

PELHAM SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

PELHAM SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

TABLE OF CONTENTS

| | <u>PAGES</u> |
|--|---------------------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 - 18 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements | |
| A Statement of Net Position | 19 |
| B Statement of Activities | 20 |
| Fund Financial Statements | |
| <i>Governmental Funds</i> | |
| C-1 Balance Sheet | 21 |
| C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position..... | 22 |
| C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances..... | 23 |
| C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities | 24 |
| <i>Budgetary Comparison Information</i> | |
| D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund | 25 |
| <i>Fiduciary Fund</i> | |
| E-1 Statement of Fiduciary Net Position | 26 |
| E-2 Statement of Changes in Fiduciary Net Position | 27 |
| NOTES TO THE BASIC FINANCIAL STATEMENTS | 28 - 47 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| F Schedule of the School District's Proportionate Share of Net Pension Liability..... | 48 |
| G Schedule of School District Contributions - Pensions | 49 |
| NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY | 50 |
| H Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability | 51 |
| I Schedule of School District Contributions – Other Postemployment Benefits..... | 52 |
| J Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios... | 53 |
| NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY..... | 54 |
| COMBINING AND INDIVIDUAL FUND SCHEDULES | |
| Governmental Funds | |
| <i>Major General Fund</i> | |
| 1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)..... | 55 |
| 2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis) | 56 |
| 3 Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis) | 57 |
| <i>Nonmajor Governmental Funds</i> | |
| 4 Combining Balance Sheet | 58 |
| 5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances..... | 59 |
| <i>Student Activity Funds</i> | |
| 6 Combining Balance Sheet | 60 |
| 7 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance | 61 |

**PELHAM SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

TABLE OF CONTENTS

PAGES

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

| | | |
|----|---|----------------|
| | REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 62 |
| | REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE..... | 63 - 64 |
| I | Schedule of Findings and Questioned Costs..... | 65 |
| II | Schedule of Expenditures of Federal Awards..... | 66 |
| | NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... | 67 |



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the Pelham School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pelham School District, as of June 30, 2023, the respective changes in financial position, and the respective budgetary comparison for the major general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pelham School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in the year ending June 30, 2023, the School District adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Pelham School District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pelham School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

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

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pelham School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pelham School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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,
- 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 is the responsibility of management and, 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.

Supplementary 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 and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 was derived from and relates 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 on our consideration of the Pelham School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

December 6, 2023
Concord, New Hampshire



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, 2023

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, 2023. 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 \$37,736,995; total expenses from governmental activities were \$35,302,613; resulting in an increase of \$2,434,382 in net position over the prior year's ending net position.
- The District's total net position for the year ending June 30, 2023, was \$4,034,652. Net position increased by \$2,434,382 between July 1, 2022 and June 30, 2023. Capital assets, net of debt, were \$23,384,773, an increase of \$2,523,349 from July 1, 2022 to June 30, 2023 as a result of the Pelham Memorial School project that is in progress.
- During the year, the District's General Fund Non-GAAP budgetary expenditures and transfers out of \$35,469,446 were \$2,527,307 less than the final adjusted budget and the General Fund Non-GAAP budgetary revenues of \$34,892,630 were \$203,888 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 \$2,667,472, or 7.6% of total General Fund expenditures, a decrease of 2.8% from the prior year.
- During the year, the District received \$1,496,055 in federal grants, a decrease of \$483,490, or 24.4%, less than the prior year, primarily due to reduced federal funding of school meals.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

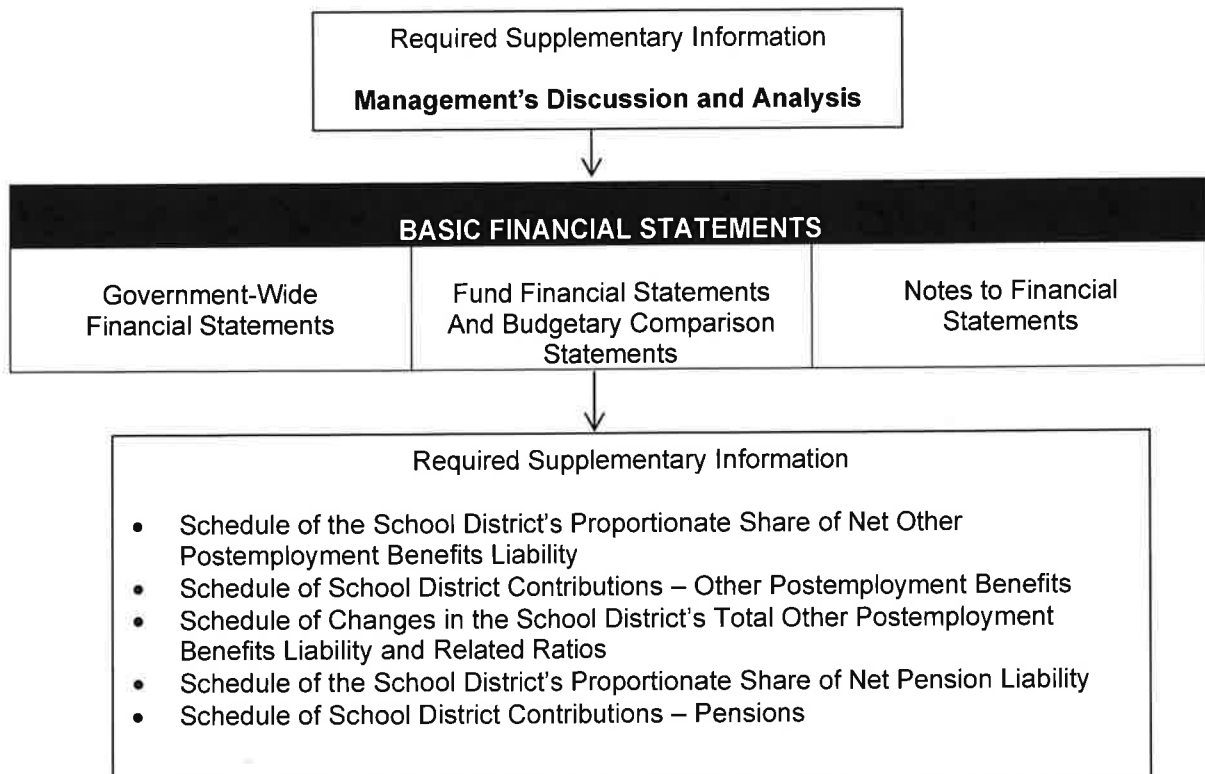
OVERVIEW OF FINANCIAL STATEMENTS

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, 2023

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.

| | <u>Governmental Activities</u> | <u>Governmental Funds</u> | <u>Fiduciary Funds</u> |
|---|--|--|--|
| 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 |
| 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 or long-term liabilities 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 | All revenues and expenses during the year, regardless of when cash is received or paid |

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, 2023

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, Capital Project Fund, and Student Activity Fund are reported as Governmental Funds. Two of the funds' expenditures are compared to the 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 separate schedules.

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, 2023

Net Position for the period ending June 30, 2023

Total net position at year-end was \$4,034,652, an increase of \$2,434,382 or 152% above the prior year.

| Net Position | 2023 | 2022 | \$ Change 2022-2023 | % Change 2022-2023 |
|--|-------------------|-------------------|--------------------------------|-------------------------------|
| Assets | | | | |
| Current Assets | 16,487,921 | 30,688,824 | (14,200,903) | -46.3% |
| Non-current Assets | 60,870,924 | 45,649,279 | 15,221,645 | 33.34% |
| Total Assets | 77,358,845 | 76,338,103 | 1,020,742 | 1.34% |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | 6,214,431 | 6,442,080 | (227,649) | -3.53% |
| Liabilities | | | | |
| Other Liabilities | 4,279,252 | 2,994,379 | 1,284,873 | 42.91% |
| Long Term Liabilities | 74,472,463 | 72,016,831 | 2,455,632 | 3.41% |
| Total Liabilities | 78,751,715 | 75,011,210 | 3,740,505 | 4.99% |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | 786,909 | 6,168,703 | (5,381,794) | -87.24% |
| Investment in Capital Assets (net of debt) | 23,384,773 | 20,861,424 | 2,523,349 | 12.10% |
| Restricted Net Position | 8,232,810 | 215,807 | 8,017,003 | 3714.89% |
| Unrestricted Net Position | (27,582,931) | (19,476,961) | (8,105,970) | -41.62% |
| Total Net Position | 4,034,652 | 1,600,270 | 2,434,382 | 152.12% |

Change in Net Position

The District's total revenues were \$37,736,995; total expenses from governmental activities were \$35,302,613; resulting in an increase of \$2,434,382 in net position over the prior year's ending net position. More than \$2,000,000 of this change is a result of investments in capital assets (net of debt), including the Pelham Memorial project that is still in progress.

