%	(175,669)	-2.25%
Interest	13,595	0.0%	24,803	0.1%	(11,208)	-45.19%
Miscellaneous	695,846	2.2%	102,556	0.3%	593,290	578.50%
Total revenues	\$31,965,419	100%	\$30,522,235	100%	\$1,443,184	4.73%
Program Expenses:						
Instruction	18,799,152	58.9%	17,394,074	58.0%	1,405,078	8.08%
Support services:						
Student	2,785,150	8.7%	2,533,966	8.4%	251,184	9.91%
Instructional staff	846,161	2.7%	1,024,368	3.4%	(178,207)	-17.40%
General administration	70,724	0.2%	71,797	0.2%	(1,073)	-1.49%
Executive administration	735,340	2.3%	696,687	2.3%	38,653	5.55%
School administration	1,619,704	5.1%	1,552,797	5.2%	66,907	4.31%
Business	421,651	1.3%	401,148	1.3%	20,503	5.11%
Operation and maintenance of plant	2,559,442	8.0%	2,245,586	7.5%	313,856	13.98%
Student transportation	1,692,961	5.3%	1,689,858	5.6%	3,103	0.18%
Other	979,837	3.1%	857,361	2.9%	122,476	14.29%
Non-instructional services	804,690	2.5%	854,147	2.8%	(49,457)	-5.79%
Interest on long-term debt	583,930	1.8%	682,236	2.3%	(98,306)	-14.41%
Total governmental activities	\$31,898,742	100%	\$30,004,025	100.0%	\$1,894,717	6.31%
Change in net position	66,677		518,210		\$ (451,533)	-87.13%
Net Position, Beginning, restated	636,301		118,091		\$ 518,210	438.82%
Net Position, Ending	\$ 702,978		\$ 636,301		\$ 66,677	10.48%

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

Revenues

School district assessment was 68.33% of total revenues for the fiscal year ended June 30, 2020, an increase of 0.98% from the prior year.

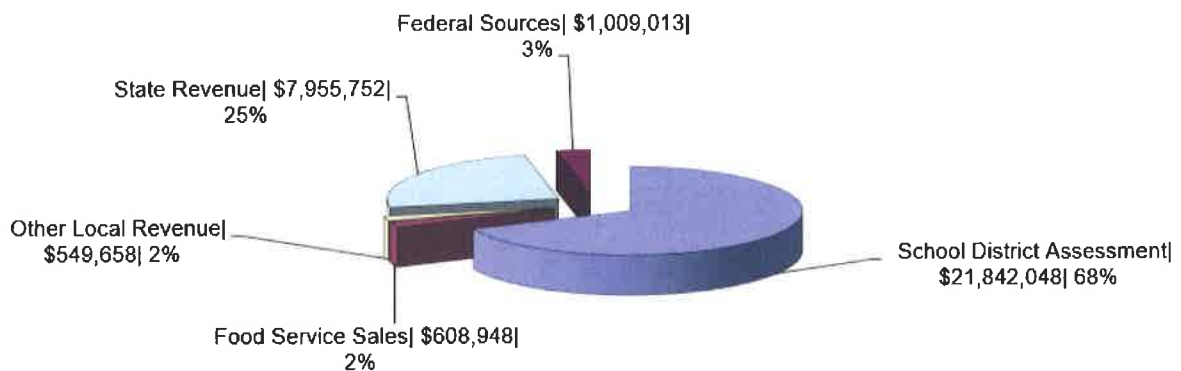
State of New Hampshire source intergovernmental revenues were 24.89% of total revenues for the fiscal year ended June 30, 2020, a decrease of 2.02% from the prior year.

Federal revenues were 3.16% of total revenues for the fiscal year ended June 30, 2020, an increase of 0.26% from the prior year.

Summary of Revenues

The biggest share, \$29,797,800 (93.22%), 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 2019-2020



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:

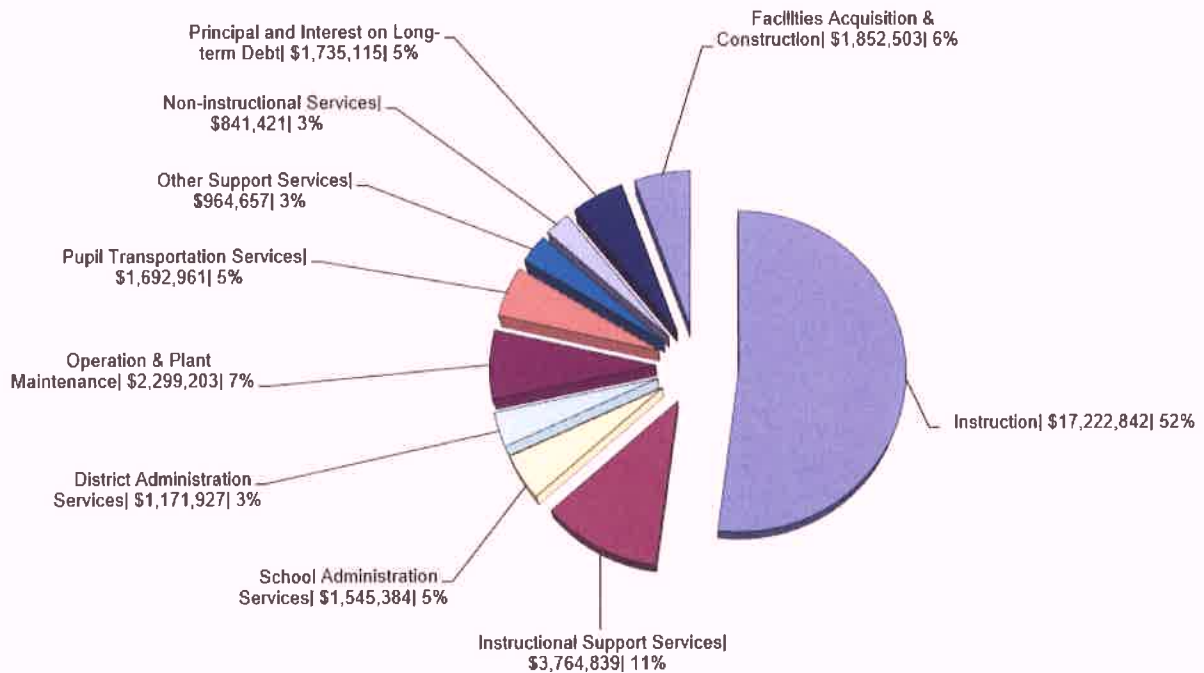
- Instruction expenses were 58.9% of total expenses for the fiscal year ended June 30, 2020, a decrease of 0.9% from the prior year.
- Instructional and staff support service expenses were 11.38% of total expenses for the fiscal year ended June 30, 2020, a decrease of 0.4% from the prior year.
- Facilities acquisition and construction expenses were 5.60% of total expenses for the fiscal year ended June 30, 2020, an increase of 2.14% from the prior year.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

Summary of Expenses

The Pelham School District used its budgetary resources as depicted in the following chart. 70.27% 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 2019-2020



Highlighted changes in total expenses include:

- An increase in Instruction spending of \$830,543 or 5.07% over the prior year.
- An increase in Instructional and Staff Support Services of \$137,286 or 3.78% over the prior year.
- An increase in District Administration of \$23,563 or 2.05% over the prior year.
- An increase in School Administration services of \$23,465 or 1.54% over the prior year.
- An increase in Pupil Transportation services of \$3,103 or 0.18% over the prior year.
- An increase in Facilities Acquisition & Construction spending of \$763,533 or 70.12% over the prior year.
- A decrease in Interest on Long-term Debt of \$53,040 or -2.97% over the prior year, due to the high school capital bond payment schedule.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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	2020		2019		Variance
Instruction	\$18,799,152	58.9%	\$17,394,074	58.0%	\$1,405,078
Support services	11,710,970	36.7%	11,073,568	36.9%	\$637,402
Food service program	804,690	2.5%	854,147	2.8%	(\$49,457)
Facilities acquisition	0	0.0%	0	0.0%	\$0
Unallocated		0.0%		0.0%	\$0
Interest	583,930	1.8%	682,236	2.3%	(\$98,306)
	\$ 31,898,742	100.0%	\$30,004,025	100.0%	\$1,894,717
Net Cost of Services					
Functions / Programs	2020		2019		Variance
Instruction	\$17,829,097	59.2%	\$16,305,049	58.2%	\$1,524,048
Support services	11,574,990	38.4%	10,987,502	39.2%	\$587,488
Food service program	118,633	0.4%	(6,303)	0.0%	\$124,936
Facilities acquisition	0	0.0%	0	0.0%	\$0
Unallocated					\$0
Interest	583,930	1.9%	682,236	2.4%	(\$98,306)
	\$ 30,106,650	100%	\$27,968,484	100%	\$2,138,166

The total cost of all governmental activities in 2020 was \$31,898,742; the total net cost was \$30,106,650. 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 \$25,473,533; which consisted of \$21,842,048 paid in the form of local property taxes and \$3,631,485 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 \$4,007,779 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 \$13,486 that was received for special education services provided at charter schools.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

Charges for Services

- Total food service revenues of \$686,059 consisted of food service sales and local miscellaneous revenues in the amount of \$411,613 and federal and state food nutrition program operating contributions (free and reduced lunch reimbursements and commodities) of \$274,446.
- Under the implementation of GASB Statement No. 84, student activity funds are now reported as special revenue funds and generated \$197,335 in revenue.

Operating Grants and Contributions

- Federal grants for instruction were received in the amount of \$745,284.

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 84.21% of general fund revenues. Together, the revenues raised locally and the state adequacy grant comprises 97.4% 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 inter-fund transfers.

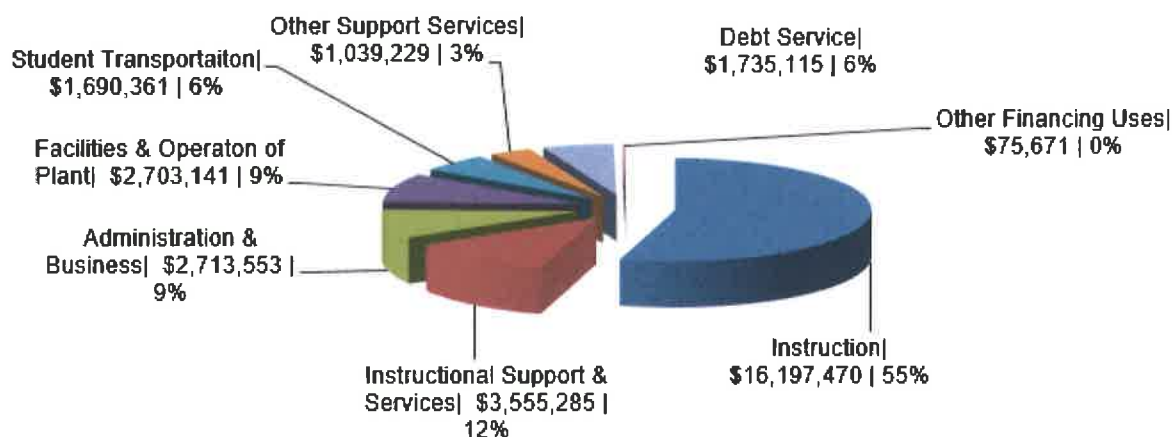
General Fund Budgetary Revenues 2019 - 2020



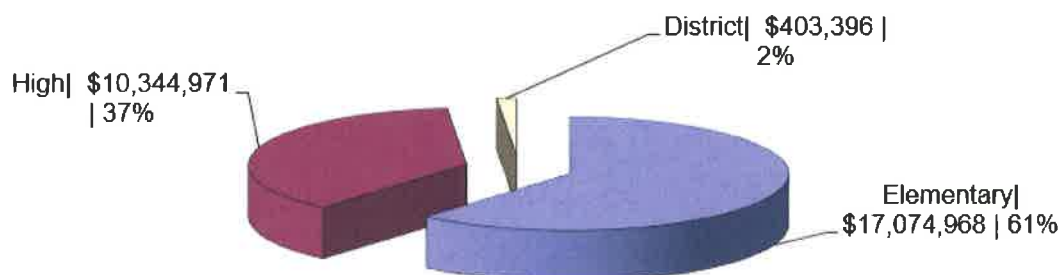
In 2020, instruction made up 54.52% of all general fund expenditures, an increase of 1.11% from the prior year expenditures, while all other support services including transportation, operation of plant, and administration make up 39.39% of all General Fund expenditures, a decrease of 1.17% from the prior year. The remaining 6.09% includes facility acquisition & construction, debt service, and fund transfers, an increase of 0.06% from the prior year. The following charts provide a more detailed depiction of the makeup and proportions of the expenditures in these broad categories.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

**General Fund Budgetary Expenditures by Functions
2019- 2020**



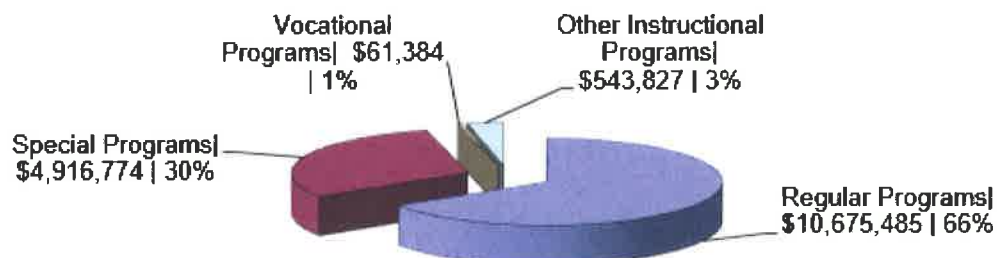
**General Fund Budgetary Expenditures by Grade Level
2019 - 2020**



Note that all grades Pre-Kindergarten through grade 8 are reported as elementary school expenditures since 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
2019 - 2020**



PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

SUMMARY OF FEDERAL SUPPORT OF THE DISTRICT

During fiscal year 2020, 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 \$538,621 (up from \$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 \$128,433 (down from \$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 \$55,391 (up from \$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 \$67,125 and for the National Breakfast Program for the current period were \$6,903, for a total of \$74,028 (down from \$123,965. These revenues were used to offset the expenses of the school lunch program. Note the District received COVID-19 revenues for breakfast for \$43,062, for lunch \$81,442, for an additional total during this period of \$124,504.
- 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 \$20,412 (down from \$31,963). These funds are issued by the Department of Education, Bureau of Integrated Programs.

