

PELHAM SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

PELHAM SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
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JUNE 30, 2021

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PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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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, 2021, 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, 2021, and the respective changes in financial position and the respective budgetary comparison for the general and grants funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

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

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

- 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 December 7, 2021 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. Piatt, CPA

December 7, 2021

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, 2021

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, 2021. 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 \$33,004,809; total expenses from governmental activities were \$33,739,416; resulting in a decrease of \$734,607 in net position over the prior years' ending net position.
- The District's total net position for the year ending June 30, 2021, was -\$31,629. Net position decreased by \$734,607 between July 1, 2020 and June 30, 2021. Capital assets, net of debt, were \$19,780,651, an increase of \$438,274 from July 1, 2020 to June 30, 2021.
- During the year, the District's General Fund Non-GAAP budgetary expenditures and transfers of \$29,418,533 were \$2,858,183 less than the final adjusted budget and the General Fund Non-GAAP budgetary revenues of \$31,052,884 were \$497,775 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 \$3,156,048, or 10.73% of total General Fund expenditures, an increase of 4.95% from the prior year.
- During the year, the District received \$1,158,096 in federal grants, an increase of \$149,172 or 14.8% 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, 2021

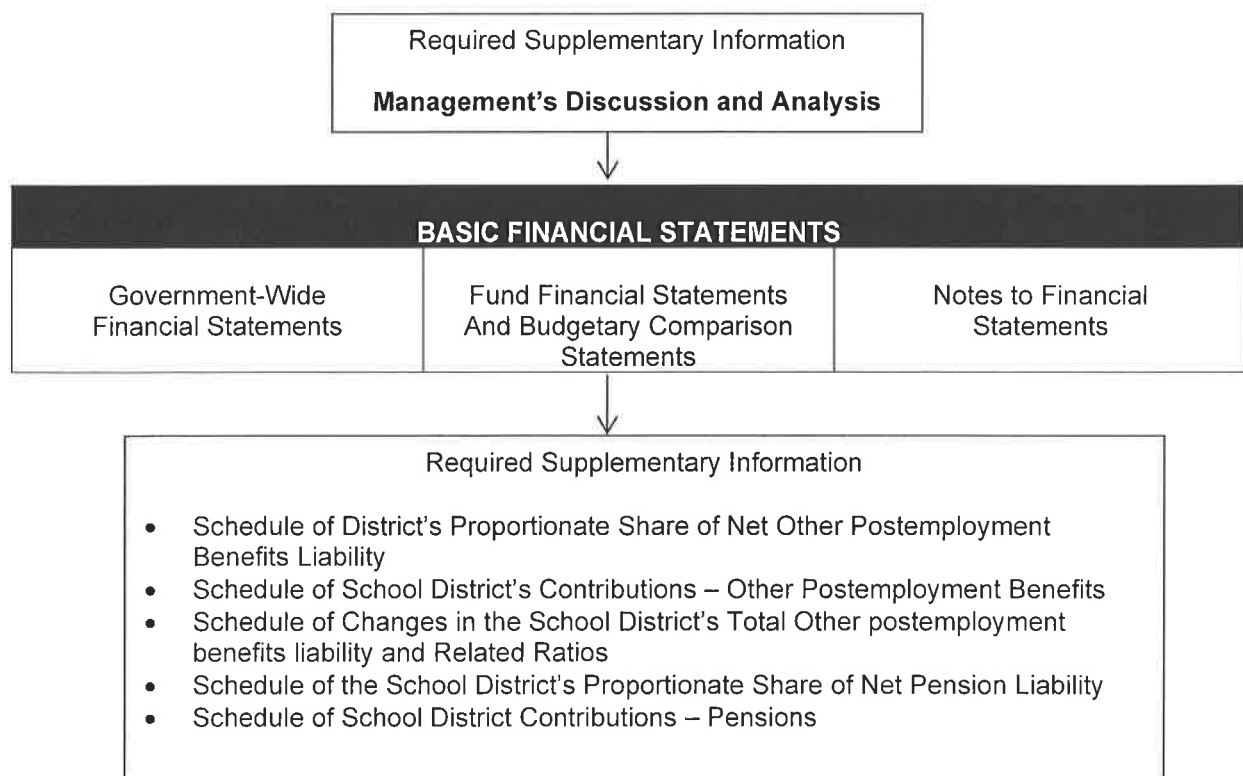
OVERVIEW OF FINANCIAL STATEMENTS

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 four elements: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information, which includes 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 fund 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, 2021

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, 2021

Government-wide Financial Statements

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

Fund Financial Statements

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

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds. The General Fund, Food Service Fund, Grants Fund, and Student Activity 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, 2021

Net Position for the period ending June 30, 2021

Total net position at year-end was -\$31,629, a decrease of \$734,607 or -104.5% below the prior year.

Net Position	2021	2020	\$ Change 2020-2021	% Change 2020-2021
Current Assets	5,387,333	3,912,617	1,474,716	37.7%
Non-current Assets	37,248,645	38,118,669	(870,024)	-2.28%
Total Assets	42,635,978	42,031,286	604,692	1.44%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pensions	8,837,029	4,311,769	4,525,260	104.95%
Current Liabilities	908,873	998,803	(89,930)	-9.00%
Long Term Liabilities	50,078,540	43,804,171	6,274,369	14.32%
Total Liabilities	50,987,413	44,802,974	6,184,439	13.80%
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	517,223	837,103	(319,880)	100.00%
Investment in capital assets (net of debt)	19,780,651	19,342,377	438,274	2.27%
Restricted net position	86,827	92,171	(5,344)	-5.80%
Unrestricted net position	(19,899,107)	(18,731,570)	(1,167,537)	6.23%
Total Net Position	(31,629)	702,978	(734,607)	-104.50%

Change in Net Position

The District's total revenues were \$33,004,809; total expenses from governmental activities were \$33,739,416; resulting in a decrease of \$734,607 in net position over the prior years' ending net position.

This year, 92.95% of the District's revenues came from the local tax assessment and the State of New Hampshire, a decrease of 0.27% 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, 2021**

Statement of Activities	June 30, 2021	% of Total	June 30, 2020	% of Total	\$ Change	% Change
Revenues:						
Program revenues:						
Charges for services	109,064	0.3%	462,651	1.4%	(353,587)	-76.43%
Operating grants	2,094,093	6.3%	1,325,501	4.1%	768,592	57.99%
General revenues:						
School district assessment	22,946,653	69.5%	21,842,048	68.3%	1,104,605	5.06%
Unrestricted grants	7,325,890	22.2%	7,625,778	23.9%	(299,888)	-3.93%
Interest	11,229	0.0%	13,595	0.0%	(2,366)	-17.40%
Miscellaneous	517,880	1.6%	695,846	2.2%	(177,966)	-25.58%
Total revenues	\$33,004,809	100%	\$31,965,419	100%	\$1,039,390	3.25%
Program Expenses:						
Instruction	20,014,301	59.3%	18,799,152	58.9%	1,215,149	6.46%
Support services:						
Student	3,055,611	9.1%	2,785,150	8.7%	270,461	9.71%
Instructional staff	1,020,091	3.0%	846,161	2.7%	173,930	20.56%
General administration	86,534	0.3%	70,724	0.2%	15,810	22.35%
Executive administration	818,741	2.4%	735,340	2.3%	83,401	11.34%
School administration	1,762,568	5.2%	1,619,704	5.1%	142,864	8.82%
Business	476,777	1.4%	421,651	1.3%	55,126	13.07%
Operation and maintenance of plant	2,805,526	8.3%	2,559,442	8.0%	246,084	9.61%
Student transportation	1,304,305	3.9%	1,692,961	5.3%	(388,656)	-22.96%
Other	1,128,801	3.3%	979,837	3.1%	148,964	15.20%
Non-instructional services	791,562	2.3%	804,690	2.5%	(13,128)	-1.63%
Interest on long-term debt	474,599	1.4%	583,930	1.8%	(109,331)	-18.72%
Total governmental activities	\$33,739,416	100%	\$31,898,742	100%	\$1,840,674	5.77%
Change in net position	(734,607)		66,677		\$ (801,284)	-1201.74%
Net Position, Beginning	702,978		636,301		\$ 66,677	10.48%
Net Position, Ending	\$ (31,629)		\$ 702,978		\$ (734,607)	-104.50%

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

Revenues

School district assessment was 69.53% of total revenues for the fiscal year ended June 30, 2021, an increase of 1.20% from the prior year.