This year, 92.16% of the District's revenues came from the local tax assessment and the State of New Hampshire, an increase of 0.87% from last year. The State of New Hampshire's sources include the locally raised State property tax, federal aid received through the State, and the various State aid programs.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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

| Statement of Activities | June 30, 2023 | % of Total | June 30, 2022 | % of Total | \$ Change | % Change |
|--------------------------------------|---------------------|---------------|---------------------|---------------|---------------------|-----------------|
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 635,912 | 1.7% | 203,901 | 0.6% | 432,011 | 211.87% |
| Operating grants | 2,215,804 | 5.9% | 2,400,141 | 7.0% | (184,337) | -7.68% |
| General revenues: | | | | | | |
| School district assessment | 27,242,227 | 72.2% | 23,666,078 | 68.9% | 3,576,149 | 15.11% |
| Unrestricted grants | 7,045,253 | 18.7% | 7,481,348 | 21.8% | (436,095) | -5.83% |
| Miscellaneous | 597,799 | 1.6% | 617,826 | 1.8% | (20,027) | -3.24% |
| Total revenues | \$37,736,995 | 100% | \$34,369,294 | 100% | 3,367,701 | 9.80% |
| Program Expenses: | | | | | | |
| Instruction | 19,721,498 | 55.9% | 18,274,620 | 55.8% | 1,446,878 | 7.92% |
| Support services: | | | | | | |
| Student | 3,074,369 | 8.7% | 2,941,065 | 9.0% | 133,304 | 4.53% |
| Instructional staff | 1,084,946 | 3.1% | 948,148 | 2.9% | 136,798 | 14.43% |
| General administration | 87,165 | 0.2% | 76,786 | 0.2% | 10,379 | 13.52% |
| Executive administration | 756,196 | 2.1% | 684,266 | 2.1% | 71,930 | 10.51% |
| School administration | 1,970,696 | 5.6% | 1,627,881 | 5.0% | 342,815 | 21.06% |
| Business | 472,431 | 1.3% | 425,729 | 1.3% | 46,702 | 10.97% |
| Operation and maintenance of plant | 2,812,766 | 8.0% | 2,527,814 | 7.7% | 284,952 | 11.27% |
| Student transportation | 1,941,859 | 5.5% | 1,748,389 | 5.3% | 193,470 | 11.07% |
| Other | 1,099,848 | 3.1% | 1,130,616 | 3.5% | (30,768) | -2.72% |
| Non-instructional services | 1,031,046 | 2.9% | 899,208 | 2.7% | 131,838 | 14.66% |
| Interest on long-term debt | 1,249,793 | 3.5% | 1,452,873 | 4.4% | (203,080) | -13.98% |
| Total governmental activities | \$35,302,613 | 100% | \$32,737,395 | 100% | \$2,565,218 | 7.84% |
| Change in net position | 2,434,382 | | 1,631,899 | | \$ 802,483 | 49.17% |
| Net Position, Beginning | 1,600,270 | | (31,629) | | \$ 1,631,899 | 5159.50% |
| Net Position, Ending | \$ 4,034,652 | | \$ 1,600,270 | | \$ 2,434,382 | 152.12% |

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 are as follows:

- Instruction expenses were 55.9% of total expenses for the fiscal year ended June 30, 2023, and expenses increased by 7.92% from the prior year.
- Instructional staff support service expenses were 3.1% of total expenses for the fiscal year ended June 30, 2023, and expenses increased by 14.43% 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, 2023

Revenues

School district assessment was 72.19% of total revenues for the fiscal year ended June 30, 2023, an increase of 3.33% from the prior year.

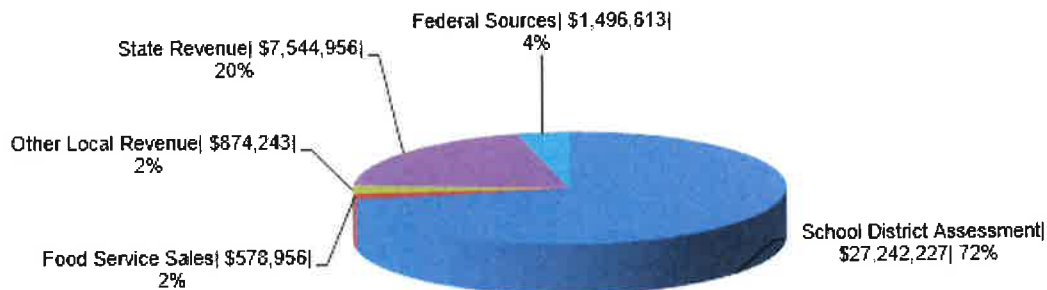
State of New Hampshire source intergovernmental revenues were 19.99% of total revenues for the fiscal year ended June 30, 2023, a decrease of 2.50% from the prior year.

Federal revenues were 3.97% of total revenues for the fiscal year ended June 30, 2023, a decrease of 1.79% from the prior year.

Summary of Revenues

The biggest share, \$34,787,183 (92.18%), 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 2022-2023

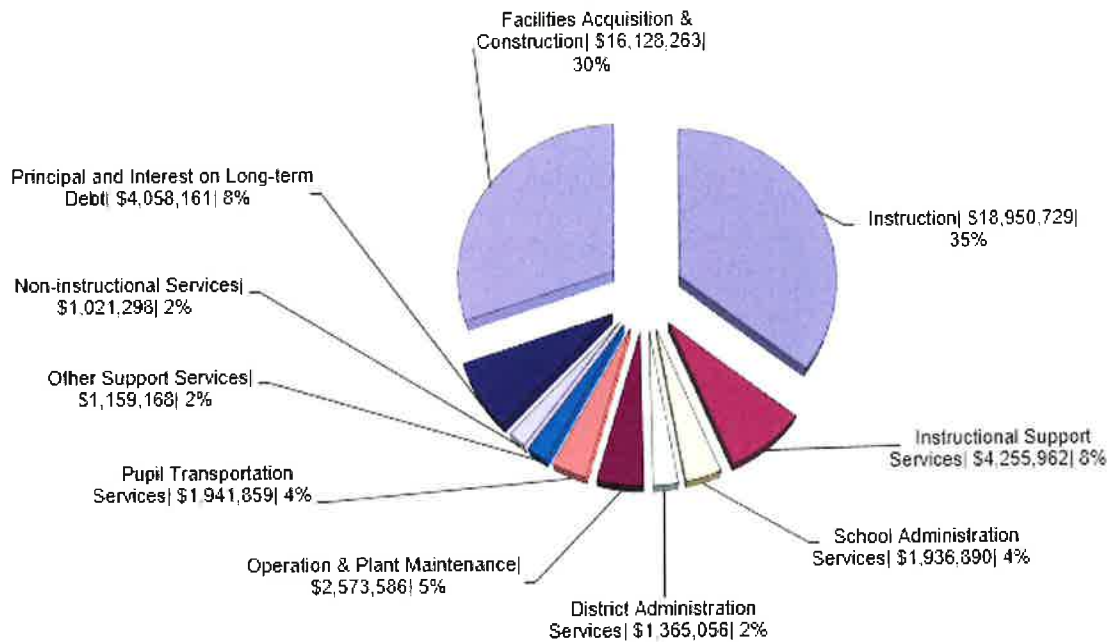


Summary of Expenditures

The Pelham School District used its budgetary resources as depicted in the following chart. 65.39% of all expenses were on instruction and instructional support. Federal revenues were expended mostly on special needs instruction and support, facilities acquisition and construction, teacher professional development, and the district's school lunch program. This expense statement includes expenses paid from local, state and federal appropriations.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

School District Total Expenditures 2022-2023



Highlighted changes in total expenditures include:

- An increase in Instruction spending of \$1,068,392 or 5.97% over the prior year.
- An increase in Instructional and Staff Support Services of \$95,114 or 2.29% over the prior year.
- An increase in District Administration of \$113,574 or 9.08% over the prior year.
- An increase in School Administration services of \$268,037 or 16.06% over the prior year.
- An increase in Pupil Transportation services of \$193,470 or 11.07% over the prior year.
- An increase in Facilities Acquisition & Construction spending of \$6,751,408 or 72% over the prior year, due to the PMS construction project and PES HVAC Phase I project.
- An increase in Principal and Interest on Long-term Debt of \$1,859,254 or 84.55% over the prior year, due to the memorial school and high school capital bond payment schedules.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

Governmental Activities

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

| TOTAL AND NET COST OF SERVICES | | | | | |
|--------------------------------|----------------------|---------------|----------------------|---------------|---------------------|
| Total Cost of Services | | | | | |
| | 2023 | | 2022 | | Variance |
| Functions / Programs | | | | | |
| Instruction | \$19,721,498 | 55.9% | \$18,274,620 | 55.8% | \$1,446,878 |
| Support services | 13,300,276 | 37.7% | 12,110,694 | 37.0% | \$1,189,582 |
| Non Instructional Services | 1,031,046 | 2.9% | 899,208 | 2.7% | \$131,838 |
| Facilities acquisition | 0 | 0.0% | 0 | 0.0% | \$0 |
| Unallocated | | | | | |
| Interest | 1,249,793 | 3.5% | 1,452,873 | 4.4% | (\$203,080) |
| | \$ 35,302,613 | 100.0% | \$ 32,737,395 | 100.0% | \$ 2,565,218 |
| | | | | | |
| Net Cost of Services | | | | | |
| | 2023 | | 2022 | | Variance |
| Functions / Programs | | | | | |
| Instruction | \$18,437,456 | 56.8% | \$17,290,498 | 57.4% | \$1,146,958 |
| Support services | 13,020,944 | 40.1% | 11,940,127 | 39.6% | \$1,080,817 |
| Non Instructional Services | 141,109 | 0.4% | (147,432) | -0.5% | \$288,541 |
| Facilities acquisition | (398,405) | -1.2% | (402,713) | -1.3% | \$4,308 |
| Unallocated | | | | | |
| Interest | 1,249,793 | 3.9% | 1,452,873 | 4.8% | (\$203,080) |
| | \$ 32,450,897 | 100% | \$ 30,133,353 | 100% | \$ 2,317,544 |

The total cost of all governmental activities in 2023 was \$35,302,613; the total net cost was \$32,450,897. 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 \$29,934,879, an increase of 9.7% over last year. This amount consists of \$27,242,227 paid in the form of local property taxes and \$2,692,652 paid in the form of property taxes under the State of New Hampshire state-wide education tax system raised locally for the annual school district assessment.
- An additional amount of \$4,172,735, an increase of 8.2% 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. Other state funding includes \$38,415 (an increase of 17.7% over last year) that was received for special education services provided at charter schools. An additional \$162,261 was received as a one-time reimbursement of 7.5% of NH Retirement System district contributions made in FY2022 as a result of HR1221.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

Charges for Services

- Total food service revenues of \$889,937 consisted of food service sales and local miscellaneous revenues in the amount of \$578,956 and federal and state food nutrition program operating contributions (free and reduced lunch reimbursements and commodities) of \$310,981.
- Under the implementation of GASB Statement No. 84, student activity funds are now reported as special revenue funds and generated \$269,480 in revenue.