CAPITAL RESERVE ACCOUNTS

The district currently has three expendable and two capital reserve funds-CRF (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. The new Building and Ground Renovation and Improvement capital reserve fund was established during this period with an initial deposit of \$76,670.61. Each fund incurred fees, earned interest and fair market value changes during this period. The ADA Modif Fund School District increased by \$3,235.55, ending with a balance of \$31,842.82. Robinson Tennis Courts expendable trust increased by \$472.12, ending with a balance of \$4,646.56. The School Building Maintenance trust increased by \$31,266.26 through interest earned less fees plus changes in fair market value, ending with a balance of \$307,709.79.

The Special Education CRF increased by \$9,777.43 through interest earned, change in fair market value less fees, ending with a balance of \$215,904.86. Building and Ground Renovation and Improvement CRF began with \$76,670.61, increased by \$2,315.40 through interest earned, change in fair market value less fees, and ended with a balance of \$78,986.01.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

Total of all funds increased from \$515,352.67 on June 30, 2019 to \$639,090.04 as of June 30, 2020, inclusive of new funding, fees, changes in fair market value and interest earned. In accordance with statutory requirements, these funds are held in custody by the Trustees of Trust Funds of the Town of Pelham and are only released for the restricted specific purposes of the individual funds.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

The beginning General Fund equity was \$1,261,523. General Fund revenues, consisting largely of local taxes and state aid, were \$30,250,775. General Fund expenditures, including fund transfers, were \$29,709,836. The ending fund equity for the District was \$3,138,879 of which \$1,721,607 is an unassigned fund balance, an increase of \$460,084 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 \$371,712.
- General Fund expenditures were less than the final adjusted budgeted spending by \$1,378,253. On March 16, 2020, the district moved to remote learning, and this mode of operation was extended through the end of the school year. Typical expense patterns were disrupted as a result. The major components of this budget underspend include:
 - Special Services' budget was underspent by approx. \$365,336. \$235,578 underspent in salaries, \$107,915 underspent in benefits, \$207,751 underspent in tuition, and \$71,488 underspent in transportation. Special Education professional services were over spent by \$403,505.
 - Salaries were underspent by approximately \$192,735 (excluding special services). This was primarily due to turnover and the pandemic impacts, including \$327,121 in regular education, \$38,458 in building services, \$17,998 in bilingual programs, \$23,408 in co-curricular and \$51,916 in athletics, \$16,000 in guidance and \$27,203 in improvement of instruction, curriculum and staff training.
 - All benefits (excluding special services) were underspent by \$192,735. NH retirement was underspent by \$83,851, social security was underspent by approximately \$59,641, worker's compensation was underspent by \$4,838, and unemployment was underspent by \$8,449. Medical was underspent by \$16,238, dental was underspent by \$3,727 and TSA match was underspent by \$15,000 during this year.

We are continuously monitor 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.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

COMMENTS ON NUTRITION SERVICE FUND

The results for the Food Service Fund reflect expenses of \$841,421 with revenues of \$686,059. Post-audit results show a year-end restricted fund balance of \$86,827.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2020, the District reported capital assets of \$38,118,669 (net of accumulated depreciation), which consist of a broad range of capital assets, including land, buildings & improvements, and machinery and equipment.

There were building improvements as well as other adjustments for retired/replaced capital assets. Capital asset additions in 2020 included: Energy Efficiency move to Natural Gas, PES Condensing Boilers (2), PHS Baseball dugouts, PES Electronic Sign, PES Walk-In Fridge/Freezer, PES Generator and other technology equipment.

Governmental Activities	2020	2019	Increase (Decrease)	% Increase (% Decrease)
Land & Improvements	\$ 699,000	\$ 699,000	\$ -	0.00%
CIP	0	108,663	(108,663)	-100.00%
Land Improvements	2,183,030	2,206,280	(23,250)	-1.05%
Buildings & Improvements	41,026,759	39,349,351	1,677,408	4.26%
Machinery, Equipment & Vehicles	1,816,593	1,538,930	277,663	18.04%
Total Historical Cost	45,725,382	43,902,224	1,823,158	4.15%
Total Accumulated Depreciation	(7,606,713)	(6,594,950)	(1,011,763)	15.34%
NET CAPITAL ASSETS	38,118,669	37,307,274	811,395	2.17%

Long-Term Liabilities

On June 30, 2020, the District had \$16,979,304 in general obligation bonds. In addition, \$1,796,988 in capital leases, \$756,745 in compensated absences payable long term liabilities, \$4,434,382 in net other post-employment benefits liability, and, \$19,836,752 in net pension liability were also reported as long term liabilities as can be seen below:

Governmental Activities	2020	2019	Increase (Decrease)	% Increase (% Decrease)
General Obligation Bonds	\$ 16,979,304	\$ 18,114,924	(1,135,620)	-6.27%
Capital Lease	1,796,988	1,900,542	(103,554)	-5.45%
Compensated Absences	756,745	691,049	65,696	9.51%
Other Post Employment Benefits Payable	4,434,382	4,109,763	324,619	7.90%
Net Pension Liability	19,836,752	19,986,959	(150,207)	-0.75%
TOTAL LONG-TERM LIABILITIES	43,804,171	44,803,237	(999,066)	-2.23%

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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 2020-2021 fiscal year is \$1,721,607.

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

1. In advance of the March 2020 vote, the Pelham School District prepared a comprehensive building plan for Pelham Memorial School. The plan offered the required educational spaces to meet educational standards for a "middle school" as well as better meet the overall needs of the students and community. The March 2020 warrant article for the PMS Renovation/Addition project did not pass by less than 1%. The project will be included on the ballot in March of 2021. A general obligation bond will be pursued to fund the project that is planned to start in Summer 2021.
2. 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 have some off-set by available state funding. The community may see a warrant article in the future, for this purpose.
3. On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a global pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the School District, though such impact is unknown at this time.
4. The State of New Hampshire legislature passed legislation in 2020 that allows school district's, with voter approval, to withhold up to 5.0% 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. While this will not be listed on the 2021 warrant, the School Board may ask the voters to approve the school district's ability to carry a year-end fund balance for potential emergency situations in the future.
5. The School Board set for itself a goal to continue to improve culture and climate in the Pelham School District. The intended outcome is to help make the Pelham School District a place where staff want to stay, learn, and grow their careers. One element of this plan will be to address potential gaps between Pelham's compensation model and that of surrounding communities.