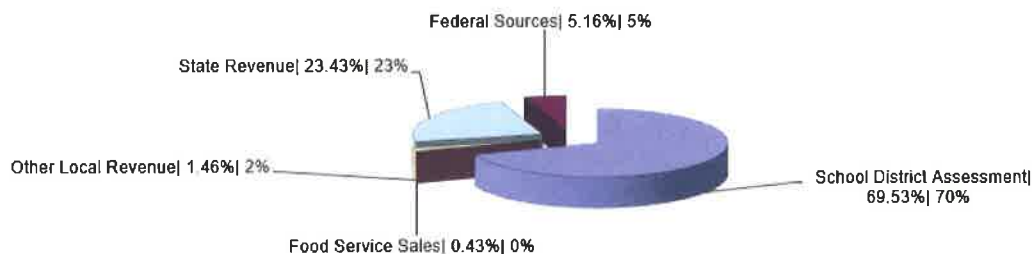
State of New Hampshire source intergovernmental revenues were 23.43% of total revenues for the fiscal year ended June 30, 2021, a decrease of 1.46% from the prior year.

Federal revenues were 5.16% of total revenues for the fiscal year ended June 30, 2021, an increase of 2.0% from the prior year.

Summary of Revenues

The biggest share, \$30,668,620 (92.99%), 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 2020-2021



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:

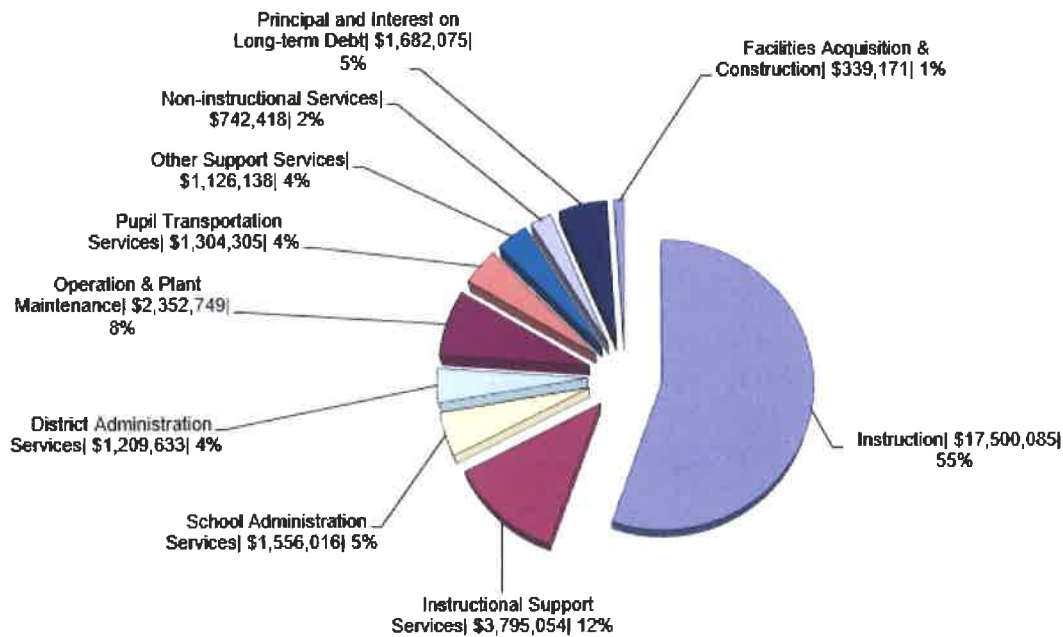
- Instruction expenses were 59.3% of total expenses for the fiscal year ended June 30, 2021, an increase of 0.4% from the prior year.
- Instructional and staff support service expenses were 12.01% of total expenses for the fiscal year ended June 30, 2021, an increase of 0.63% from the prior year.
- Facilities acquisition and construction expenses were 1.07% of total expenses for the fiscal year ended June 30, 2021, a decrease of 4.53% 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, 2021

Summary of Expenses

The Pelham School District used its budgetary resources as depicted in the following chart. 71.71% 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 2020-2021



Highlighted changes in total expenses include:

- An increase in Instruction spending of \$277,243 or 1.67% over the prior year.
- An increase in Instructional and Staff Support Services of \$30,215 or 0.8% over the prior year.
- An increase in District Administration of \$37,706 or 3.22% over the prior year.
- An increase in School Administration services of \$10,632 or 0.69% over the prior year.
- A decrease in Pupil Transportation services of \$388,656 or -22.96% over the prior year, due to the impact of the pandemic.
- A decrease in Facilities Acquisition & Construction spending of \$1,513,332 or -81.69% over the prior year.
- A decrease in Interest on Long-term Debt of \$53,040 or -3.06% 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, 2021

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					
Functions / Programs	Total Cost of Services				Variance
	2021		2020		
Instruction	\$20,014,301	59.3%	\$18,799,152	58.9%	\$1,215,149
Support services	12,458,954	36.9%	11,710,970	36.7%	\$747,984
Food service program	791,562	2.3%	804,690	2.5%	(\$13,128)
Facilities acquisition	0	0.0%	0	0.0%	\$0
Unallocated		0.0%		0.0%	\$0
Interest	474,599	1.4%	583,930	1.8%	(\$109,331)
	\$ 33,739,416	100.0%	\$ 31,898,742	100.0%	\$ 1,840,674

Functions / Programs	Net Cost of Services				Variance
	2021		2020		
Instruction	\$18,487,887	58.6%	\$17,829,097	59.2%	\$658,790
Support services	12,236,854	38.8%	11,574,990	38.4%	\$661,864
Food service program	336,919	1.1%	118,633	0.4%	\$218,286
Facilities acquisition	0	0.0%	0	0.0%	\$0
Unallocated					\$0
Interest	474,599	1.5%	583,930	1.9%	(\$109,331)
	\$ 31,536,259	100%	\$ 30,106,650	100%	\$ 1,429,609

The total cost of all governmental activities in 2021 was \$33,739,416; the total net cost was \$31,536,259. 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 \$26,718,509, an increase of 4.9% over last year; which consisted of \$22,946,653 paid in the form of local property taxes and \$3,771,856 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 \$3,573,377, a decrease of 12.2% over last year, 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 \$19,344 (an increase of 43.4% over last year) 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, 2021

Charges for Services

- Total food service revenues of \$454,643 consisted of food service sales and local miscellaneous revenues in the amount of \$23,564 and federal and state food nutrition program operating contributions (free and reduced lunch reimbursements and commodities) of \$431,079, and a transfer from the general fund of \$287,775 for program losses.
- Under the implementation of GASB Statement No. 84, student activity funds are now reported as special revenue funds and generated \$116,965 in revenue.

Operating Grants and Contributions

- Federal grants for instruction were received in the amount of \$737,863.
- Supplemental Funds received for COVID-19 response that were received, \$539,111 and including all ESSER funds, totaled \$679,996 for FY2021.

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 86.04% of general fund revenues. Together, the revenues raised locally and the state adequacy grant comprises 97.5% 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.