Operating Grants and Contributions

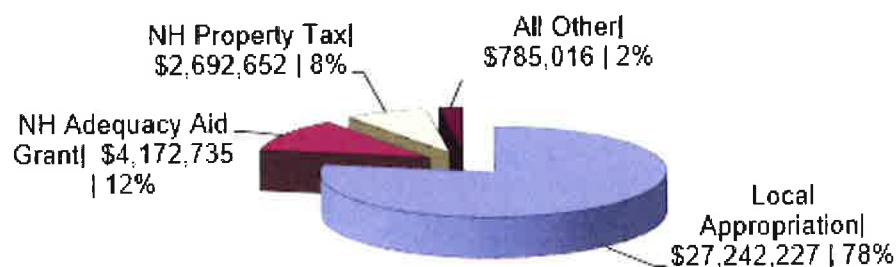
- Federal grants were received in the grants fund in the amount of \$1,496,055.

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 85.79% of general fund revenues. Together, the revenues raised locally and the state adequacy grant comprises 97.75% 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.

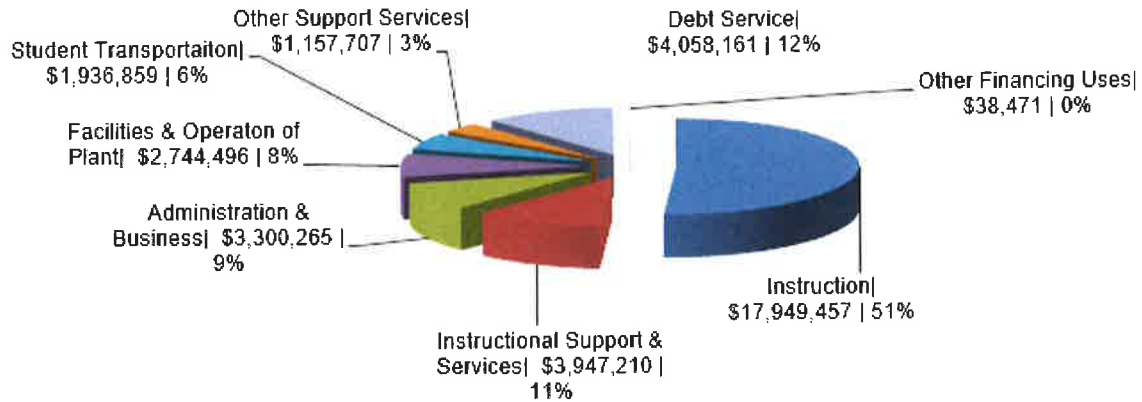
General Fund Budgetary Revenues 2022 - 2023



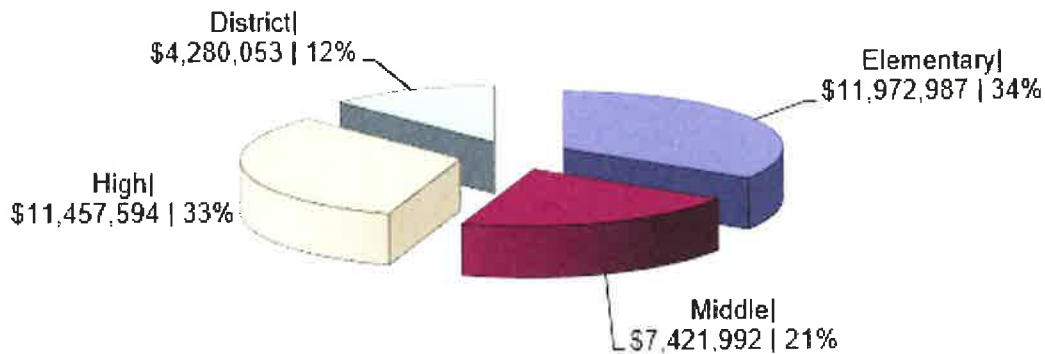
In 2023, instruction made up 51.09% of all general fund expenditures, a decrease of 2.62% from the prior year expenditures, while all other support services including transportation, operation of plant, and administration make up 36.73% of all General Fund expenditures, a decrease of 2.68% from the prior year. The remaining 12.18% includes facility acquisition & construction, debt service, and fund transfers, an increase of 5.30% from the prior year. The following charts provide a more detailed depiction of the makeup and proportions of the expenditures in these broad categories.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

**General Fund Budgetary Expenditures by Functions
2022- 2023**



**General Fund Budgetary Expenditures by Grade Level
2022 - 2023**

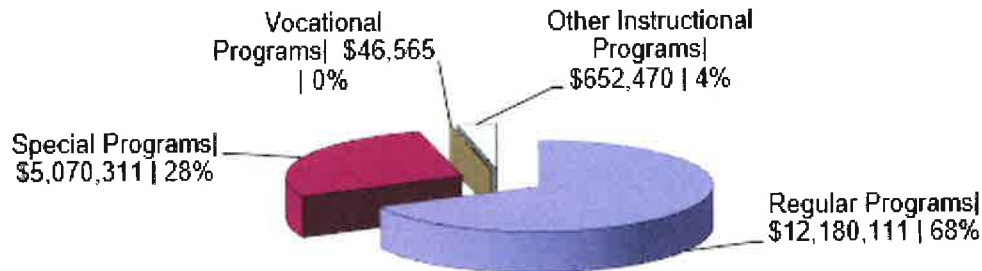


Note that all Grade 6 through Grade 8 expenditures are now reported as middle school expenditures through June 30, 2023, as approved by and in accordance with the NH Department of Education guidelines.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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

**General Fund Budgetary Expenditures for Instruction
2022 - 2023**



SUMMARY OF FEDERAL SUPPORT OF THE DISTRICT

During fiscal year 2023, 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 \$426,639 (up from \$398,596). 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 \$158,936 (up from \$46,076). 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 \$60,481 (down from \$75,075). 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 \$276,573 and for the National Breakfast Program for the current period were \$25,201, for a total of \$301,774 (down from \$903,044). These revenues were used to offset the expenses of the school lunch program.
- Title IV(A), Student Support and Academic Enrichment Grant was awarded for the current period for \$20,697 (down from \$48,346). 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.
- ESSER II-CRRSA and III-ARPA was awarded for the current period for \$519,433 (up from \$499,872). These grants funded: Phase I of PES HVAC project including the 2nd floor classrooms and Cafeteria spaces, as well as academic supports and materials for Reading, Math, and for the effective use of technology.

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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. There was a withdrawal of \$25,000 from the ADA Modification, School District ETF.

| Capital Reserve Funds and Expendible Trust Funds | Period Ending June 30, 2023 | |
|---|-----------------------------|-------------------|
| | Change | Ending Balance |
| Special Education CRF | \$ 3,899 | \$ 221,514 |
| Building and Grounds Renovation & Improvement CRF | \$ 1,426 | \$ 81,038 |
| ADA Modif Fund School District ETF | \$ (23,892) | \$ 8,222 |
| Robinson Tennis Courts ETF | \$ 399 | \$ 5,085 |
| School Building Maintenance ETF | \$ 26,405 | \$ 336,735 |
| | <u>\$ 8,237</u> | <u>\$ 652,594</u> |

Total of all funds increased from \$644,357 on June 30, 2022 to \$652,594 as of June 30, 2023, 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 fund balance was \$3,683,048. General Fund revenues, consisting largely of local taxes and state aid, were \$34,892,630. General Fund expenditures were \$35,132,626. The ending fund balance for the District was \$3,443,052 of which \$2,667,472 is an unassigned fund balance, a decrease of \$640,538 from the prior year's unassigned fund balance. The unassigned fund balance is used to lower the amount of money raised by property taxes.

- General Fund actual revenues were greater than the final budgeted revenues by \$203,888, a reduction of \$66,920 from the prior year.
- General Fund expenditures were less than the final adjusted budgeted spending by \$2,565,778. The major components of this budget underspend include:
 - Special Services' budget was underspent by approximately \$1,679,652. \$1,105,375 underspent in salaries (\$544,092 for IA/tutor positions, \$561,355 for all others), \$383,508 underspent in benefits, \$404,477 underspent in tuition (\$255,000 in residential), and \$30,598 underspent in transportation. Special Education professional services were overspent by \$326,508, due to contracted service contracts.
 - Salaries were underspent by approximately \$526,677 (excluding special services). This was primarily due to turnover and difficulty recruiting and retaining staff, including \$216,512 regular education teachers and \$57,467

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

IA/tutor positions, \$60,878 in building services, \$29,615 in co-curricular, \$21,495 in nurse services, and \$21,386 in technology services. Substitutes were overspent by approximately \$15,400.