Questions regarding this report should be directed to Dr. Chip McGee, 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, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,065,396
Accounts receivable	631
Intergovernmental receivables	815,317
Prepaid items	31,273
Capital assets, not being depreciated	699,000
Capital assets, net of accumulated depreciation	37,419,669
Total assets	<u>42,031,286</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	3,604,021
Amounts related to other postemployment benefits	707,748
Total deferred outflows of resources	<u>4,311,769</u>
LIABILITIES	
Accounts payable	688,854
Accrued interest payable	309,949
Noncurrent obligations:	
Due within one year	1,489,467
Due in more than one year	42,314,704
Total liabilities	<u>44,802,974</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - state and local grants	84,884
Amounts related to pensions	690,994
Amounts related to other postemployment benefits	61,225
Total deferred inflows of resources	<u>837,103</u>
NET POSITION	
Net investment in capital assets	19,342,377
Restricted	92,171
Unrestricted	<u>(18,731,570)</u>
Total net position	<u>\$ 702,978</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, 2020

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
Instruction	\$ 18,799,152	\$ 51,040	\$ 919,015	\$ (17,829,097)
Support services:				
Student	2,785,150	-	80,781	(2,704,369)
Instructional staff	846,161	-	52,011	(794,150)
General administration	70,724	-	-	(70,724)
Executive administration	735,340	-	-	(735,340)
School administration	1,619,704	-	-	(1,619,704)
Business	421,651	-	-	(421,651)
Operation and maintenance of plant	2,559,442	-	-	(2,559,442)
Student transportation	1,692,961	-	2,600	(1,690,361)
Other	979,837	-	588	(979,249)
Noninstructional services	804,690	411,611	274,446	(118,633)
Interest on long-term debt	583,930	-	-	(583,930)
Total governmental activities	<u>\$ 31,898,742</u>	<u>\$ 462,651</u>	<u>\$ 1,329,441</u>	<u>(30,106,650)</u>
General revenues:				
School district assessment				21,842,048
Grants and contributions not restricted to specific programs				7,625,778
Miscellaneous				705,501
Total general revenues				<u>30,173,327</u>
Change in net position				66,677
Net position, beginning, as restated (see Note 15)				636,301
Net position, ending				<u>\$ 702,978</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, 2020

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,665,952	\$ 84,884	\$ 314,560	\$ 3,065,396
Accounts receivable	-	-	631	631
Intergovernmental receivables	639,090	115,098	61,129	815,317
Interfund receivables	111,377	-	3,721	115,098
Prepaid items	31,273	-	-	31,273
Total assets	<u>\$ 3,447,692</u>	<u>\$ 199,982</u>	<u>\$ 380,041</u>	<u>\$ 4,027,715</u>
LIABILITIES				
Accounts payable	\$ 647,962	\$ -	\$ 40,892	\$ 688,854
Interfund payable	-	115,098	-	115,098
Total liabilities	<u>647,962</u>	<u>115,098</u>	<u>40,892</u>	<u>803,952</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - state and local grants	-	84,884	-	84,884
FUND BALANCES				
Nonspendable	31,273	-	-	31,273
Restricted	5,344	-	86,827	92,171
Committed	639,090	-	-	639,090
Assigned	402,416	-	252,322	654,738
Unassigned	1,721,607	-	-	1,721,607
Total fund balances	<u>2,799,730</u>	<u>-</u>	<u>339,149</u>	<u>3,138,879</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,447,692</u>	<u>\$ 199,982</u>	<u>\$ 380,041</u>	<u>\$ 4,027,715</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, 2020

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,138,879
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	\$ 45,725,382	
Less accumulated depreciation	<u>(7,606,713)</u>	
		38,118,669
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	\$ 3,604,021	
Deferred inflows of resources related to pensions	(690,994)	
Deferred outflows of resources related to OPEB	707,748	
Deferred inflows of resources related to OPEB	<u>(61,225)</u>	
		3,559,550
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (115,098)	
Payables	<u>115,098</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(309,949)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 15,545,000	
Unamortized bond premium	1,434,304	
Capital leases	1,796,988	
Compensated absences	756,745	
Net pension liability	19,836,752	
Other postemployment benefits	<u>4,434,382</u>	
		<u>(43,804,171)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 702,978</u></u>

EXHIBIT C-3
PELHAM SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2020

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$ 21,842,048	\$ -	\$ -	\$ 21,842,048
Other local	546,306	3,352	608,948	1,158,606
State	7,944,946	-	10,806	7,955,752
Federal	89	745,284	263,640	1,009,013
Total revenues	<u>30,333,389</u>	<u>748,636</u>	<u>883,394</u>	<u>31,965,419</u>
EXPENDITURES				
Current:				
Instruction	16,406,971	613,244	202,627	17,222,842
Support services:				
Student	2,646,174	80,781	-	2,726,955
Instructional staff	984,282	51,423	2,179	1,037,884
General administration	70,724	-	-	70,724
Executive administration	702,233	-	-	702,233
School administration	1,545,384	-	-	1,545,384
Business	398,970	-	-	398,970
Operation and maintenance of plant	2,299,203	-	-	2,299,203
Student transportation	1,690,361	2,600	-	1,692,961
Other	964,069	588	-	964,657
Noninstructional services	-	-	841,421	841,421
Debt service:				
Principal	1,040,000	-	-	1,040,000
Interest	695,115	-	-	695,115
Facilities acquisition and construction	403,937	-	1,448,566	1,852,503
Total expenditures	<u>29,847,423</u>	<u>748,636</u>	<u>2,494,793</u>	<u>33,090,852</u>
Excess (deficiency) of revenues over (under) expenditures	<u>485,966</u>	<u>-</u>	<u>(1,611,399)</u>	<u>(1,125,433)</u>
OTHER FINANCING SOURCES				
Capital lease inception	<u>179,100</u>	<u>-</u>	<u>-</u>	<u>179,100</u>
Net change in fund balances	665,066	-	(1,611,399)	(946,333)
Fund balances, beginning, as restated (see Note 15)	2,134,664	-	1,950,548	4,085,212
Fund balances, ending	<u>\$ 2,799,730</u>	<u>\$ -</u>	<u>\$ 339,149</u>	<u>\$ 3,138,879</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, 2020

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (946,333)
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	\$ 1,858,808	
Depreciation expense	(1,031,980)	
		826,828
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(15,433)
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	\$ (179,100)	
Principal repayment of bond	1,040,000	
Amortization of bond premium	95,620	
Principal repayment of capital leases	282,654	
		1,239,174
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 15,565	
Increase in compensated absences payable	(65,696)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(1,006,116)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	18,688	
		(1,037,559)
Change in net position of governmental activities (Exhibit B)		<u>\$ 66,677</u>