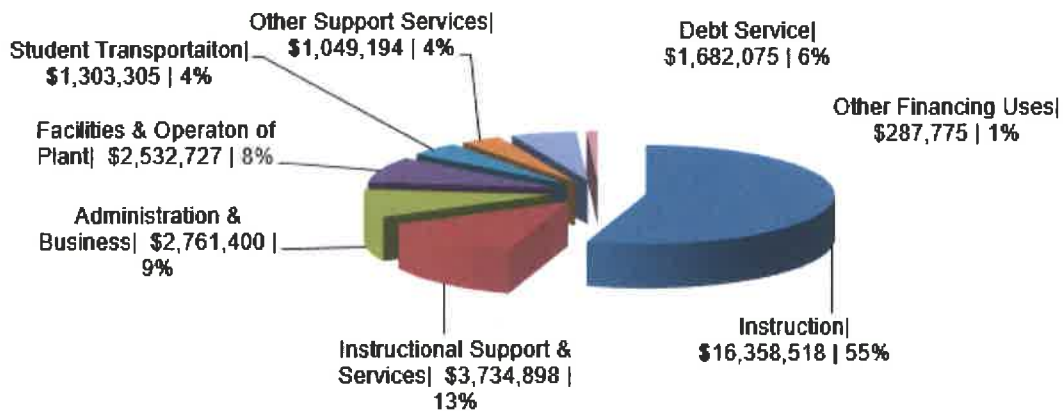
General Fund Budgetary Revenues 2020 - 2021



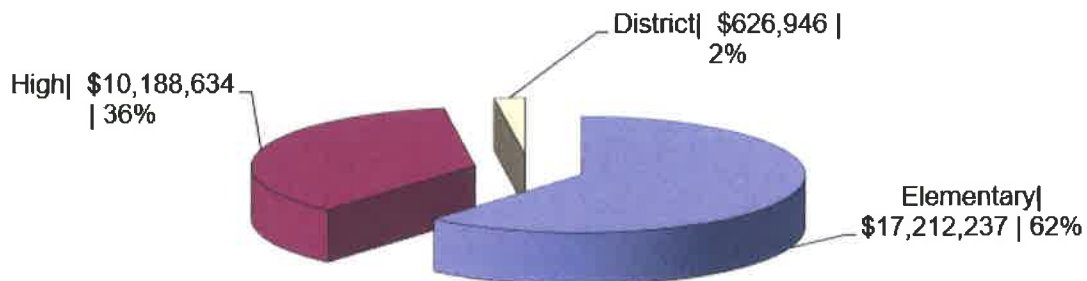
**PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021**

In 2021, instruction made up 55.06% of all general fund expenditures, an increase of 0.54% from the prior year expenditures, while all other support services including transportation, operation of plant, and administration make up 37.17% of all General Fund expenditures, a decrease of 2.22% from the prior year. The remaining 7.77% includes facility acquisition & construction, debt service, and fund transfers, an increase of 1.68% from the prior year. The following charts provide a more detailed depiction of the makeup and proportions of the expenditures in these broad categories.

**General Fund Budgetary Expenditures by Functions
2020- 2021**



**General Fund Budgetary Expenditures by Grade Level
2020 - 2021**



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.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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

**General Fund Budgetary Expenditures for Instruction
2020 - 2021**



SUMMARY OF FEDERAL SUPPORT OF THE DISTRICT

During fiscal year 2021, 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 \$352,209 (down from \$538,621). 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 \$139,708 (up from \$128,433). 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 \$79,422 (up from \$55,391). These grants funded: personalized professional development, reimbursement of coursework to gain teaching certification, and mentoring.
- U. S. Department of Agriculture National School Lunch Program revenues for the current period were \$314,920 and for the National Breakfast Program for the current period were \$77,906, for a total of \$392,826 (up from \$74,028). These revenues were used to offset the expenses of the school lunch program. Note the District received COVID-19 revenues for breakfast for \$5,254, for lunch \$22,153, for an additional total during this period of \$27,407.
- Title IV(A), Student Support and Academic Enrichment Grant was awarded for the current period for \$21,268 (up from \$20,412). This grant funded: academic supports for SEL, Science, Technology, Engineering, Art and Math (STEAM) and Math, and for the effective use of technology. These funds are issued by the Department of Education, Bureau of Integrated Programs.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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. Each fund incurred fees, earned interest and fair market value changes during this period and had zero withdrawals.

Capital Reserve Funds and Expendible Trust Funds	Period Ending June 30, 2021	
	Change	Ending Balance
Special Education CRF	\$ 1,109	\$ 217,014
Building and Grounds Renovation & Improvement CRF	\$ 406	\$ 79,392
ADA Modif Fund School District ETF	\$ 6,465	\$ 38,308
Robinson Tennis Courts ETF	\$ 944	\$ 5,590
School Building Maintenance ETF	\$ 62,471	\$ 370,181
	<u>\$ 71,395</u>	<u>\$ 710,485</u>

Total of all funds increased from \$639,090 on June 30, 2020 to \$710,485 as of June 30, 2021, inclusive of all 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 \$1,802,360 (as restated, see Note 15). General Fund revenues, consisting largely of local taxes and state aid, were \$31,052,884. General Fund expenditures, including fund transfers, were \$29,709,892. The ending fund equity for the District was \$4,624,392 of which \$3,156,048 is an unassigned fund balance, an increase of \$1,353,688 from the prior year's unassigned fund balance as a result of the impact of the COVID-19 Pandemic. 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 \$497,775.
- General Fund expenditures were less than the final adjusted budgeted spending by \$2,858,183. During the 2020-2021 school year, the District modified spending patterns to support the School Board approved Reopening Plan. The expenditure budget was frozen for four months while spending focused toward required expenditures to insure safe operations during the NH State of Emergency and COVID-19 Pandemic. The major components of this budget underspend include:
 - Special Services' budget was underspent by approx. \$1,109,116. \$398,755 underspent in salaries, \$112,669 underspent in benefits, \$346,961 underspent in tuition, and \$185,498 underspent in transportation. Special Education professional services were over spent by \$67,861.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

- Salaries were underspent by approximately \$478,570 (excluding special services). This was primarily due to turnover and the pandemic impacts, including \$266,911 in regular education, \$75,463 in building services, \$17,521 in bilingual programs, \$42,420 in co-curricular and \$11,183 in athletics, \$18,011 in guidance and \$19,608 in improvement of instruction, curriculum and staff training.
- All benefits (excluding special services) were underspent by \$444,945. Medical was underspent by \$294,515, NH retirement was underspent by \$79,362, social security was underspent by approximately \$50,958, worker's compensation was underspent by \$17,716, and unemployment was underspent by \$2,433. Dental insurance was overspent by \$4,291.
- Transportation (excluding special services) was underspent by \$505,693.

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

COMMENTS ON NUTRITION SERVICE FUND

The results for the Food Service Fund reflect expenses of \$742,418 with revenues of \$454,643. Post-audit results show a year-end restricted fund balance of \$86,827.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2021, the District reported capital assets of \$37,248,645 (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 2021 included: R-Zero UVC Sanitizing equipment (3 units), and Technology equipment including Student Chromebook sets, and PES Promethean Boards (15).