- All benefits (excluding special services) were underspent by \$250,237. Medical was underspent by \$114,500, Dental was underspent by \$11,553. NH retirement was underspent by \$59,970, social security was underspent by approximately \$63,927, and unemployment was underspent by \$6,282. Worker's compensation was overspent by \$5,654.
- Transportation (excluding special services) was underspent by \$213,913.
- Utilities was underspent by \$95,799, and Gasoline was underspent by \$15,711.

COMMENTS ON FOOD SERVICE FUND

The results for the Food Service Fund, reported as a non-major fund in this fiscal year, reflects expenses of \$1,021,298 including an investment of \$92,890 in the Pelham Memorial Project (kitchen), with revenues of \$889,937. Post-audit results show a year-end restricted fund balance of \$122,917, a reduction of \$92,890.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2023, the District reported capital assets of \$60,870,924 (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 2023 included: Work in progress for Year 2 of the PMS Renovation/Addition capital project. Phase I of the PES HVAC project (2nd floor Classrooms and Cafeteria completed fall 2022), Chariot scrubber for PMS, PES Camera system upgrade, and Technology equipment including Student Chromebook sets, PES teacher laptops, PMS Promethean Boards (30) and PES Promethean Boards (16).

| Governmental Activities | | | Increase | % Increase |
|---------------------------------|-------------------|-------------------|-------------------|---------------|
| | 2023 | 2022 | (Decrease) | (% Decrease) |
| Land & Improvements | \$ 699,000 | \$ 699,000 | \$ - | 0.00% |
| CIP | 24,299,388 | 9,167,513 | \$15,131,875 | 100.00% |
| Land Improvements | 2,197,452 | 2,197,452 | \$ - | 0.00% |
| Buildings & Improvements | 41,887,854 | 41,026,759 | \$ 861,095 | 2.10% |
| Machinery, Equipment & Vehicles | 2,383,073 | 2,088,693 | \$ 294,380 | 14.09% |
| Total Historical Cost | 71,466,767 | 55,179,417 | 16,287,350 | 29.52% |
| Total Accumulated Depreciation | (10,595,843) | (9,530,138) | (1,065,705) | 11.18% |
| NET CAPITAL ASSETS | 60,870,924 | 45,649,279 | 15,221,645 | 33.34% |

PELHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

Long-Term Liabilities

On June 30, 2023, the District had \$43,926,368 in general obligation bonds and bond premiums. In addition, \$1,344,293 in notes payable (leases), \$701,640 in compensated absences payable long term liabilities, \$4,039,695 in net other post-employment benefits liability, and, \$24,460,467 in net pension liability were also reported as long term liabilities as can be seen below:

| Governmental Activities | | | Increase | % Increase |
|--|-------------------|-------------------|------------------|--------------|
| | 2023 | 2022 | (Decrease) | (% Decrease) |
| Bonds Payable -Direct Placements | \$ 38,540,000 | \$ 40,982,975 | (2,442,975) | -5.96% |
| Bond Premiums | 5,386,368 | 5,705,089 | (318,721) | -5.59% |
| Notes Payable -Direct Borrowings | 1,344,293 | 1,405,744 | (61,451) | -4.37% |
| Compensated Absences | 701,640 | 728,128 | (26,488) | -3.64% |
| Other Post Employment Benefits Payable | 4,039,695 | 4,223,606 | (183,911) | -4.35% |
| Net Pension Liability | 24,460,467 | 18,971,289 | 5,489,178 | 28.93% |
| TOTAL LONG-TERM LIABILITIES | 74,472,463 | 72,016,831 | 2,455,632 | 3.41% |

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 the District.

The beginning General Fund unassigned fund balance for the 2023-2024 fiscal year is \$2,667,472.

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

1. The Pelham School Board and Pelham Education Association (PEA) collective bargaining agreement is currently in negotiations for a new contract to begin in the fall of 2024. The financial impacts are not known at this time.
2. The Pelham School District has partnered with Kearsarge Energy to design, install, own and operate rooftop solar arrays on school district school buildings. Through a multi-year power purchase agreement and rooftop lease, the District will achieve savings in electricity supply costs over the period of agreement. Following all required approvals, we anticipate installation during the 2024-2025 fiscal year, and related savings to begin shortly afterward.
3. Pelham Elementary School is a 128,000 square foot Prek – Grade 5 building. It was originally built in 2001 and some building equipment and building systems will need to be replaced over time.

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, 2023

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 15,578,306 |
| Accounts receivable | 43 |
| Intergovernmental receivables | 812,622 |
| Prepaid items | 96,950 |
| Capital assets, not being depreciated | 24,998,388 |
| Capital assets, net of accumulated depreciation | 35,872,536 |
| Total assets | <u>77,358,845</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Amounts related to pensions | 5,561,227 |
| Amounts related to other postemployment benefits | 653,204 |
| Total deferred outflows of resources | <u>6,214,431</u> |
| LIABILITIES | |
| Accounts payable | 1,463,983 |
| Accrued interest payable | 581,007 |
| Retainage payable | 2,234,262 |
| Noncurrent obligations: | |
| Due within one year | 2,957,609 |
| Due in more than one year | 71,514,854 |
| Total liabilities | <u>78,751,715</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - grants received in advance | 189,184 |
| Amounts related to pensions | 181,962 |
| Amounts related to other postemployment benefits | 415,763 |
| Total deferred inflows of resources | <u>786,909</u> |
| NET POSITION | |
| Net investment in capital assets | 23,384,773 |
| Restricted | 8,232,810 |
| Unrestricted | (27,582,931) |
| Total net position | <u>\$ 4,034,652</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, 2023

| | | Program Revenues | | Net (Expense) |
|--|----------------------|-------------------|---------------------|---------------------|
| | | Charges | Operating | Revenue and |
| | | for | Grants and | Change in |
| | Expenses | Services | Contributions | Net Position |
| Governmental activities: | | | | |
| Instruction | \$ 19,721,498 | \$ 57,251 | \$ 1,226,791 | \$ (18,437,456) |
| Support services: | | | | |
| Student | 3,074,369 | - | - | (3,074,369) |
| Instructional staff | 1,084,946 | - | 260,363 | (824,583) |
| General administration | 87,165 | - | - | (87,165) |
| Executive administration | 756,196 | - | - | (756,196) |
| School administration | 1,970,696 | - | - | (1,970,696) |
| Business | 472,431 | - | - | (472,431) |
| Operation and maintenance of plant | 2,812,766 | - | 12,508 | (2,800,258) |
| Student transportation | 1,941,859 | - | 5,000 | (1,936,859) |
| Other | 1,099,848 | - | 1,461 | (1,098,387) |
| Noninstructional services | 1,031,046 | 578,661 | 311,276 | (141,109) |
| Interest on long-term debt | 1,249,793 | - | - | (1,249,793) |
| Facilities acquisition and construction | - | - | 398,405 | 398,405 |
| Total governmental activities | <u>\$ 35,302,613</u> | <u>\$ 635,912</u> | <u>\$ 2,215,804</u> | <u>(32,450,897)</u> |
| General revenues: | | | | |
| School district assessment | | | | 27,242,227 |
| Grants and contributions not restricted to specific programs | | | | 7,045,253 |
| Interest | | | | 716 |
| Miscellaneous | | | | 597,083 |
| Total general revenues | | | | <u>34,885,279</u> |
| Change in net position | | | | 2,434,382 |
| Net position, beginning | | | | 1,600,270 |
| Net position, ending | | | | <u>\$ 4,034,652</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, 2023

| | General | Capital Project | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,941,134 | \$ 11,111,349 | \$ 525,823 | \$ 15,578,306 |
| Accounts receivable | 43 | - | - | 43 |
| Intergovernmental receivables | 654,345 | - | 158,277 | 812,622 |
| Interfund receivables | 120,880 | - | 38,471 | 159,351 |
| Prepaid items | 96,950 | - | - | 96,950 |
| Total assets | <u>\$ 4,813,352</u> | <u>\$ 11,111,349</u> | <u>\$ 722,571</u> | <u>\$ 16,647,272</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 677,922 | \$ 767,194 | \$ 18,867 | \$ 1,463,983 |
| Interfund payable | 38,471 | - | 120,880 | 159,351 |
| Retainage payable | - | 2,234,262 | - | 2,234,262 |
| Total liabilities | <u>716,393</u> | <u>3,001,456</u> | <u>139,747</u> | <u>3,857,596</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - grants received in advance | - | - | 189,184 | 189,184 |
| FUND BALANCES | | | | |
| Nonspendable | 96,950 | - | - | 96,950 |
| Restricted | - | 8,109,893 | 122,917 | 8,232,810 |
| Committed | 652,594 | - | - | 652,594 |
| Assigned | 679,943 | - | 270,723 | 950,666 |
| Unassigned | 2,667,472 | - | - | 2,667,472 |
| Total fund balances | <u>4,096,959</u> | <u>8,109,893</u> | <u>393,640</u> | <u>12,600,492</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 4,813,352</u> | <u>\$ 11,111,349</u> | <u>\$ 722,571</u> | <u>\$ 16,647,272</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, 2023