EXHIBIT D-1
PELHAM SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
School district assessment	\$ 21,842,048	\$ 21,842,048	\$ 21,842,048	\$ -
Other local	90,400	312,663	463,692	151,029
State	7,724,352	7,724,352	7,944,946	220,594
Federal	-	-	89	89
Total revenues	29,656,800	29,879,063	30,250,775	371,712
EXPENDITURES				
Current:				
Instruction	17,245,838	17,248,077	16,222,987	1,025,090
Support services:				
Student	2,506,647	2,506,590	2,660,384	(153,794)
Instructional staff	964,143	963,641	979,091	(15,450)
General administration	104,540	104,540	66,967	37,573
Executive administration	843,615	842,115	707,664	134,451
School administration	1,594,093	1,593,413	1,551,471	41,942
Business	404,416	404,416	401,540	2,876
Operation and maintenance of plant	2,365,238	2,365,739	2,216,488	149,251
Student transportation	1,769,358	1,769,358	1,656,593	112,765
Other	1,082,821	1,082,820	1,042,751	40,069
Debt service:				
Principal	1,040,000	1,069,105	1,040,000	29,105
Interest	695,115	695,115	695,115	-
Facilities acquisition and construction	302,500	495,658	521,283	(25,625)
Total expenditures	30,918,324	31,140,587	29,762,334	1,378,253
Excess (deficiency) of revenues over (under) expenditures	(1,261,524)	(1,261,524)	488,441	1,749,965
OTHER FINANCING USES				
Transfers out	(75,520)	(75,520)	(75,671)	(151)
Net change in fund balance	\$ (1,337,044)	\$ (1,337,044)	412,770	\$ 1,749,814
Increase in nonspendable fund balance			(23,013)	
Decrease in restricted fund balance			70,327	
Unassigned fund balance, beginning			1,261,523	
Unassigned fund balance, ending			\$ 1,721,607	

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, 2020

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Other local	\$ -	\$ -	\$ 3,352	\$ 3,352
Federal	700,000	700,000	745,284	45,284
Total revenues	700,000	700,000	748,636	48,636
EXPENDITURES				
Current:				
Instruction	667,767	595,259	613,244	(17,985)
Support services:				
Student	32,233	57,511	80,781	(23,270)
Instructional staff	-	44,630	51,423	(6,793)
Student transportation	-	2,600	2,600	-
Other	-	-	588	(588)
Total expenditures	700,000	700,000	748,636	(48,636)
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 Fiduciary Net Position
June 30, 2020

	Private Purpose Trust
ASSETS	
Intergovernmental receivable	<u>\$ 4,488</u>
NET POSITION	
Held in trust for specific purposes	<u>\$ 4,488</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 Fiduciary Net Position
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 489
DEDUCTIONS	
Administrative expenses	33
Change in net position	456
Net position, beginning	4,032
Net position, ending	<u>\$ 4,488</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, 2020

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Government-wide and Fund Financial Statements	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents.....	1-D
Receivables.....	1-E
Prepaid Items	1-F
Capital Assets	1-G
Interfund Receivables and Payables	1-H
Accounts Payable	1-I
Deferred Outflows/Inflows of Resources	1-J
Long-term Obligations	1-K
Compensated Absences	1-L
Defined Benefit Pension Plan	1-M
Postemployment Benefits Other Than Pensions (OPEB)	1-N
Net Position/Fund Balances.....	1-O
Use of Estimates	1-P
Stewardship, Compliance, and Accountability	2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Accounting Change	2-C

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Receivables	4
Capital Assets.....	5
Interfund Balances	6
Deferred Outflows/Inflows of Resources.....	7
Capital Lease Obligations	8
Long-term Liabilities	9
Defined Benefit Pension Plan	10
Postemployment Benefits Other Than Pensions (OPEB)	11
New Hampshire Retirement System (NHRS).....	11-A
Retiree Health Benefit Program.....	11-B
Encumbrances	12
Governmental Activities Net Position.....	13
Governmental Fund Balances	14
Prior Period Adjustments.....	15
Risk Management.....	16
Contingent Liabilities.....	17
Subsequent Events.....	18

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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.

In fiscal year 2020 the School District implemented GASB Statement No. 84, *Fiduciary Activities*, which changed the way fiduciary activities are recorded. See Note 2-C for further information on this pronouncement.

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. 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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, 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 Pelham Memorial School athletics fund, Pelham High School athletics fund, and 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.

Nonmajor Funds – The School District also reports three nonmajor governmental funds.

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These funds account for resources held by the School District for the benefit of other parties and include the private purpose trust funds. 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 Receivables

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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

1-F 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-G 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 using the straight-line method over the following estimated useful lives:

Capital Asset Class:	Years
Land improvements	30
Buildings and building improvements	20 - 50
Machinery and equipment	5 - 15

1-H 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). Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-I 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, 2020.

1-J 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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-K 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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

1-L Compensated Absences

General leave for the School District includes vacation, sick, and retirement stipend 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 the School District's 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-M 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-N 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.

1-O 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, 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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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 School District'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-P 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 assessing 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.

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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2020, \$1,261,524 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, \$75,520 was appropriated to fund the School District's capital reserve funds.

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 fund. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 30,250,775
Adjustments:	
Basis difference:	
Capital lease inception	179,100
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	51,823
Other local revenue of the blended athletic funds	30,791
Per Exhibit C-3 (GAAP Basis)	<u>\$ 30,512,489</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 29,838,005
Adjustments:	
Basis difference:	
Encumbrances, beginning	270,461
Encumbrances, ending	(398,630)
Capital lease inception	179,100
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust fund	(75,671)
Expenditures of the blended athletic funds	30,401
Expenditures of the blended expendable trust funds	3,757
Per Exhibit C-3 (GAAP basis)	<u>\$ 29,847,423</u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 15.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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 \$3,065,396 and the bank balances totaled \$3,399,018.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2020, 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 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 consisted of the following:

	Balance, beginning	Additions	Retirements	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	807,663	-	(108,663)	699,000
Being depreciated:				
Land improvements	2,206,280	12,400	(35,650)	2,183,030
Buildings and building improvements	39,349,351	1,677,408	-	41,026,759
Machinery and equipment	1,538,930	277,663	-	1,816,593
Total capital assets being depreciated	43,094,561	1,967,471	(35,650)	45,026,382
Total capital assets	43,902,224	1,967,471	(144,313)	45,725,382
Less accumulated depreciation:				
Land improvements	(574,836)	(65,626)	20,217	(620,245)
Buildings and building improvements	(5,432,658)	(721,293)	-	(6,153,951)
Machinery and equipment	(587,456)	(245,061)	-	(832,517)
Total accumulated depreciation	(6,594,950)	(1,031,980)	20,217	(7,606,713)
Net book value, capital assets being depreciated	36,499,611	935,491	(15,433)	37,419,669
Net book value, all capital assets	\$ 37,307,274	\$ 935,491	\$ (124,096)	\$ 38,118,669

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	\$ 908,202
Support services:	
Operation and maintenance of plant	96,902
Other support	17,337
Noninstructional services	9,539
Total depreciation expense	\$ 1,031,980

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

NOTE 6 – INTERFUND BALANCES

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2020 are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 111,377
Nonmajor	Grants	3,721
		<u>\$ 115,098</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2020 consist of amounts related to pensions totaling \$3,604,021 and amounts related to OPEB totaling \$707,748. For further discussion on these amounts, see Notes 10 and 11, respectively.