Governmental Activities	2021	2020	Increase (Decrease)	% Increase (% Decrease)
Land & Improvements	\$ 699,000	\$ 699,000	\$ -	0.00%
CIP	0	0	\$ -	0.00%
Land Improvements	2,183,030	2,183,030	\$ -	0.00%
Buildings & Improvements	41,026,759	41,026,759	\$ -	0.00%
Machinery, Equipment & Vehicles	1,989,609	1,816,593	\$173,016.00	9.52%
Total Historical Cost	45,898,398	45,725,382	173,016	0.38%
Total Accumulated Depreciation	(8,649,753)	(7,606,713)	(1,043,040)	13.71%
NET CAPITAL ASSETS	37,248,645	38,118,669	(870,024)	-2.28%

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

Long-Term Liabilities

On June 30, 2021, the District had \$15,843,684 in general obligation bonds. In addition, \$1,624,310 in capital leases, \$841,297 in compensated absences payable long term liabilities, \$4,637,217 in net other post-employment benefits liability, and, \$27,132,032 in net pension liability were also reported as long term liabilities as can be seen below:

Governmental Activities			Increase (Decrease)	% Increase (% Decrease)
	2021	2020		
General Obligation Bonds	\$15,843,684	\$16,979,304	(1,135,620)	-6.69%
Capital Lease	1,624,310	1,796,988	(172,678)	-9.61%
Compensated Absences	841,297	756,745	84,552	11.17%
Other Post Employment Benefits Payable	4,637,217	4,434,382	202,835	4.57%
Net Pension Liability	27,132,032	19,836,752	7,295,280	36.78%
TOTAL LONG-TERM LIABILITIES	50,078,540	43,804,171	6,274,369	14.32%

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 2021-2022 fiscal year is \$1,802,360, as restated.

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

1. The district successfully bonded through the NH Municipal Bond Bank a twenty-year bond for \$27,517,975 after applying a premium received in the amount of \$4,462,025 to reduce the loan amount. True interest cost of the bond is 1.74%. The proceeds will be used for an addition and renovations to Pelham Memorial School.
2. The district is eligible to receive funds of up to \$1,139,199 through the federal government for COVID-19 pandemic support. Funds have been approved for three primary areas of expenditures. They include addressing learning gaps, COVID operational supports, and for a first phase of the installation of improved ventilation for Pelham Elementary second floor classrooms and the cafeteria/kitchen areas. This includes air conditioning and dehumidification.
3. We continue to manage the impact on school operations that the COVID-19 global pandemic has caused, and monitor fiscal supports provided both at the federal level and state level. Currently, meals are provided to students at no cost to them, with federal reimbursement for each. This has resulted in fewer "free and reduced" (F&R) applications and approvals within the District. Federal grants, as well as State Education Adequacy funding formulas currently utilize F&R percentages in part. This drop in documented need in our community could have a future impact on expected funding. We continue to monitor this and other economic impacts on the School District.
4. The Pelham SB and Pelham Education Support Personnel Association (PESPA) collective bargaining agreement will conclude in FY2023, and negotiations for a new contract to begin in the fall of 2023 will commence soon.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,372,426
Accounts receivable	5,138
Intergovernmental receivables	980,264
Prepaid items	29,505
Capital assets, not being depreciated	699,000
Capital assets, net of accumulated depreciation	36,549,645
Total assets	<u>42,635,978</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	8,069,469
Amounts related to other postemployment benefits	767,560
Total deferred outflows of resources	<u>8,837,029</u>
LIABILITIES	
Accounts payable	670,723
Intergovernmental payable	57
Accrued interest payable	238,093
Noncurrent obligations:	
Due within one year	1,450,427
Due in more than one year	48,628,113
Total liabilities	<u>50,987,413</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - state and local grants	92,161
Amounts related to pensions	366,787
Amounts related to other postemployment benefits	58,275
Total deferred inflows of resources	<u>517,223</u>
NET POSITION	
Net investment in capital assets	19,780,651
Restricted	86,827
Unrestricted	(19,899,107)
Total net position	<u>\$ (31,629)</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, 2021

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
Instruction	\$ 20,014,301	\$ 85,500	\$ 1,440,914	\$ (18,487,887)
Support services:				
Student	3,055,611	-	-	(3,055,611)
Instructional staff	1,020,091	-	61,907	(958,184)
General administration	86,534	-	-	(86,534)
Executive administration	818,741	-	-	(818,741)
School administration	1,762,568	-	-	(1,762,568)
Business	476,777	-	-	(476,777)
Operation and maintenance of plant	2,805,526	-	159,193	(2,646,333)
Student transportation	1,304,305	-	1,000	(1,303,305)
Other	1,128,801	-	-	(1,128,801)
Noninstructional services	791,562	23,564	431,079	(336,919)
Interest on long-term debt	474,599	-	-	(474,599)
Total governmental activities	<u>\$ 33,739,416</u>	<u>\$ 109,064</u>	<u>\$ 2,094,093</u>	<u>(31,536,259)</u>
General revenues:				
School district assessment				22,946,653
Grants and contributions not restricted to specific programs				7,325,890
Miscellaneous				529,109
Total general revenues				<u>30,801,652</u>
Change in net position				(734,607)
Net position, beginning				702,978
Net position, ending				<u>\$ (31,629)</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, 2021

	General	Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,949,915	\$ 92,161	\$ 330,350	\$ 4,372,426
Accounts receivable	4,507	-	631	5,138
Intergovernmental receivables	740,917	205,885	33,462	980,264
Interfund receivables	205,885	-	-	205,885
Prepaid items	29,505	-	-	29,505
Total assets	<u>\$ 4,930,729</u>	<u>\$ 298,046</u>	<u>\$ 364,443</u>	<u>\$ 5,593,218</u>
LIABILITIES				
Accounts payable	\$ 635,307	\$ -	\$ 35,416	\$ 670,723
Intergovernmental payable	57	-	-	57
Interfund payable	-	205,885	-	205,885
Total liabilities	<u>635,364</u>	<u>205,885</u>	<u>35,416</u>	<u>876,665</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - state and local grants	-	92,161	-	92,161
FUND BALANCES				
Nonspendable	29,505	-	-	29,505
Restricted	-	-	86,827	86,827
Committed	710,484	-	-	710,484
Assigned	399,328	-	242,200	641,528
Unassigned	3,156,048	-	-	3,156,048
Total fund balances	<u>4,295,365</u>	<u>-</u>	<u>329,027</u>	<u>4,624,392</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,930,729</u>	<u>\$ 298,046</u>	<u>\$ 364,443</u>	<u>\$ 5,593,218</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, 2021

Total fund balances of governmental funds (Exhibit C-1)		\$ 4,624,392
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	\$ 45,898,398	
Less accumulated depreciation	<u>(8,649,753)</u>	
		37,248,645
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	\$ 8,069,469	
Deferred inflows of resources related to pensions	(366,787)	
Deferred outflows of resources related to OPEB	767,560	
Deferred inflows of resources related to OPEB	<u>(58,275)</u>	
		8,411,967
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (205,885)	
Payables	<u>205,885</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(238,093)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 14,505,000	
Unamortized bond premium	1,338,684	
Capital leases	1,624,310	
Compensated absences	841,297	
Net pension liability	27,132,032	
Other postemployment benefits	<u>4,637,217</u>	
		<u>(50,078,540)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (31,629)</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-3
PELHAM SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2021

	General	Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
School district assessment	\$22,946,653	\$ -	\$ -	\$22,946,653
Other local	478,300	2,546	140,529	621,375
State	7,721,967	-	10,846	7,732,813
Federal	6,761	1,276,974	420,233	1,703,968
Total revenues	31,153,681	1,279,520	571,608	33,004,809
EXPENDITURES				
Current:				
Instruction	16,396,577	976,667	126,841	17,500,085
Support services:				
Student	2,827,752	-	-	2,827,752
Instructional staff	907,146	59,910	246	967,302
General administration	86,534	-	-	86,534
Executive administration	691,343	-	-	691,343
School administration	1,556,016	-	-	1,556,016
Business	431,756	-	-	431,756
Operation and maintenance of plant	2,193,556	159,193	-	2,352,749
Student transportation	1,303,305	1,000	-	1,304,305
Other	1,124,141	1,997	-	1,126,138
Noninstructional services	-	-	742,418	742,418
Debt service:				
Principal	1,040,000	-	-	1,040,000
Interest	642,075	-	-	642,075
Facilities acquisition and construction	339,171	-	-	339,171
Total expenditures	29,539,372	1,198,767	869,505	31,607,644
Excess (deficiency) of revenues over (under) expenditures	1,614,309	80,753	(297,897)	1,397,165
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	287,775	287,775
Transfers out	(287,775)	-	-	(287,775)
Capital lease inception	88,348	-	-	88,348
Total other financing sources (uses)	(199,427)	-	287,775	88,348
Net change in fund balances	1,414,882	80,753	(10,122)	1,485,513
Fund balances (deficit), beginning, as restated (see Note 15)	2,880,483	(80,753)	339,149	3,138,879
Fund balances, ending	\$ 4,295,365	\$ -	\$ 329,027	\$ 4,624,392