| | | |
|--|---------------------|---------------------|
| Total fund balances of governmental funds (Exhibit C-1) | | \$12,600,492 |
| 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 | \$ 71,466,767 | |
| Less accumulated depreciation | <u>(10,595,843)</u> | |
| | | 60,870,924 |
| 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 | \$ 5,561,227 | |
| Deferred inflows of resources related to pensions | (181,962) | |
| Deferred outflows of resources related to OPEB | 653,204 | |
| Deferred inflows of resources related to OPEB | <u>(415,763)</u> | |
| | | 5,616,706 |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position. | | |
| Receivables | \$ (159,351) | |
| Payables | <u>159,351</u> | |
| | | - |
| Interest on long-term debt is not accrued in governmental funds. | | |
| Accrued interest payable | | (581,007) |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds. | | |
| Bond/Notes | \$ 39,884,293 | |
| Unamortized bond premium | 5,386,368 | |
| Compensated absences | 701,640 | |
| Net pension liability | 24,460,467 | |
| Other postemployment benefits | <u>4,039,695</u> | |
| | | (74,472,463) |
| Net position of governmental activities (Exhibit A) | | <u>\$ 4,034,652</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, 2023

| | General | Capital Project | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| School district assessment | \$27,242,227 | \$ - | \$ - | \$27,242,227 |
| Other local | 183,694 | 303,739 | 965,766 | 1,453,199 |
| State | 7,535,749 | - | 9,207 | 7,544,956 |
| Federal | 558 | - | 1,496,055 | 1,496,613 |
| Total revenues | <u>34,962,228</u> | <u>303,739</u> | <u>2,471,028</u> | <u>37,736,995</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 18,073,153 | - | 877,576 | 18,950,729 |
| Support services: | | | | |
| Student | 3,054,091 | - | - | 3,054,091 |
| Instructional staff | 939,799 | - | 262,072 | 1,201,871 |
| General administration | 87,165 | - | - | 87,165 |
| Executive administration | 809,672 | - | - | 809,672 |
| School administration | 1,936,890 | - | - | 1,936,890 |
| Business | 468,219 | - | - | 468,219 |
| Operation and maintenance of plant | 2,561,078 | - | 12,508 | 2,573,586 |
| Student transportation | 1,936,859 | - | 5,000 | 1,941,859 |
| Other | 1,157,707 | - | 1,461 | 1,159,168 |
| Noninstructional services | - | - | 1,021,298 | 1,021,298 |
| Debt service: | | | | |
| Principal | 2,442,975 | - | - | 2,442,975 |
| Interest | 1,615,186 | - | - | 1,615,186 |
| Facilities acquisition and construction | 208,418 | 15,521,440 | 398,405 | 16,128,263 |
| Total expenditures | <u>35,291,212</u> | <u>15,521,440</u> | <u>2,578,320</u> | <u>53,390,972</u> |
| Deficiency of revenues under expenditures | <u>(328,984)</u> | <u>(15,217,701)</u> | <u>(107,292)</u> | <u>(15,653,977)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 38,471 | 38,471 |
| Transfers out | (38,471) | - | - | (38,471) |
| Inception of note | 136,380 | - | - | 136,380 |
| Total other financing sources (uses) | <u>97,909</u> | <u>-</u> | <u>38,471</u> | <u>136,380</u> |
| Net change in fund balances | (231,075) | (15,217,701) | (68,821) | (15,517,597) |
| Fund balances, beginning | 4,328,034 | 23,327,594 | 462,461 | 28,118,089 |
| Fund balances, ending | <u>\$ 4,096,959</u> | <u>\$ 8,109,893</u> | <u>\$ 393,640</u> | <u>\$12,600,492</u> |

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

EXHIBIT C-4
PELHAM SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

| | | |
|---|--------------------|----------------------------|
| Net change in fund balances of total governmental funds (Exhibit C-3) | | \$(15,517,597) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows: | | |
| Capitalized capital outlay | \$ 16,294,275 | |
| Depreciation expense | <u>(1,072,630)</u> | |
| | | 15,221,645 |
| Transfers in and out between governmental funds are eliminated on the Statement of Activities. | | |
| Transfers in | \$ (38,471) | |
| Transfers out | <u>38,471</u> | |
| | | - |
| Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | |
| Issuance of note | \$ (136,380) | |
| Principal repayment of bonds | 2,442,975 | |
| Principal repayment of notes | 197,831 | |
| Amortization of bond premium | <u>318,721</u> | |
| | | 2,823,147 |
| 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 | \$ 46,672 | |
| Decrease in compensated absences payable | 26,488 | |
| Net change in net pension liability and deferred outflows and inflows of resources related to pensions | (254,279) | |
| Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits | <u>88,306</u> | |
| | | (92,813) |
| Change in net position of governmental activities (Exhibit B) | | <u><u>\$ 2,434,382</u></u> |

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

EXHIBIT D
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, 2023

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|--|-----------------------|-----------------------|---------------------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| School district assessment | \$ 27,242,227 | \$ 27,242,227 | \$ 27,242,227 | \$ - |
| Other local | 60,400 | 60,400 | 114,096 | 53,696 |
| State | 7,381,115 | 7,381,115 | 7,535,749 | 154,634 |
| Federal | 5,000 | 5,000 | 558 | (4,442) |
| Total revenues | <u>34,688,742</u> | <u>34,688,742</u> | <u>34,892,630</u> | <u>203,888</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 19,899,702 | 19,893,340 | 17,935,009 | 1,958,331 |
| Support services: | | | | |
| Student | 3,507,064 | 3,358,399 | 3,031,099 | 327,300 |
| Instructional staff | 1,045,436 | 1,050,423 | 959,241 | 91,182 |
| General administration | 94,215 | 94,215 | 85,484 | 8,731 |
| Executive administration | 959,497 | 959,497 | 812,918 | 146,579 |
| School administration | 1,755,746 | 1,902,672 | 1,940,192 | (37,520) |
| Business | 463,253 | 463,253 | 467,327 | (4,074) |
| Operation and maintenance of plant | 2,639,642 | 2,639,642 | 2,805,153 | (165,511) |
| Student transportation | 2,172,510 | 2,180,510 | 1,936,112 | 244,398 |
| Other | 1,222,918 | 1,218,032 | 1,226,111 | (8,079) |
| Debt service: | | | | |
| Principal | 2,442,975 | 2,442,975 | 2,442,975 | - |
| Interest | 1,615,186 | 1,615,186 | 1,615,186 | - |
| Facilities acquisition and construction | 178,609 | 178,609 | 174,168 | 4,441 |
| Total expenditures | <u>37,996,753</u> | <u>37,996,753</u> | <u>35,430,975</u> | <u>2,565,778</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,308,011)</u> | <u>(3,308,011)</u> | <u>(538,345)</u> | <u>2,769,666</u> |
| OTHER FINANCING USES | | | | |
| Transfers out | - | - | (38,471) | (38,471) |
| Net change in fund balance | <u>\$ (3,308,011)</u> | <u>\$ (3,308,011)</u> | <u>(576,816)</u> | <u>\$ 2,731,195</u> |
| Increase in nonspendable fund balance | | | (63,722) | |
| Unassigned fund balance, beginning | | | 3,308,010 | |
| Unassigned fund balance, ending | | | <u>\$ 2,667,472</u> | |

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, 2023

| | Private Purpose Trust |
|-------------------------------------|-----------------------------|
| ASSETS | |
| Intergovernmental receivable | \$ 1,575 |
| NET POSITION | |
| Held in trust for specific purposes | \$ 1,575 |

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, 2023

| | Private Purpose Trust |
|-----------------------------|-----------------------------|
| ADDITIONS | |
| Investment earnings | \$ 20 |
| Change in fair market value | 146 |
| Total additions | <u>166</u> |
| DEDUCTIONS | |
| Scholarship paid | 1,000 |
| Administrative expenses | 8 |
| Total deductions | <u>1,008</u> |
| Change in net position | (842) |
| Net position, beginning | <u>2,417</u> |
| Net position, ending | <u><u>\$ 1,575</u></u> |

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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

DETAILED NOTES ON ALL FUNDS

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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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 GASB Statement No. 14 (as amended). 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. 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, including capital assets and long-term liabilities.

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 the fiduciary fund, even though the latter is 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 function: instruction, support services, noninstructional, debt services, or facilities acquisition and construction. Current expenditures are subclassified by object and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds and notes. 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
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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.

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

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

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. This fund accounts for resources held by the School District for the benefit of other parties and include the private purpose trust funds. The fiduciary fund is 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 and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

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

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. This amount is equal to the nonspendable fund balance in the general fund at year-end.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

1-G Capital Assets

Capital assets are reported in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$10,000 for all capital asset classes except infrastructure assets, which have a capitalization threshold of \$100,000 per item, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the School District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

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

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

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

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-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, 2023.

1-J Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense/expenditure) until that time. The School District has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

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. The School has three types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. In addition, unavailable revenue from grants arises when the related eligible expenditures will not be made until the subsequent period.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

1-K Long-term Obligations

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

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 Borrowings – financial transactions for a note or a loan where the School District negotiates certain terms with a single lender and are not offered for public sale.

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 the 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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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, notes, or other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

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

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

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

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

When multiple net position/fund balance classifications are available for use, it is the 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 liabilities, 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.