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

	Governmental Activities	Grants Fund
State and local grants and donations collected in advance of eligible expenditures being made	\$ 84,884	\$84,884
Amounts related to pensions, see Note 10	690,994	-
Amounts related to OPEB, see Note 11	61,225	-
Total deferred inflows of resources	<u>\$ 837,103</u>	<u>\$84,884</u>

NOTE 8 – 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, 2020
Capital lease obligations:		
Energy efficiency (2019)	3.75%	\$ 1,427,283
Lenovo computers (2019)	5.60%	51,751
Modular classroom (2019)	3.71%	201,247
Chromebooks (2020)	5.06%	116,707
Total capital lease obligations		<u>\$ 1,796,988</u>

Leased building improvements and equipment under capital leases are included in capital assets as follows:

	Governmental Activities
Equipment:	
Energy efficiency improvements	\$ 1,556,978
Lenovo computers	103,240
Modular classroom	1,393,288
Chromebooks	179,100
Total equipment	3,232,606
Less: accumulated depreciation	(356,134)
Total capital lease equipment	<u>\$ 2,876,472</u>

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

The annual requirements to amortize the capital leases payable as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2021	\$ 303,032
2022	248,384
2023	185,563
2024	185,563
2025	185,562
2026-2030	703,625
2031-2033	422,176
Total requirements	2,233,905
Less: interest	(436,917)
Present value of remaining payments	<u>\$ 1,796,988</u>

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

NOTE 9 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Bond payable:					
General obligation bond	\$16,585,000	\$ -	\$ (1,040,000)	\$ 15,545,000	\$ 1,040,000
Premium	1,529,924	-	(95,620)	1,434,304	95,620
Total bond payable	18,114,924	-	(1,135,620)	16,979,304	1,135,620
Capital leases	1,900,542	179,100	(282,654)	1,796,988	233,238
Compensated absences	691,049	65,696	-	756,745	120,609
Pension related liability	19,986,959	-	(150,207)	19,836,752	-
Net other postemployment benefits	4,109,763	324,619	-	4,434,382	-
Total long-term liabilities	<u>\$44,803,237</u>	<u>\$ 569,415</u>	<u>\$ (1,568,481)</u>	<u>\$ 43,804,171</u>	<u>\$ 1,489,467</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2020
General obligation bond payable:					
High School renovations/construction	\$20,745,000	2015	2035	3.20%	<u>\$ 15,545,000</u>

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,035,000	430,043	1,465,043
2026-2030	5,175,000	1,570,613	6,745,613
2031-2035	5,175,000	530,437	5,705,437
Totals	<u>\$ 15,545,000</u>	<u>\$ 4,781,153</u>	<u>\$ 20,326,153</u>

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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 10 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers 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 $\frac{1}{4}$ of 1% or age 60.

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

Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2020, the School District contributed 15.99% for teachers and 10.08% for other employees. The contribution requirement for the fiscal year 2020 was \$1,794,100 which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the School District reported a liability of \$19,836,752 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2019, the School District's proportion was 0.41% which was a decrease of 0.01% from its proportion measured as of June 30, 2018.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

For the year ended June 30, 2020, the School District recognized pension expense of \$2,864,978. At June 30, 2020, 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	\$ 924,058	\$ 102,409
Net difference between projected and actual investment earnings on pension plan investments	-	162,038
Changes in assumptions	711,735	-
Differences between expected and actual experience	109,680	426,547
Contributions subsequent to the measurement date	1,858,548	-
Total	<u>\$ 3,604,021</u>	<u>\$ 690,994</u>

The \$1,858,548 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, 2021. 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,	
2020	\$ 948,826
2021	(56,556)
2022	139,274
2023	22,935
Thereafter	-
Totals	<u>\$ 1,054,479</u>

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2018, rolled forward to June 30, 2019, using the following assumptions:

Inflation:	2.5% per year
Wage inflation	3.25% per year (3.00% for Teachers)
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.

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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

Following is a table presenting target allocations and long-term rates of return for 2019:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2019
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	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$26,562,228	\$ 19,836,752	\$14,278,199

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.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

11-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 2019 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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 year 2019 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 2019, 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 2020, the School District contributed 1.81% for teachers and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$173,336, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2020, the School District reported a liability of \$1,665,188 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2019, the School District's proportion was 0.38% of which there was no change from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$5,534. At June 30, 2020, 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	\$ -	\$ 945
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,871
Differences between expected and actual experience	-	2,897
Contributions subsequent to the measurement date	178,386	-
Total	<u>\$ 178,386</u>	<u>\$ 5,713</u>

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

The \$178,386 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, 2021. 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,	
2020	\$ (5,083)
2021	(1,241)
2022	129
2023	482
Thereafter	-
Totals	<u>\$ (5,713)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2019. 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 (3.00% for Teachers)
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. Following is a table presenting target allocations and long-term rates of return for 2019:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2019
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	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 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, 2019	\$ 1,806,149	\$ 1,665,188	\$ 1,542,701

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.

11-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 the New Hampshire Health Trust.

Employees Covered by Benefit Terms – At June 30, 2020 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	85
Inactive employees entitled to but not yet receiving benefit payments	14
Active employees	297
Total participants covered by OPEB plan	<u>396</u>

Total OPEB Liability – The School District's total OPEB liability of \$2,769,194 was measured as of June 30, 2020 and was determined by an actuarial valuation of that date.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$2,769,194 in the June 30, 2020 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	2.66%
Healthcare Cost Trend Rates:	
Current Year Trend	8.00%
Second Year Trend	7.50%
Decrement	0.50%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2028
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 June 30, 2020.

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,	
	2019	2020
Total OPEB liability beginning of year	\$ 2,304,157	\$ 2,361,868
Changes for the year:		
Service cost	117,868	126,853
Interest	90,976	85,360
Assumption changes and difference between actual and expected experience	(7,298)	309,703
Benefit payments	(143,835)	(114,590)
Total OPEB liability end of year	\$ 2,361,868	\$ 2,769,194

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The June 30, 2020 actuarial valuation was prepared using a discount rate of 2.66%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$2,596,539 or by 6.23%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$2,947,931 or by 6.45%.

	Discount Rate		
	1% Decrease	Baseline 2.66%	1% Increase
Total OPEB Liability	\$ 2,947,931	\$ 2,769,194	\$ 2,596,539

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The June 30, 2020 actuarial valuation was prepared using an initial trend rate of 8.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$3,065,399 or by 10.70%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$2,518,322 or by 9.06%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 8.00%	1% Increase
Total OPEB Liability	\$ 2,518,322	\$ 2,769,194	\$ 3,065,399

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the School District recognized OPEB expense of \$279,853. At June 30, 2020, 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	\$ 154,975	\$ 1,566
Differences between expected and actual experience	374,387	53,946
Total	<u>\$ 529,362</u>	<u>\$ 55,512</u>

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,	
2021	\$ 67,640
2022	67,640
2023	67,640
2024	67,640
2025	67,640
Thereafter	135,650
Totals	<u>\$ 473,850</u>

NOTE 12 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2020 are as follows:

Current:	
Instruction:	
Regular programs	\$ 14,915
Special programs	36,824
Vocational programs	39,654
Adult and community programs	2,069
Total instruction	<u>93,462</u>
Support services:	
Student	17,669
Instructional staff	691
Executive administration	5,431
School administration	7,208
Business	5,765
Operation and maintenance of plant	48,770
Other	87,288
Total support services	<u>172,822</u>
Facilities acquisition and construction	<u>132,346</u>
Total encumbrances	<u>\$ 398,630</u>