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, 2021

Net change in fund balances of total governmental funds (Exhibit C-3)		\$1,485,513
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. Depreciation expense exceeded capitalized capital outlay in the current year, as follows:		
Capitalized capital outlay	\$ 173,016	
Depreciation expense	(1,043,040)	
		(870,024)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (287,775)	
Transfers out	287,775	
		-
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	\$ (88,348)	
Principal repayment of bond	1,040,000	
Amortization of bond premium	95,620	
Principal repayment of capital leases	261,026	
		1,308,298
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	\$ 71,855	
Increase in compensated absences payable	(84,552)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(2,505,625)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	(140,072)	
		(2,658,394)
Change in net position of governmental activities (Exhibit B)		<u>\$ (734,607)</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT D-1
PELHAM SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
School district assessment	\$ 22,946,653	\$ 22,946,653	\$ 22,946,653	\$ -
Other local	51,400	51,400	377,503	326,103
State	7,542,056	7,542,056	7,721,967	179,911
Federal	15,000	15,000	6,761	(8,239)
Total revenues	30,555,109	30,555,109	31,052,884	497,775
EXPENDITURES				
Current:				
Instruction	18,071,907	17,977,554	16,409,234	1,568,320
Support services:				
Student	2,890,942	2,891,436	2,817,701	73,735
Instructional staff	972,927	981,947	968,594	13,353
General administration	93,590	90,812	82,285	8,527
Executive administration	870,018	870,018	688,626	181,392
School administration	1,558,743	1,557,969	1,548,808	9,161
Business	415,005	415,006	429,502	(14,496)
Operation and maintenance of plant	2,370,553	2,517,979	2,172,536	345,443
Student transportation	1,996,556	1,996,071	1,304,881	691,190
Other	1,118,835	1,063,717	980,083	83,634
Debt service:				
Principal	1,040,000	1,040,000	1,040,000	-
Interest	642,075	642,075	642,075	-
Facilities acquisition and construction	235,565	232,132	334,208	(102,076)
Total expenditures	32,276,716	32,276,716	29,418,533	2,858,183
Excess (deficiency) of revenues over (under) expenditures	(1,721,607)	(1,721,607)	1,634,351	3,355,958
OTHER FINANCING USES				
Transfers out	-	-	(287,775)	(287,775)
Net change in fund balance	\$ (1,721,607)	\$ (1,721,607)	1,346,576	\$ 3,068,183
Decrease in nonspendable fund balance			1,768	
Decrease in restricted fund balance			5,344	
Unassigned fund balance, beginning, as restated (see Note 15)			1,802,360	
Unassigned fund balance, ending			\$ 3,156,048	

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, 2021

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Other local	\$ -	\$ -	\$ 2,546	\$ 2,546
Federal	705,865	705,865	1,276,974	571,109
Total revenues	705,865	705,865	1,279,520	573,655
EXPENDITURES				
Current:				
Instruction	681,536	623,739	976,667	(352,928)
Support services:				
Student	24,329	24,329	-	24,329
Instructional staff	-	56,797	59,910	(3,113)
Operation and maintenance of plant	-	-	159,193	(159,193)
Student transportation	-	1,000	1,000	-
Other	-	-	1,997	(1,997)
Total expenditures	705,865	705,865	1,198,767	(492,902)
Net change in fund balance	\$ -	\$ -	80,753	\$ 80,753
Fund balance (deficit), beginning, as restated (see Note 15)			(80,753)	
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, 2021

	Private Purpose Trust
ASSETS	
Intergovernmental receivable	\$ 5,275
NET POSITION	
Held in trust for specific purposes	\$ 5,275

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, 2021

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 925
DEDUCTIONS	
Scholarship paid	100
Administrative expenses	38
Total deductions	138
Change in net position	787
Net position, beginning	4,488
Net position, ending	\$ 5,275

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, 2021

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PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pelham School District, in Pelham, New Hampshire (the School District), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

1-A Reporting Entity

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

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

1-B Government-wide and Fund Financial Statements

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and are presented in the other governmental column of the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, support services, debt services, facilities acquisition, and construction or noninstructional. 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 the outstanding bond. 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.

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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The School District reports the following major governmental funds:

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

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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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I-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

I-H Interfund Activities

Interfund activities are reported as follows:

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

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

I-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, 2021.

I-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.

I-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
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In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the School District utilizes the following classifications to categorize the financial transactions:

Direct Placements – financial transactions for the sale of bonds where the School District engages with a single buyer or limited number of buyers without a public offering.

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 governmental 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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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Unrestricted Net Position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

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

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

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

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

When multiple net position/fund balance classifications are available for use, it is the 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 collectability of accounts receivable, the useful lives of capital assets, net pension liability, other postemployment benefit liability, and deferred outflows and inflows of resources related to both pension and other postemployment benefits 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.

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2021, \$1,721,607 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis and GAAP basis of accounting for the major grants 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)	\$ 31,052,884
Adjustments:	
Basis difference:	
Capital lease inception	88,348
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	75,643
Other local revenue of the blended athletic funds	25,154
Per Exhibit C-3 (GAAP Basis)	<u>\$ 31,242,029</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 29,706,308
Adjustments:	
Basis difference:	
Encumbrances, beginning	398,630
Encumbrances, ending	(395,046)
Capital lease inception	88,348
GASB Statement No. 54:	
Expenditures of the blended athletic funds	24,658
Expenditures of the blended expendable trust funds	4,249
Per Exhibit C-3 (GAAP basis)	<u>\$ 29,827,147</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$4,372,426 and the bank balances totaled \$4,763,135.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

NOTE 4 – RECEIVABLES

Receivables at June 30, 2021, 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, 2021, consisted of the following:

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 699,000	\$ -	\$ 699,000
Being depreciated:			
Land improvements	2,183,030	-	2,183,030
Buildings and building improvements	41,026,759	-	41,026,759
Machinery and equipment	1,816,593	173,016	1,989,609
Total capital assets being depreciated	45,026,382	173,016	45,199,398
Total capital assets	45,725,382	173,016	45,898,398
Less accumulated depreciation:			
Land improvements	(620,245)	(65,626)	(685,871)
Buildings and building improvements	(6,153,951)	(719,793)	(6,873,744)
Machinery and equipment	(832,517)	(257,621)	(1,090,138)
Total accumulated depreciation	(7,606,713)	(1,043,040)	(8,649,753)
Net book value, capital assets being depreciated	37,419,669	(870,024)	36,549,645
Net book value, all capital assets	\$ 38,118,669	\$ (870,024)	\$ 37,248,645

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	\$ 917,935
Support services:	
Operation and maintenance of plant	97,941
Other support	17,523
Noninstructional services	9,641
Total depreciation expense	\$ 1,043,040

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2021, are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	\$ 205,885

The interfund transfer in the amount of \$287,775 during the year ended June 30, 2021, was made to subsidize the operating loss of the food service fund.

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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2021, consist of amounts related to pensions totaling \$8,069,469 and amounts related to OPEB totaling \$767,560. For further discussion on these amounts, see Notes 10 and 11, respectively.