1-Q Material Change in Classification

The accompanying financial statements reflect a change in classification from the prior year. Specifically, the grants fund which accounts for local and federal grant activity did not qualify as a major fund for the current fiscal year. As such it was reclassified to the nonmajor governmental funds.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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 fund, as well as the nonmajor grants and food service funds. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2023, \$3,308,011 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 the major general fund. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

| | |
|---|----------------------|
| Revenues: | |
| Per Exhibit D (budgetary basis) | \$ 34,892,630 |
| Adjustments: | |
| Basis difference: | |
| Inception of note | 136,380 |
| Refunding bonds issued | |
| GASB Statement No. 54: | |
| Investment earnings related to the blended expendable trust funds | 34,918 |
| Other local revenue of the blended athletic funds | 34,680 |
| Per Exhibit C-3 (GAAP Basis) | <u>\$ 35,098,608</u> |
| Expenditures and other financing uses: | |
| Per Exhibit D (budgetary basis) | \$ 35,469,446 |
| Adjustments: | |
| Basis difference: | |
| Encumbrances, beginning | 341,810 |
| Encumbrances, ending | (678,630) |
| Inception of note | 136,380 |
| Payments to refunded bond escrow agent | |
| GASB Statement No. 54: | |
| Expenditures of the blended athletic funds | 33,996 |
| Expenditures of the blended expendable trust funds | 26,681 |
| Per Exhibit C-3 (GAAP basis) | <u>\$ 35,329,683</u> |

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented during fiscal year 2023. The objective of this Statement is to better meet information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirement for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets (an intangible asset), and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards of SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. The School District has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 96 and have determined that none of the agreements have met the requirements of the pronouncement.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by Federal Depository Insurance Corporation (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 \$15,578,306 and the bank balances totaled \$15,853,231.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2023, consisted of accounts and intergovernmental amounts arising from grants, the school lunch program, expendable trust funds held by the Town of Pelham Trustees of Trust Funds for the School District, and other miscellaneous amounts. 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, 2023 consisted of the following:

| | Balance, beginning | Additions | Retirements | Balance, ending |
|--|-----------------------|-------------------|------------------|--------------------|
| At cost: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 699,000 | \$ - | \$ - | \$ 699,000 |
| Construction in progress | 9,167,513 | 15,625,341 | (493,466) | 24,299,388 |
| Total capital assets not being depreciated | <u>9,866,513</u> | <u>15,625,341</u> | <u>(493,466)</u> | <u>24,998,388</u> |
| Being depreciated: | | | | |
| Land improvements | 2,197,452 | - | - | 2,197,452 |
| Buildings and building improvements | 41,026,759 | 861,095 | - | 41,887,854 |
| Machinery and equipment | 2,088,693 | 301,305 | (6,925) | 2,383,073 |
| Total capital assets being depreciated | <u>45,312,904</u> | <u>1,162,400</u> | <u>(6,925)</u> | <u>46,468,379</u> |
| Total capital assets | <u>55,179,417</u> | <u>16,787,741</u> | <u>(500,391)</u> | <u>71,466,767</u> |

(Continued)

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Capital assets continued:

| | Balance, beginning | Additions | Retirements | Balance, ending |
|--|-----------------------|----------------------|---------------------|----------------------|
| Less accumulated depreciation: | | | | |
| Land improvements | (751,290) | (63,223) | - | (814,513) |
| Buildings and building improvements | (7,605,370) | (747,431) | - | (8,352,801) |
| Machinery and equipment | (1,173,478) | (261,976) | 6,925 | (1,428,529) |
| Total accumulated depreciation | (9,530,138) | (1,072,630) | 6,925 | (10,595,843) |
| Net book value, capital assets being depreciated | 35,782,766 | 89,770 | - | 35,872,536 |
| Net book value, all capital assets | <u>\$ 45,649,279</u> | <u>\$ 15,715,111</u> | <u>\$ (493,466)</u> | <u>\$ 60,870,924</u> |

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

| | |
|------------------------------------|---------------------|
| Instruction | \$ 943,976 |
| Support services: | |
| Operation and maintenance of plant | 100,719 |
| Other support | 18,021 |
| Noninstructional services | 9,914 |
| Total depreciation expense | <u>\$ 1,072,630</u> |

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2023 are as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|-------------------|
| General | Grants | \$ 120,880 |
| Nonmajor | General | 38,471 |
| | | <u>\$ 159,351</u> |

The interfund transfer in the amount of \$38,741 from the general fund to the nonmajor food service fund was made to cover an operating deficit.

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

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2023 consist of amounts related to pension totaling \$5,561,227 and amounts related to OPEB totaling \$653,204. For further discussion on these amounts, see Notes 9 and 10, respectively.

Deferred inflows of resources at June 30, 2023 consist of the following:

| | Governmental Activities | Governmental Funds Nonmajor |
|---|----------------------------|-----------------------------------|
| State and local grants and donations collected in advance of eligible expenditures being made | \$ 189,184 | \$ 189,184 |
| Amounts related to pensions, see Note 9 | 181,962 | - |
| Amounts related to OPEB, see Note 10 | 415,763 | - |
| Total deferred inflows of resources | <u>\$ 786,909</u> | <u>\$ 189,184</u> |

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 8 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2023:

| | Balance July 1, 2022 | Additions | Reductions | Balance June 30, 2023 | Due Within One Year | Due In More Than One Year |
|-----------------------------------|-------------------------|--------------|----------------|--------------------------|------------------------|------------------------------|
| Bonds payable - Direct placements | \$ 40,982,975 | \$ - | \$ (2,442,975) | \$ 38,540,000 | \$ 2,415,000 | \$ 36,125,000 |
| Notes payable - Direct borrowings | 1,405,744 | 136,380 | (197,831) | 1,344,293 | 181,838 | 1,162,455 |
| Premiums | 5,705,089 | - | (318,721) | 5,386,368 | 318,721 | 5,067,647 |
| Total bonds/notes payable | 48,093,808 | 136,380 | (2,959,527) | 45,270,661 | 2,915,559 | 42,355,102 |
| Compensated absences | 728,128 | 64,188 | (90,676) | 701,640 | 42,050 | 659,590 |
| Pension related liability | 18,971,289 | 5,489,178 | - | 24,460,467 | - | 24,460,467 |
| Net other postemployment benefits | 4,223,606 | - | (183,911) | 4,039,695 | - | 4,039,695 |
| Total long-term liabilities | \$ 72,016,831 | \$ 5,689,746 | \$ (3,234,114) | \$ 74,472,463 | \$ 2,957,609 | \$ 71,514,854 |

Long-term bonds/notes are comprised of the following:

| | Original Amount | Issue Date | Maturity Date | Interest Rate | Outstanding at June 30, 2023 |
|---|--------------------|---------------|------------------|------------------|---------------------------------|
| Bonds payable - Direct placements | | | | | |
| High School renovations/construction | \$ 20,745,000 | 2015 | 2035 | 3.20% | \$ 12,425,000 |
| Pelham Memorial School renovations/construction | \$ 31,980,000 | 2022 | 2042 | 1.74% | 26,115,000 |
| | | | | | <u>\$ 38,540,000</u> |
| Notes payable - Direct borrowings | | | | | |
| Energy efficiency improvements | \$ 1,353,482 | 2021 | 2033 | 2.73% | \$ 1,157,125 |
| Modular classroom | \$ 245,000 | 2019 | 2025 | 3.71% | 84,921 |
| Chromebooks | \$ 89,700 | 2022 | 2025 | 5.15% | 58,679 |
| Copy equipment | \$ 46,680 | 2023 | 2028 | 0.00% | 43,568 |
| Total direct borrowings | | | | | <u>\$ 1,344,293</u> |

The annual requirements to amortize all general obligation bonds/notes outstanding as of June 30, 2023, including interest payments, are as follows:

| Fiscal Year Ending June 30, | Bonds - Direct Placement | | | Notes - Direct Borrowings | | |
|--------------------------------|--------------------------|----------------------|----------------------|---------------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | \$ 2,415,000 | \$ 1,491,308 | \$ 3,906,308 | \$ 181,838 | \$ 37,728 | \$ 219,566 |
| 2025 | 2,410,000 | 1,368,270 | 3,778,270 | 187,646 | 31,920 | 219,566 |
| 2026 | 2,410,000 | 1,255,710 | 3,665,710 | 117,199 | 25,904 | 143,103 |
| 2027 | 2,410,000 | 1,153,500 | 3,563,500 | 120,141 | 22,963 | 143,104 |
| 2028 | 2,410,000 | 1,046,115 | 3,456,115 | 120,050 | 19,941 | 139,991 |
| 2029-2033 | 12,050,000 | 3,542,175 | 15,592,175 | 617,419 | 51,417 | 668,836 |
| 2034-2038 | 8,945,000 | 1,201,008 | 10,146,008 | - | - | - |
| 2039-2042 | 5,490,000 | 230,370 | 5,720,370 | - | - | - |
| Totals | <u>\$ 38,540,000</u> | <u>\$ 11,288,456</u> | <u>\$ 49,828,456</u> | <u>\$ 1,344,293</u> | <u>\$ 189,873</u> | <u>\$ 1,534,166</u> |

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

Arbitrage – The tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the School District performed calculations of excess investment earnings on various bonds and financings and at June 30, 2023 does not expect to incur a liability.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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

Benefits Provided – 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 January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (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 January 1, 2012, 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 January 1, 2012 | 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 2023, the School District contributed 19.48% for teachers and 13.75% for other employees. The contribution requirement for the fiscal year 2023 was \$2,531,843, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the School District reported a liability of \$24,460,467 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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 participants, actuarially determined. At June 30, 2022, the School District's proportion was 0.43%, which was the same as its proportion measured as of June 30, 2021.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