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2020 include the following:

	Governmental Activities
Net investment in capital assets:	
Net book value of all capital assets	\$ 38,118,669
Less:	
General obligation bond payable	(15,545,000)
Unamortized bond premiums	(1,434,304)
Capital leases payable	(1,796,988)
Total net investment in capital assets	<u>19,342,377</u>
Restricted net position:	
Food service	86,827
Impact fees	5,344
Total restricted net position	<u>92,171</u>
Unrestricted	<u>(18,731,570)</u>
Total net position	<u><u>\$ 702,978</u></u>

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2020 consist of the following:

	General Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 31,273	\$ -	\$ -	\$ 31,273
Restricted:				
Food service	-	-	86,827	86,827
Impact fees	5,344	-	-	5,344
Total restricted fund balance	<u>5,344</u>	<u>-</u>	<u>86,827</u>	<u>92,171</u>
Committed:				
Expendable trust	639,090	-	-	639,090
Assigned:				
Encumbrances	398,630	-	-	398,630
Student activities - district related	3,786	-	-	3,786
Student activities - student related	-	-	252,322	252,322
Total assigned fund balance	<u>402,416</u>	<u>-</u>	<u>252,322</u>	<u>654,738</u>
Unassigned	<u>1,721,607</u>	<u>-</u>	<u>-</u>	<u>1,721,607</u>
Total governmental fund balances	<u><u>\$ 2,799,730</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 339,149</u></u>	<u><u>\$ 3,138,879</u></u>

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2019 was restated for the following:

	Government-wide Statements	General Fund	Other Governmental Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84	\$ 263,189	\$ 3,396	\$ 259,793
Net position/fund balance, as previously reported	373,112	2,131,268	-
Net position/fund balance, as restated	<u><u>\$ 636,301</u></u>	<u><u>\$ 2,134,664</u></u>	<u><u>\$ 259,793</u></u>

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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 2020, 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, 2019 to June 30, 2020 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 2019-20 the School District paid \$102,290 and \$53,416, 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

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

NOTE 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 16, 2020, the date the June 30, 2020 financial statements were available to be issued, and noted the following event occurred that requires recognition or disclosure.

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a global pandemic. In response to the pandemic, the State of New Hampshire's Governor, issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the School District, though such impact is unknown at this time.

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, 2020

	2014	2015	2016	June 30, 2017	2018	2019	2020
School District's proportion of the net pension liability	0.36%	0.37%	0.38%	0.38%	0.39%	0.42%	0.41%
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	\$ 19,836,752
School District's covered payroll	\$ 10,076,276	\$ 10,418,741	\$ 10,751,805	\$ 10,819,430	\$ 11,716,086	\$ 11,977,651	\$ 12,449,823
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%	159.33%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%	64.73%	65.59%

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, 2020

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 900,098	\$ 1,215,306	\$ 1,265,024	\$ 1,354,575	\$ 1,412,060	\$ 1,754,369	\$ 1,794,100
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)	(1,794,100)
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	\$ 12,449,823
Contributions as a percentage of covered payroll	8.93%	11.66%	11.77%	12.52%	12.05%	14.65%	14.41%

PELHAM SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

***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, 2020. 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 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 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	3.13% per year
Investment Rate of Return	7.25% per year, net of investment expenses including inflation
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	Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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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, 2020

	June 30,			
	2017	2018	2019	2020
School District's proportion of the net OPEB liability	0.48%	0.49%	0.38%	0.38%
School District's proportionate share of the net OPEB liability (asset)	\$ 2,319,087	\$ 2,246,337	\$ 1,747,895	\$ 1,665,188
School District's covered payroll	\$ 10,819,430	\$ 11,716,086	\$ 11,977,651	\$ 12,449,823
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	21.43%	19.17%	14.59%	13.38%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

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, 2020

	June 30,			
	2017	2018	2019	2020
Contractually required contribution	\$ 278,355	\$ 291,187	\$ 168,866	\$ 173,336
Contributions in relation to the contractually required contribution	(278,355)	(291,187)	(168,866)	(173,336)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,819,430	\$ 11,716,086	\$ 11,977,651	\$ 12,449,823
Contributions as a percentage of covered payroll	2.57%	2.49%	1.41%	1.39%

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, 2020

	June 30,		
	2018	2019	2020
OPEB liability, beginning of year	\$ 1,948,233	\$ 2,304,157	\$ 2,361,238
Changes for the year:			
Service cost	120,793	117,868	126,853
Interest	71,538	90,976	85,360
Assumption changes and difference between actual and expected experience	306,353	(7,928)	310,333
Benefit payments	(142,760)	(143,835)	(114,590)
OPEB liability, end of year	<u>\$ 2,304,157</u>	<u>\$ 2,361,238</u>	<u>\$ 2,769,194</u>
Covered payroll	<u>\$ 12,171,447</u>	<u>\$ 13,930,110</u>	<u>\$ 13,245,037</u>
Total OPEB liability as a percentage of covered payroll	18.93%	16.95%	20.91%

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, 2020

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, 2020. 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	3.13% 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, 2020. 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.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
PELHAM SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 21,842,048	\$ 21,842,048	\$ -
Other local sources:			
Tuition	65,000	51,040	(13,960)
Investment earnings	400	508	108
Miscellaneous	247,263	412,144	164,881
Total from other local sources	312,663	463,692	151,029
State sources:			
Adequacy aid (grant)	3,855,796	3,994,293	138,497
Adequacy aid (tax)	3,631,485	3,631,485	-
Catastrophic aid	222,071	288,387	66,316
Vocational aid	15,000	17,295	2,295
Other state aid	-	13,486	13,486
Total from state sources	7,724,352	7,944,946	220,594
Federal sources:			
Medicaid	-	89	89
Total revenues	29,879,063	\$ 30,250,775	\$ 371,712
Use of fund balance to reduce school district assessment	1,261,524		
Use of fund balance - appropriated	75,520		
Total revenues and use of fund balance	\$ 31,216,107		

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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 12,290	\$ 11,042,016	\$ 10,675,485	\$ 14,915	\$ 363,906
Special programs	22,253	5,440,491	4,916,774	36,824	509,146
Vocational programs	21,402	100,000	61,384	39,654	20,364
Other programs	12,000	662,337	543,827	2,069	128,441
Non-public programs	-	3,233	-	-	3,233
Total instruction	<u>67,945</u>	<u>17,248,077</u>	<u>16,197,470</u>	<u>93,462</u>	<u>1,025,090</u>
Support services:					
Student	3,459	2,506,590	2,646,174	17,669	(153,794)
Instructional staff	5,882	963,641	984,282	691	(15,450)
General administration	-	104,540	66,967	-	37,573
Executive administration	-	842,115	702,233	5,431	134,451
School administration	1,121	1,593,413	1,545,384	7,208	41,942
Business	3,195	404,416	398,970	5,765	2,876
Operation and maintenance of plant	131,485	2,365,739	2,299,203	48,770	149,251
Student transportation	33,768	1,769,358	1,690,361	-	112,765
Other	8,606	1,082,820	964,069	87,288	40,069
Total support services	<u>187,516</u>	<u>11,632,632</u>	<u>11,297,643</u>	<u>172,822</u>	<u>349,683</u>
Debt service:					
Principal of long-term debt	-	1,069,105	1,040,000	-	29,105
Interest on long-term debt	-	695,115	695,115	-	-
Total debt service	<u>-</u>	<u>1,764,220</u>	<u>1,735,115</u>	<u>-</u>	<u>29,105</u>
Facilities acquisition and construction	<u>15,000</u>	<u>495,658</u>	<u>403,937</u>	<u>132,346</u>	<u>(25,625)</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>75,520</u>	<u>75,671</u>	<u>-</u>	<u>(151)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 270,461</u>	<u>\$ 31,216,107</u>	<u>\$ 29,709,836</u>	<u>\$ 398,630</u>	<u>\$ 1,378,102</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, 2020