Deferred inflows of resources at June 30, 2021, consist of the following:

	Governmental Activities	Grants Fund
State and local grants and donations collected in advance of eligible expenditures being made	\$ 92,161	\$92,161
Amounts related to pensions, see Note 10	366,787	-
Amounts related to OPEB, see Note 11	58,275	-
Total deferred inflows of resources	<u>\$ 517,223</u>	<u>\$92,161</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, 2021
Capital lease obligations:		
Energy efficiency - refinance (2021)	2.73%	\$ 1,353,482
Chromebooks (2021)	3.65%	47,159
Chromebooks (2020)	5.06%	59,794
Modular classroom (2019)	3.71%	163,875
Total capital lease obligations		<u>\$ 1,624,310</u>

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

	Governmental Activities
Equipment:	
Energy efficiency improvements	\$ 1,556,978
Modular classroom	329,878
Chromebooks	258,097
Total equipment	<u>2,144,953</u>
Less: accumulated depreciation	<u>(173,608)</u>
Total capital lease equipment	<u>\$ 1,971,345</u>

The annual requirements to amortize the capital leases payable as of June 30, 2021, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2022	\$ 266,305
2023	203,484
2024	178,605
2025	178,605
2026	133,767
2027-2031	668,836
2032-2033	<u>267,534</u>
Total requirements	1,897,136
Less: interest	<u>(272,826)</u>
Present value of remaining payments	<u>\$ 1,624,310</u>

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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Bond payable:					
General obligation bond	\$15,545,000	\$ -	\$ (1,040,000)	\$ 14,505,000	\$ 1,040,000
Premium	1,434,304	-	(95,620)	1,338,684	95,620
Total bond payable	16,979,304	-	(1,135,620)	15,843,684	1,135,620
Capital leases	1,796,988	88,348	(261,026)	1,624,310	218,567
Compensated absences	756,745	84,552	-	841,297	96,240
Pension related liability	19,836,752	7,295,280	-	27,132,032	-
Net other postemployment benefits	4,434,382	202,835	-	4,637,217	-
Total long-term liabilities	\$43,804,171	\$ 7,671,015	\$ (1,396,646)	\$ 50,078,540	\$ 1,450,427

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2021
General obligation bond payable:					
Direct placement:					
High School renovations/construction	\$20,745,000	2015	2035	3.20%	\$ 14,505,000

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2021, including interest payments, are as follows:

Fiscal Year Ending June 30,	Bond - Direct Placement		
	Principal	Interest	Total
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	1,035,000	387,608	1,422,608
2027-2031	5,175,000	1,373,963	6,548,963
2032-2035	4,140,000	339,480	4,479,480
Totals	\$ 14,505,000	\$ 4,139,079	\$ 18,644,079

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.

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Benefits Provided – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). 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.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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 2021, the School District contributed 15.99% for teachers and 10.88% for other employees. The contribution requirement for the fiscal year 2021 was \$1,960,990, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the School District reported a liability of \$27,132,032 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the School District's proportion was 0.42% which was an increase of 0.01% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$4,492,511. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 1,013,742	\$ 75,467
Net difference between projected and actual investment earnings on pension plan investments	1,678,145	-
Changes in assumptions	2,683,896	-
Differences between expected and actual experience	732,696	291,320
Contributions subsequent to the measurement date	1,960,990	-
Total	<u>\$ 8,069,469</u>	<u>\$ 366,787</u>

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The \$1,960,990 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, 2022. 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,	
2021	\$ 1,360,144
2022	1,565,352
2023	1,451,759
2024	1,364,437
2025	-
Thereafter	-
Totals	<u>\$ 5,741,692</u>

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2019, rolled forward to June 30, 2020, using the following assumptions:

Inflation:	2.0% per year
Wage inflation:	2.75% per year (2.25% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

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

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

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2020:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

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Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan’s actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$35,124,939	\$ 27,132,032	\$20,600,768

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.

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.

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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 2020, 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 2021, the School District contributed 1.81% for teachers and 0.29% for other employees. The contribution requirement for the fiscal year 2021 was \$201,643, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2021, the School District reported a liability of \$1,826,872 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the School District's proportion was 0.42% which was an increase of 0.04% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$315,925. At June 30, 2021, 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	\$ 20,489	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	6,835	-
Changes in assumptions	11,746	-
Differences between expected and actual experience	-	5,293
Contributions subsequent to the measurement date	201,643	-
Total	<u>\$ 240,713</u>	<u>\$ 5,293</u>

The \$201,643 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, 2022. 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,	
2021	\$27,460
2022	2,023
2023	2,412
2024	1,882
2025	-
Thereafter	-
Totals	<u>\$33,777</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2019, and a measurement date of June 30, 2020. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% per year (2.25% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

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

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 2020:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2020, was 6.75%. 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 1,983,791	\$ 1,826,872	\$ 1,690,633

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.

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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. The School District OPEB plan is not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

The total OPEB liability is based on the School District offering retirees post-employment healthcare insurance governed by RSA 100-A:50. The retirees pay 100% of the premium cost to participate and are included in the same pool as the active members. The inclusion of the retirees in the same pool effects the insurance rates of the active employees as the rates for the retirees are assumed to be higher due to the age consideration, thereby creating an implicit rate subsidy.

Funding Policy – The School District’s funding policy for the implicit rate subsidy is a pay-as-you-go basis.

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, 2021, 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 \$2,810,345 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020. The School District contract with an outside actuary to complete the actuarial valuation and schedule of changes in the total OPEB liability. Detailed information can be found in the separately issued report through request of the School District business office.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$2,810,345 in the July 1, 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	2.19%
Healthcare Cost Trend Rates:	
Current Year Trend	7.50%
Second Year Trend	7.00%
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, 2021.

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

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Changes in the Total OPEB Liability

	June 30,	
	2020	2021
Total OPEB liability beginning of year	\$ 2,361,868	\$ 2,769,194
Changes for the year:		
Service cost	126,853	132,213
Interest	85,360	73,991
Assumption changes and difference between actual and expected experience	309,703	76,112
Benefit payments	(114,590)	(241,165)
Total OPEB liability end of year	<u>\$ 2,769,194</u>	<u>\$ 2,810,345</u>

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2020, actuarial valuation was prepared using a discount rate of 2.19%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$2,636,725 or by 6.18%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$2,987,907 or by 6.32%.

	Discount Rate		
	1% Decrease	Baseline 2.19%	1% Increase
Total OPEB Liability	<u>\$ 2,987,907</u>	<u>\$ 2,810,345</u>	<u>\$ 2,636,725</u>

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2020, actuarial valuation was prepared using an initial trend rate of 7.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$3,156,758 or by 12.33%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$2,519,458 or by 10.35%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.50%	1% Increase
Total OPEB Liability	<u>\$ 2,519,458</u>	<u>\$ 2,810,345</u>	<u>\$ 3,156,758</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the School District recognized OPEB expense of \$282,301. At June 30, 2021, 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	\$ 207,833	\$ 1,305
Differences between expected and actual experience	319,014	51,677
Total	<u>\$ 526,847</u>	<u>\$ 52,982</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,	
2022	\$ 76,097
2023	76,097
2024	76,097
2025	76,097
2026	76,099
Thereafter	93,378
Totals	<u>\$ 473,865</u>

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NOTE 12 - ENCUMBRANCES

Encumbrances outstanding in the general fund at June 30, 2021, are as follows:

Current:	
Instruction:	
Regular programs	\$ 64,750
Special programs	20,380
Vocational programs	36,026
Other programs	23,022
Total instruction	<u>144,178</u>
Support services:	
Student	7,618
Instructional staff	62,139
Executive administration	2,714
Business	3,511
Operation and maintenance of plant	27,750
Student transportation	1,576
Other	18,177
Total support services	<u>123,485</u>
Facilities acquisition and construction	<u>127,383</u>
Total encumbrances	<u><u>\$ 395,046</u></u>