Unassigned fund balance, beginning		\$ 1,261,523
Changes:		
Unassigned fund balance used to reduce school district assessment		(1,261,524)
Unassigned fund balance appropriated for use in 2019-2020		(75,520)
2019-2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 371,712	
Unexpended balance of appropriations (Schedule 2)	<u>1,378,102</u>	
2019-2020 Budget surplus		1,749,814
Increase in nonspendable fund balance		(23,013)
Decrease in restricted fund balance		<u>70,327</u>
Unassigned fund balance, ending		<u><u>\$ 1,721,607</u></u>

SCHEDULE 4
PELHAM SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds		Energy Efficiency Capital Project	Total
	Food Service	Student Activity		
ASSETS				
Cash and cash equivalents	\$ 62,238	\$ 252,322	\$ -	\$ 314,560
Accounts receivable	631	-	-	631
Intergovernmental receivable	61,129	-	-	61,129
Interfund receivable	3,721	-	-	3,721
Total assets	<u>\$ 127,719</u>	<u>\$ 252,322</u>	<u>\$ -</u>	<u>\$ 380,041</u>
LIABILITIES				
Accounts payable	<u>\$ 40,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,892</u>
FUND BALANCES				
Restricted	86,827	-	-	86,827
Assigned	-	252,322	-	252,322
Total fund balances	<u>86,827</u>	<u>252,322</u>	<u>-</u>	<u>339,149</u>
Total liabilities and fund balances	<u>\$ 127,719</u>	<u>\$ 252,322</u>	<u>\$ -</u>	<u>\$ 380,041</u>

SCHEDULE 5
PELHAM SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2020

	Special Revenue Funds		Energy Efficiency Capital Project	Total
	Food Service	Student Activity		
REVENUES				
Other local	\$ 411,613	\$ 197,335	\$ -	\$ 608,948
State	10,806	-	-	10,806
Federal	263,640	-	-	263,640
Total revenues	<u>686,059</u>	<u>197,335</u>	<u>-</u>	<u>883,394</u>
EXPENDITURES				
Current:				
Instruction	-	202,627	-	202,627
Support services:				
Instructional staff	-	2,179	-	2,179
Noninstructional services	841,421	-	-	841,421
Facilities acquisition and construction	-	-	1,448,566	1,448,566
Total expenditures	<u>841,421</u>	<u>204,806</u>	<u>1,448,566</u>	<u>2,494,793</u>
Net change in fund balances	(155,362)	(7,471)	(1,448,566)	(1,611,399)
Fund balances, beginning, as restated (see Note 15)	242,189	259,793	1,448,566	1,950,548
Fund balances, ending	<u>\$ 86,827</u>	<u>\$ 252,322</u>	<u>\$ -</u>	<u>\$ 339,149</u>

SCHEDULE 6
PELHAM SCHOOL DISTRICT
Student Activity Funds
Combining Balance Sheet
June 30, 2020

	Student Activity Funds				Total
	High School	High School Principal	Memorial School	Elementary School	
ASSETS					
Cash and cash equivalents	\$ 191,634	\$ 4,569	\$ 27,010	\$ 29,109	\$ 252,322
FUND BALANCES					
Assigned	\$ 191,634	\$ 4,569	\$ 27,010	\$ 29,109	\$ 252,322

SCHEDULE 7
PELHAM SCHOOL DISTRICT
Student Activity Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2020

	Student Activity Funds				Total
	High School	High School Principal	Memorial School	Elementary School	
REVENUES					
Other local	\$ 142,224	\$ 1,878	\$ 41,767	\$ 11,466	\$ 197,335
EXPENDITURES					
Current:					
Instruction	150,765	-	39,833	12,029	202,627
Support services:					
Instructional staff	-	2,179	-	-	2,179
Total expenditures	150,765	2,179	39,833	12,029	204,806
Net change in fund balances	(8,541)	(301)	1,934	(563)	(7,471)
Fund balances, beginning, as restated (see Note 15)	200,175	4,870	25,076	29,672	259,793
Fund balances, ending	\$ 191,634	\$ 4,569	\$ 27,010	\$ 29,109	\$ 252,322

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Pelham School District, as of and for the year ended June 30, 2020, 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 16, 2020.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Sheryl A. Platt, CPA

November 16, 2020

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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, 2020. 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, 2020.

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 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.

Sheryl A. Platt, CPA

November 16, 2020

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
PELHAM SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

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>
84.027 and 84.173	Special Education Cluster

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, 2020

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	\$ -	\$ 6,903
COVID-19 - School Breakfast Program	10.553	N/A	-	43,062
National School Lunch Program (note 4)	10.555	N/A	-	132,233
COVID-19 - National School Lunch Program	10.555	N/A	-	81,442
<i>CLUSTER TOTAL</i>			-	263,640
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	20190201	-	5,562
Title I	84.010	20200201	-	122,871
<i>PROGRAM TOTAL</i>			-	128,433
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA	84.027	82501	-	3,560
IDEA	84.027	92578	-	168,258
IDEA	84.027	202511	-	346,331
Special Education - Preschool Grants:				
Preschool	84.173	82501	-	5,001
Preschool	84.173	92578	-	12,189
Preschool	84.173	202511	-	3,282
<i>CLUSTER TOTAL</i>			-	538,621
Supporting Effective Instruction State Grant:				
Title II	84.367	84909	-	18,366
Title II	84.367	20190193	-	36,715
Title II	84.367	20200193	-	310
<i>PROGRAM TOTAL</i>			-	55,391
Student Support and Academic Enrichment Program:				
Title IV - Personalized Learning	84.424	20189143	-	16,215
Title IV	84.424	20190400	-	4,068
Title IV	84.424	20200400	-	132
<i>PROGRAM TOTAL</i>			-	20,415
English Language State Acquisition Grants:				
Passed Through the Goffstown School District, New Hampshire				
Title III	84.365	20190182	-	1,631
Passed Through the Hudson School District, New Hampshire				
Title III	84.365	20200736	-	793
<i>PROGRAM TOTAL</i>			-	2,424
Total Expenditures of Federal Awards			\$ -	\$ 1,008,924

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, 2020

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, 2020. 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, 2020 the value of food donations received was \$65,108.