NOTE 13 – GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

Net position reported on the government-wide and fiduciary fund Statements of Net Position at June 30, 2021, include the following:

	Governmental Activities	Fiduciary Fund
Net investment in capital assets:		
Net book value of all capital assets	\$ 37,248,645	\$ -
Less:		
General obligation bond payable	(14,505,000)	-
Unamortized bond premiums	(1,338,684)	-
Capital leases payable	(1,624,310)	-
Total net investment in capital assets	<u>19,780,651</u>	<u>-</u>
Restricted net position:		
Food service	86,827	-
Private purpose trust	-	5,275
Total restricted net position	<u>86,827</u>	<u>5,275</u>
Unrestricted	(19,899,107)	-
Total net position	<u><u>\$ (31,629)</u></u>	<u><u>\$ 5,275</u></u>

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NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2021, consist of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 29,505	\$ -	\$ 29,505
Restricted:			
Food service	-	86,827	86,827
Committed:			
Expendable trust	710,484	-	710,484
Assigned:			
Encumbrances	395,046	-	395,046
Student activities - district related	4,282	-	4,282
Student activities - student related	-	242,200	242,200
Total assigned fund balance	399,328	242,200	641,528
Unassigned	3,156,048	-	3,156,048
Total governmental fund balances	\$ 4,295,365	\$ 329,027	\$ 4,624,392

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

Fund balance at July 1, 2020, was restated for the following:

	General Fund (GAAP Basis)	General Fund (Non-GAAP Budgetary Basis)	Grants Fund
To restate for expenditures incurred in the prior year reimbursed by the NH Public School Response Fund grant	\$ 80,753	\$ 80,753	\$(80,753)
Fund balance, as previously reported	2,799,730	1,721,607	-
Fund balance (deficit), as restated	\$ 2,880,483	\$ 1,802,360	\$(80,753)

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 2021, 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, 2020, to June 30, 2021 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 2020-21 the School District paid \$103,013 and \$55,071, 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.

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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 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES Act) in response to the economic downfall caused by the COVID-19 pandemic. This Act provided funding through the Coronavirus Relief Fund (CRF) as well as the Education Stabilization Fund (ESF). On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) was signed into law, which provided additional funding for the ESF programs.

The CRF requires that the payment from these funds be used to cover expenses that: are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the most recently approved budget as of March 27, 2020; and were incurred during the period that begins March 1, 2020, and ends on December 31, 2021. The School District was awarded a portion of this Federal funding totaling \$539,111 in the fall of 2020, through the Supplemental Public School Response Fund (SPSRF).

The ESSR provided funds to the School District through the Elementary and Secondary School Emergency Relief Fund (ESSER). The objective of ESSER is to provide local education agencies with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools across the nation. This funding was awarded to the School District under the ESSER I and II grants, with the School District expending \$140,885 of this funding in the fiscal year 2021 and must be used for activities to prevent, prepare, and respond to the coronavirus.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through December 7, 2021, the date the June 30, 2021, financial statements were available to be issued, and noted the following event occurred that requires recognition or disclosure:

At the March 9, 2021, Annual Meeting the District approved \$31,980,000 in bonds or notes to be issued for the design, construction, furnishing and equipping of a major renovation and additions to the Pelham Memorial School and its associated buildings and grounds facilities.

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, 2021

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
School District's:								
Proportion of the net pension liability	0.36%	0.37%	0.38%	0.38%	0.39%	0.42%	0.41%	0.42%
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	\$ 27,132,032
Covered payroll	\$ 10,076,276	\$ 10,418,741	\$ 10,751,805	\$ 10,819,430	\$ 11,716,086	\$ 11,977,651	\$ 12,449,823	\$ 12,449,823
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%	217.93%
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%	58.72%

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, 2021

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Contractually required contribution	\$ 900,098	\$ 1,215,306	\$ 1,265,024	\$ 1,354,575	\$ 1,412,060	\$ 1,754,369	\$ 1,794,100	\$ 1,884,444
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)	(1,884,444)
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	\$ 12,953,948
Contributions as a percentage of covered payroll	8.93%	11.66%	11.77%	12.52%	12.05%	14.65%	14.41%	14.55%

PELHAM SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

***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, 2021. 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.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.0% per year
Wage Inflation	2.755% per year (2.25% for Teachers) in the 2007 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	6.75% 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	Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

Other Information:

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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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, 2021

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
School District's proportion of the net OPEB liability	0.48%	0.49%	0.38%	0.38%	0.42%
School District's proportionate share of the net OPEB liability (asset)	\$ 2,319,087	\$ 2,246,337	\$ 1,747,895	\$ 1,665,188	\$ 1,826,872
School District's covered payroll	\$10,819,430	\$ 11,716,086	\$11,977,651	\$ 12,449,823	\$ 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%	14.67%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%

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, 2021

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Contractually required contribution	\$ 278,355	\$ 291,187	\$ 168,866	\$ 173,336	\$ 193,732
Contributions in relation to the contractually required contribution	(278,355)	(291,187)	(168,866)	(173,336)	(193,732)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,819,430	\$ 11,716,086	\$ 11,977,651	\$ 12,449,823	\$ 12,953,948
Contributions as a percentage of covered payroll	2.57%	2.49%	1.41%	1.39%	1.50%

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, 2021

	June 30,			
	2018	2019	2020	2021
OPEB liability, beginning of year	\$ 1,948,233	\$ 2,304,157	\$ 2,361,868	\$ 2,769,194
Changes for the year:				
Service cost	120,793	117,868	126,853	132,213
Interest	71,538	90,976	85,360	73,991
Assumption changes and difference between actual and expected experience	306,353	(7,928)	309,703	76,112
Benefit payments	(142,760)	(143,835)	(114,590)	(241,165)
OPEB liability, end of year	<u>\$ 2,304,157</u>	<u>\$ 2,361,238</u>	<u>\$ 2,769,194</u>	<u>\$ 2,810,345</u>
Covered payroll	<u>\$ 12,171,447</u>	<u>\$ 13,930,110</u>	<u>\$ 13,245,037</u>	<u>\$ 13,536,275</u>
Total OPEB liability as a percentage of covered payroll	18.93%	16.95%	20.91%	20.76%

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, 2021

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, 2021. 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.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

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	2.0% per year
Wage Inflation	2.75% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	6.75% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.
Health Care Trend Rates	Not applicable, given that benefits are fixed stipends.
Aging Factors	Not applicable, given that the benefits are fixed stipends.

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, 2021. 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, 2021

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 22,946,653	\$ 22,946,653	\$ -
Other local sources:			
Tuition	45,000	85,500	40,500
Investment earnings	400	658	258
Miscellaneous	6,000	291,345	285,345
Total from other local sources	51,400	377,503	326,103
State sources:			
Adequacy aid (grant)	3,554,034	3,554,034	-
Adequacy aid (tax)	3,771,856	3,771,856	-
Catastrophic aid	201,166	359,225	158,059
Vocational aid	15,000	17,508	2,508
Other state aid	-	19,344	19,344
Total from state sources	7,542,056	7,721,967	179,911
Federal sources:			
Medicaid	15,000	6,761	(8,239)
Total revenues	30,555,109	\$ 31,052,884	\$ 497,775
Use of fund balance to reduce school district assessment	1,721,607		
Total revenues and use of fund balance	\$ 32,276,716		

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, 2021

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 14,915	\$ 11,423,588	\$ 10,861,249	\$ 64,750	\$ 512,504
Special programs	36,824	5,761,028	4,883,591	20,380	893,881
Vocational programs	39,654	99,361	76,803	36,026	26,186
Other programs	2,069	678,446	536,875	23,022	120,618
Non-public programs	-	15,131	-	-	15,131
Total instruction	<u>93,462</u>	<u>17,977,554</u>	<u>16,358,518</u>	<u>144,178</u>	<u>1,568,320</u>
Support services:					
Student	17,669	2,891,436	2,827,752	7,618	73,735
Instructional staff	691	981,947	907,146	62,139	13,353
General administration	-	90,812	82,285	-	8,527
Executive administration	5,431	870,018	691,343	2,714	181,392
School administration	7,208	1,557,969	1,556,016	-	9,161
Business	5,765	415,006	431,756	3,511	(14,496)
Operation and maintenance of plant	48,770	2,517,979	2,193,556	27,750	345,443
Student transportation	-	1,996,071	1,303,305	1,576	691,190
Other	87,288	1,063,717	1,049,194	18,177	83,634
Total support services	<u>172,822</u>	<u>12,384,955</u>	<u>11,042,353</u>	<u>123,485</u>	<u>1,391,939</u>
Debt service:					
Principal of long-term debt	-	1,040,000	1,040,000	-	-
Interest on long-term debt	-	642,075	642,075	-	-
Total debt service	<u>-</u>	<u>1,682,075</u>	<u>1,682,075</u>	<u>-</u>	<u>-</u>
Facilities acquisition and construction	<u>132,346</u>	<u>232,132</u>	<u>339,171</u>	<u>127,383</u>	<u>(102,076)</u>
Other financing uses:					
Transfers out	<u>-</u>	<u>-</u>	<u>287,775</u>	<u>-</u>	<u>(287,775)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 398,630</u>	<u>\$ 32,276,716</u>	<u>\$ 29,709,892</u>	<u>\$ 395,046</u>	<u>\$ 2,570,408</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, 2021

Unassigned fund balance, beginning, as restated (see Note 15)		\$ 1,802,360
Changes:		
Unassigned fund balance used to reduce school district assessment		(1,721,607)
2020-2021 Budget summary:		
Revenue surplus (Schedule 1)	\$ 497,775	
Unexpended balance of appropriations (Schedule 2)	<u>2,570,408</u>	
2020-2021 Budget surplus		3,068,183
Decrease in nonspendable fund balance		1,768
Decrease in restricted fund balance		<u>5,344</u>
Unassigned fund balance, ending		<u><u>\$ 3,156,048</u></u>

SCHEDULE 4
PELHAM SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Special Revenue Funds		
	Food Service	Student Activity	Total
ASSETS			
Cash and cash equivalents	\$ 88,150	\$ 242,200	\$ 330,350
Accounts receivable	631	-	631
Intergovernmental receivable	33,462	-	33,462
Total assets	<u>\$ 122,243</u>	<u>\$ 242,200</u>	<u>\$ 364,443</u>
LIABILITIES			
Accounts payable	<u>\$ 35,416</u>	<u>\$ -</u>	<u>\$ 35,416</u>
FUND BALANCES			
Restricted	86,827	-	86,827
Assigned	-	242,200	242,200
Total fund balances	<u>86,827</u>	<u>242,200</u>	<u>329,027</u>
Total liabilities and fund balances	<u>\$ 122,243</u>	<u>\$ 242,200</u>	<u>\$ 364,443</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, 2021

	Special Revenue Funds		
	Food Service	Student Activity	Total
REVENUES			
Other local	\$ 23,564	\$ 116,965	\$ 140,529
State	10,846	-	10,846
Federal	420,233	-	420,233
Total revenues	<u>454,643</u>	<u>116,965</u>	<u>571,608</u>
EXPENDITURES			
Current:			
Instruction	-	126,841	126,841
Support services:			
Instructional staff	-	246	246
Noninstructional services	<u>742,418</u>	<u>-</u>	<u>742,418</u>
Total expenditures	<u>742,418</u>	<u>127,087</u>	<u>869,505</u>
Deficiency of revenues under expenditures	<u>(287,775)</u>	<u>(10,122)</u>	<u>(297,897)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>287,775</u>	<u>-</u>	<u>287,775</u>
Net change in fund balances	-	(10,122)	(10,122)
Fund balances, beginning	<u>86,827</u>	<u>252,322</u>	<u>339,149</u>
Fund balances, ending	<u>\$ 86,827</u>	<u>\$ 242,200</u>	<u>\$ 329,027</u>

SCHEDULE 6
PELHAM SCHOOL DISTRICT
Student Activity Funds
Combining Balance Sheet
June 30, 2021

	Student Activity Funds				Total
	High School	High School Principal	Memorial School	Elementary School	
ASSETS					
Cash and cash equivalents	\$ 187,874	\$ 4,597	\$ 21,150	\$ 28,579	\$ 242,200
FUND BALANCES					
Assigned	\$ 187,874	\$ 4,597	\$ 21,150	\$ 28,579	\$ 242,200

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, 2021

	Student Activity Funds				Total
	High School	High School Principal	Memorial School	Elementary School	
REVENUES					
Other local	\$ 88,974	\$ 274	\$ 24,010	\$ 3,707	\$ 116,965
EXPENDITURES					
Current:					
Instruction	92,734	-	29,870	4,237	126,841
Support services:					
Instructional staff	-	246	-	-	246
Total expenditures	92,734	246	29,870	4,237	127,087
Net change in fund balances	(3,760)	28	(5,860)	(530)	(10,122)
Fund balances, beginning	191,634	4,569	27,010	29,109	252,322
Fund balances, ending	\$ 187,874	\$ 4,597	\$ 21,150	\$ 28,579	\$ 242,200

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pelham School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Pelham School District's basic financial statements, and have issued our report thereon dated December 7, 2021.

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
PLODZIK & SANDERSON
Professional Association

December 7, 2021



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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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, 2021. 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, 2021.

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

December 7, 2021

PLODZIK & SANDERSON
Professional Association

SCHEDULE I
PELHAM SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553 and 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between type A and
type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
PELHAM SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing 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	\$ -	\$ 77,906
COVID-19 - School Breakfast Program	10.553	N/A	-	5,254
National School Lunch Program (<i>note 4</i>)	10.555	N/A	-	314,920
COVID-19 - National School Lunch Program	10.555	N/A	-	22,153
<i>CLUSTER TOTAL</i>			-	420,233
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	20200201	-	12,373
Title I	84.010	20210945	-	127,334
<i>PROGRAM TOTAL</i>			-	139,707
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA	84.027	92578	-	7,209
IDEA - Remote Learning	84.027	95665	-	8,684
IDEA	84.027	202511	-	5,213
IDEA	84.027	20211158	-	321,200
Special Education - Preschool Grants:				
Preschool	84.173	92578	-	2,244
Preschool	84.173	202511	-	6,163
Preschool	84.173	20211158	-	1,496
<i>CLUSTER TOTAL</i>			-	352,209
Supporting Effective Instruction State Grants:				
Title II	84.367	20190193	-	21,677
Title II	84.367	20200193	-	36,682
Title II	84.367	20211107	-	21,063
<i>PROGRAM TOTAL</i>			-	79,422
Student Support and Academic Enrichment Program:				
Title IV	84.424	20190400	-	9,155
Title IV	84.424	20200400	-	5,364
Title IV	84.424	20211136	-	6,749
<i>PROGRAM TOTAL</i>			-	21,268
COVID-19 - Education Stabilization Fund:				
ESSER I	84.425D	20204911	-	116,013
ESSER II	84.425D	20211428	-	24,872
<i>PROGRAM TOTAL</i>			-	140,885

(continued)

SCHEDULE II (Continued)
PELHAM SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
English Language State Acquisition Grants:				
Title III	84.365	20211310	-	2,676
Passed Through the Hudson School District, New Hampshire				
Title III	84.365	20200736	-	1,696
<i>PROGRAM TOTAL</i>			-	4,372
<i>Total Expenditures of Federal Awards</i>			\$ -	\$ 1,158,096

The Notes to the Schedule of Expenditure of Federal Awards is an integral part of this schedule.

PELHAM SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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, 2021 the value of food donations received was \$62,920.