For the year ended June 30, 2023, the School District recognized pension expense of \$2,786,122. At June 30, 2023, 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 | \$ 342,183 | \$ 88,062 |
| Net difference between projected and actual investment earnings on pension plan investments | 927,020 | - |
| Changes in assumptions | 1,301,102 | - |
| Differences between expected and actual experience | 459,079 | 93,900 |
| Contributions subsequent to the measurement date | 2,531,843 | - |
| Total | <u>\$ 5,561,227</u> | <u>\$ 181,962</u> |

The \$2,531,843 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, 2024. 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, | |
|--------------------------------|---------------------|
| 2023 | \$ 1,045,745 |
| 2024 | 957,890 |
| 2025 | (418,175) |
| 2026 | 1,261,962 |
| 2027 | - |
| Thereafter | - |
| Totals | <u>\$ 2,847,422</u> |

Actuarial Assumptions – The collective total pension liability was determined by an actuarial performed as of June 30, 2020, rolled forward to June 30, 2021, using the following assumptions:

| | |
|----------------------------|---|
| Inflation: | 2.0% per year |
| Wage inflation: | 2.75% per year (2.25% for Teachers) |
| Salary increases: | 5.4% 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, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – 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.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Following is a table presenting target allocations and long-term rates of return for 2021:

| Asset Class | Target Allocation | 30 Year Geometric Return |
|-----------------------------|-------------------|--------------------------|
| Broad US Equity (1) | 30.00% | 7.60% |
| Global Ex-US Equity (2) | 20.00% | 7.90% |
| Total public equity | 50.00% | |
| Real Estate Equity | 10.00% | 6.60% |
| Private Equity | 10.00% | 8.85% |
| Total private market equity | 20.00% | |
| Private Debt | 5.00% | 7.25% |
| Core U.S. Fixed Income (3) | 25.00% | 3.60% |
| Inflation | 0.00% | 2.25% |
| Total | 100.00% | 7.30% |

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, 2022 | \$32,819,779 | \$ 24,460,467 | \$17,510,472 |

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 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

10-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 2022 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

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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 2022 were as follows:

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2022, 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 2023, the School District contributed 1.54% for teachers and 0.31% for other employees. The contribution requirement for the fiscal year 2023 was \$182,452, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2023, the School District reported a liability of \$1,596,705 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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 participants, actuarially determined. At June 30, 2022, the School District's proportion was 0.42%, which was the same as its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized OPEB expense of \$65,991. At June 30, 2023, 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 |
|--|--------------------------------------|-------------------------------------|
| Net difference between projected and actual investment earnings on OPEB plan investments | \$ 4,364 | \$ - |
| Contributions subsequent to the measurement date | 182,452 | - |
| Total | <u>\$ 186,816</u> | <u>\$ -</u> |

The \$182,452 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, 2024. 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, | |
|--------------------------------|----------------|
| 2023 | \$ 725 |
| 2024 | 188 |
| 2025 | (1,717) |
| 2026 | 5,168 |
| 2027 | - |
| Thereafter | - |
| Totals | <u>\$4,364</u> |

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021 and a measurement date of June 30, 2022. 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: | 5.4% 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 |

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, 2021 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – 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 2022:

| Asset Class | Target Allocation | 30 Year Geometric Return |
|-----------------------------|-------------------|--------------------------|
| Broad US Equity (1) | 30.00% | 7.60% |
| Global Ex-US Equity (2) | 20.00% | 7.90% |
| Total public equity | 50.00% | |
| Real Estate Equity | 10.00% | 6.60% |
| Private Equity | 10.00% | 8.85% |
| Total private market equity | 20.00% | |
| Private Debt | 5.00% | 7.25% |
| Core U.S. Fixed Income (3) | 25.00% | |
| Inflation | 0.00% | 2.25% |
| Total | 100.00% | 7.30% |

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022 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, 2022 | \$ 1,733,495 | \$ 1,596,705 | \$ 1,477,571 |

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

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

10-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 postemployment 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.

Employees Covered by Benefit Terms – At June 30, 2022, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 102 |
| Active employees | 284 |
| Total participants covered by OPEB plan | <u>386</u> |

Total OPEB Liability – The School District's total OPEB liability of \$2,442,990 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022 projected to June 30, 2023, reflecting actual premiums and contributions. The School District contracts 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 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------|-------|
| Discount Rate | 4.13% |
| Healthcare Cost Trend Rates: | |
| Current Year Trend | 7.00% |
| Second Year Trend | 6.50% |
| Decrement | 0.50% |
| Ultimate Trend | 4.50% |
| Year Ultimate Trend is Reached | 2029 |
| Salary Increases | 2.75% |

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2023.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Mortality rates were based on the following:

- General (administrative and support staff) participants: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021,
- Teacher participants: SOA Pub-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2021, and
- Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021.

Changes in the Total OPEB Liability

| | June 30, | |
|--|---------------------|---------------------|
| | 2022 | 2023 |
| Total OPEB liability, beginning of year | \$ 2,810,345 | \$ 2,540,600 |
| Changes for the year: | | |
| Service cost | 145,123 | 119,775 |
| Interest | 62,241 | 104,063 |
| Assumption changes and difference between actual and expected experience | (249,051) | (87,008) |
| Benefit payments | (228,058) | (234,440) |
| Total OPEB liability, end of year | <u>\$ 2,540,600</u> | <u>\$ 2,442,990</u> |

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2022 actuarial valuation was prepared using a discount rate of 4.13%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$2,624,558, or by 7.4%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$2,270,421, or by 7.1%.

| | Discount Rate | | |
|----------------------|---------------------|---------------------|---------------------|
| | 1% Decrease | Baseline 4.13% | 1% Increase |
| Total OPEB Liability | <u>\$ 2,624,558</u> | <u>\$ 2,442,990</u> | <u>\$ 2,270,421</u> |

Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2022 actuarial valuation was prepared using an initial trend rate of 7.00%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$2,181,669, or by 10.7%. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$2,756,087, or by 12.8%.

| | Healthcare Cost Trend Rates | | |
|----------------------|-----------------------------|---------------------|---------------------|
| | 1% Decrease | Baseline 7.00% | 1% Increase |
| Total OPEB Liability | <u>\$ 2,181,669</u> | <u>\$ 2,442,990</u> | <u>\$ 2,756,087</u> |

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the School District recognized OPEB expense of \$262,595. At June 30, 2023, 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 | \$ 149,091 | \$ 309,830 |
| Differences between expected and actual experience | 317,297 | 105,933 |
| Total | <u>\$ 466,388</u> | <u>\$ 415,763</u> |

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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, | |
|--------------------------------|------------------|
| 2024 | \$ 38,757 |
| 2025 | 38,757 |
| 2026 | 38,759 |
| 2027 | 4,710 |
| 2028 | 5,532 |
| Thereafter | (75,890) |
| Totals | <u>\$ 50,625</u> |

NOTE 11 – COMMITMENTS

The School District entered into several construction contracts for construction and renovation at the Pelham Memorial School. As of June 30, 2023, the School District had outstanding construction contracts totaling \$6,326,091 that will be financed from bond proceeds.

Construction commitments and other significant commitments are as follows:

| | Construction Commitments | Total Costs as of June 30, 2023 | Balance to Complete |
|--|-----------------------------|---------------------------------------|------------------------|
| Pelham Memorial School construction/renovations: | | | |
| Project design and engineering | \$ 1,580,572 | \$ 1,407,740 | \$ 172,832 |
| Construction | 28,495,878 | 22,342,619 | 6,153,259 |
| Total | <u>\$ 30,076,450</u> | <u>\$ 23,750,359</u> | <u>\$ 6,326,091</u> |

NOTE 12 - ENCUMBRANCES

Encumbrances outstanding in the general fund at June 30, 2023 are as follows:

Current:

Instruction:

| | |
|---------------------|----------------|
| Regular programs | \$ 64,999 |
| Special programs | 49,701 |
| Vocational programs | 37,910 |
| Other programs | 9,439 |
| Total instruction | <u>162,049</u> |

Support services:

| | |
|------------------------------------|----------------|
| Student | 24,158 |
| Instructional staff | 20,410 |
| Executive administration | 6,315 |
| School administration | 5,102 |
| Business | 1,758 |
| Operation and maintenance of plant | 377,649 |
| Student transportation | 756 |
| Other | 80,433 |
| Total support services | <u>516,581</u> |

Total encumbrances

\$ 678,630

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 13 – GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUND NET POSITION

Net position reported on the government-wide and fiduciary fund Statements of Net Position at June 30, 2023 include the following:

| | Governmental Activities | Fiduciary Fund |
|--|----------------------------|-------------------|
| Net investment in capital assets: | | |
| Net book value of all capital assets | \$ 60,870,924 | \$ - |
| Less: | | |
| General obligation bonds/notes payable | (39,884,293) | - |
| Unamortized bond premiums | (5,386,368) | - |
| Amount of debt related to unspent proceeds | 7,784,510 | - |
| Total net investment in capital assets | <u>23,384,773</u> | <u>-</u> |
| Restricted net position: | | |
| Food service | 122,917 | - |
| Capital project | 8,109,893 | - |
| Private purpose trust | - | 1,575 |
| Total restricted net position | <u>8,232,810</u> | <u>1,575</u> |
| Unrestricted | <u>(27,582,931)</u> | <u>-</u> |
| Total net position | <u>\$ 4,034,652</u> | <u>\$ 1,575</u> |

NOTE 14 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2023 consist of the following:

| | General Fund | Capital Project Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------------|---------------------|----------------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Prepaid items | \$ 96,950 | \$ - | \$ - | \$ 96,950 |
| Restricted: | | | | |
| Capital project | - | 8,109,893 | - | 8,109,893 |
| Food service | - | - | 122,917 | 122,917 |
| Total restricted fund balance | <u>-</u> | <u>8,109,893</u> | <u>122,917</u> | <u>8,232,810</u> |
| Committed: | | | | |
| Expendable trust | 652,594 | - | - | 652,594 |
| Assigned: | | | | |
| Encumbrances | 678,630 | - | - | 678,630 |
| Student activities - district related | 1,313 | - | - | 1,313 |
| Student activities - student related | - | - | 270,723 | 270,723 |
| Total assigned fund balance | <u>679,943</u> | <u>-</u> | <u>270,723</u> | <u>950,666</u> |
| Unassigned | <u>2,667,472</u> | <u>-</u> | <u>-</u> | <u>2,667,472</u> |
| Total governmental fund balances | <u>\$ 4,096,959</u> | <u>\$ 8,109,893</u> | <u>\$ 393,640</u> | <u>\$ 12,600,492</u> |

NOTE 15 – 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 2023, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs.

PELHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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, 2022 to June 30, 2023 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the School District's property schedule on file with Primex³. 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 2022-23, the School District paid \$98,495 and \$64,608, respectively, to Primex³ for Workers' Compensation and Property/Liability. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 16 – CONTINGENT LIABILITIES

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

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

NOTE 17 – 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 6, 2023, the date the June 30, 2023 financial statements were available to be issued, and noted no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
PELHAM SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2023
Unaudited

| 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 | June 30, 2022 | June 30, 2023 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 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 | June 30, 2021 | June 30, 2022 |
| 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% | 0.43% | 0.43% |
| 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 | \$ 18,971,289 | \$ 24,460,467 |
| 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 | \$ 12,953,948 | \$ 13,328,712 |
| 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% | 146.45% | 183.52% |
| 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% | 72.22% | 65.12% |

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, 2023
Unaudited

| 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 | June 30, 2022 | June 30, 2023 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 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 | June 30, 2021 | June 30, 2022 |
| 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 | \$ 2,469,081 | \$ 2,531,843 |
| 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) | (2,469,081) | (2,531,843) |
| 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 | \$ 13,328,712 | \$ 13,667,349 |
| Contributions as a percentage of covered payroll | 8.93% | 11.66% | 11.77% | 12.52% | 12.05% | 14.65% | 14.41% | 14.55% | 18.52% | 18.52% |

PELHAM SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – Salary increases changed from 5.4% to 5.6% in the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

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, 2023. These schedules are presented to illustrate the requirement to show information for 10 years.

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, 2023
Unaudited

| Fiscal year-end | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 | June 30, 2023 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Measurement date | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 |
| School District's proportion of the net OPEB liability | 0.48% | 0.49% | 0.38% | 0.38% | 0.42% | 0.42% | 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 | \$ 1,683,006 | \$ 1,596,705 |
| School District's covered payroll | \$10,819,430 | \$ 11,716,086 | \$11,977,651 | \$12,449,823 | \$12,449,823 | \$12,953,948 | \$13,328,712 |
| 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% | 12.99% | 11.98% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.21% | 7.91% | 7.53% | 7.75% | 7.74% | 11.06% | 10.64% |

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, 2023
Unaudited

| Fiscal year-end | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 | June 30, 2023 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Measurement date | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 |
| Contractually required contribution | \$ 278,355 | \$ 291,187 | \$ 168,866 | \$ 173,336 | \$ 193,732 | \$ 177,925 | \$ 182,452 |
| Contributions in relation to the contractually required contribution | (278,355) | (291,187) | (168,866) | (173,336) | (193,732) | (177,925) | (182,452) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| School District's covered payroll | \$ 10,819,430 | \$ 11,716,086 | \$ 11,977,651 | \$ 12,449,823 | \$ 12,953,948 | \$ 13,328,712 | \$ 13,667,349 |
| Contributions as a percentage of covered payroll | 2.57% | 2.49% | 1.41% | 1.39% | 1.50% | 1.33% | 1.33% |

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, 2023
Unaudited

| | June 30, | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| OPEB liability, beginning of year | \$ 1,948,233 | \$ 2,304,157 | \$ 2,361,868 | \$ 2,769,194 | \$ 2,810,345 | \$ 2,540,600 |
| Changes for the year: | | | | | | |
| Service cost | 120,793 | 117,868 | 126,853 | 132,213 | 145,123 | 119,775 |
| Interest | 71,538 | 90,976 | 85,360 | 73,991 | 62,241 | 104,063 |
| Assumption changes and difference between actual and expected experience | 306,353 | (7,928) | 309,703 | 76,112 | (249,051) | (87,008) |
| Benefit payments | (142,760) | (143,835) | (114,590) | (241,165) | (228,058) | (234,440) |
| 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> | <u>\$ 2,540,600</u> | <u>\$ 2,442,990</u> |
| Covered payroll | <u>\$ 12,171,447</u> | <u>\$ 13,930,110</u> | <u>\$ 13,245,037</u> | <u>\$ 13,536,275</u> | <u>\$ 17,198,072</u> | <u>\$ 17,405,951</u> |
| Total OPEB liability as a percentage of covered pay roll | 18.93% | 16.95% | 20.91% | 20.76% | 14.77% | 14.04% |

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, 2023

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

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – Salary increases changed from 5.4% to 5.6% in the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

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, 2023. 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.

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

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – The discount rate increased from 4.09% to 4.13%.

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, 2023. 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, 2023

| | Estimated | Actual | Variance Positive (Negative) |
|--|---------------|---------------|------------------------------------|
| School district assessment: | | | |
| Current appropriation | \$ 27,242,227 | \$ 27,242,227 | \$ - |
| Other local sources: | | | |
| Tuition | 45,000 | 57,251 | 12,251 |
| Investment earnings | 400 | 716 | 316 |
| Miscellaneous | 15,000 | 56,129 | 41,129 |
| Total from other local sources | 60,400 | 114,096 | 53,696 |
| State sources: | | | |
| Adequacy aid (grant) | 4,172,735 | 4,172,735 | - |
| Adequacy aid (tax) | 2,692,652 | 2,692,652 | - |
| Kindergarten aid | - | 179,866 | 179,866 |
| Catastrophic aid | 161,708 | 265,308 | 103,600 |
| Vocational aid | 10,000 | 22,891 | 12,891 |
| Other state aid | 344,020 | 202,297 | (141,723) |
| Total from state sources | 7,381,115 | 7,535,749 | 154,634 |
| Federal sources: | | | |
| Medicaid | 5,000 | 558 | (4,442) |
| Total revenues | 34,688,742 | \$ 34,892,630 | \$ 203,888 |
| Use of fund balance to reduce school district assessment | 3,308,011 | | |
| Total revenues and use of fund balance | \$ 37,996,753 | | |

See Independent Auditor's Report.

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, 2023

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|---|----------------------------------|----------------------|----------------------|-------------------------------------|------------------------------------|
| Current: | | | | | |
| Instruction: | | | | | |
| Regular programs | \$ 105,434 | \$ 12,494,432 | \$ 12,180,111 | \$ 64,999 | \$ 354,756 |
| Special programs | 62,203 | 6,537,937 | 5,070,311 | 49,701 | 1,480,128 |
| Vocational programs | 8,860 | 110,000 | 46,565 | 37,910 | 34,385 |
| Other programs | - | 735,840 | 652,470 | 9,439 | 73,931 |
| Non-public programs | - | 15,131 | - | - | 15,131 |
| Total instruction | <u>176,497</u> | <u>19,893,340</u> | <u>17,949,457</u> | <u>162,049</u> | <u>1,958,331</u> |
| Support services: | | | | | |
| Student | 470 | 3,358,399 | 3,007,411 | 24,158 | 327,300 |
| Instructional staff | 968 | 1,050,423 | 939,799 | 20,410 | 91,182 |
| General administration | - | 94,215 | 85,484 | - | 8,731 |
| Executive administration | 3,069 | 959,497 | 809,672 | 6,315 | 146,579 |
| School administration | 1,800 | 1,902,672 | 1,936,890 | 5,102 | (37,520) |
| Business | 2,650 | 463,253 | 468,219 | 1,758 | (4,074) |
| Operation and maintenance of plant | 133,574 | 2,639,642 | 2,561,078 | 377,649 | (165,511) |
| Student transportation | 1,503 | 2,180,510 | 1,936,859 | 756 | 244,398 |
| Other | 12,029 | 1,218,032 | 1,157,707 | 80,433 | (8,079) |
| Total support services | <u>156,063</u> | <u>13,866,643</u> | <u>12,903,119</u> | <u>516,581</u> | <u>603,006</u> |
| Debt service: | | | | | |
| Principal of long-term debt | - | 2,442,975 | 2,442,975 | - | - |
| Interest on long-term debt | - | 1,615,186 | 1,615,186 | - | - |
| Total debt service | <u>-</u> | <u>4,058,161</u> | <u>4,058,161</u> | <u>-</u> | <u>-</u> |
| Facilities acquisition and construction | <u>9,250</u> | <u>178,609</u> | <u>183,418</u> | <u>-</u> | <u>4,441</u> |
| Other financing uses: | | | | | |
| Transfers out | <u>-</u> | <u>-</u> | <u>38,471</u> | <u>-</u> | <u>(38,471)</u> |
| Total appropriations, expenditures, other financing uses, and encumbrances | <u>\$ 341,810</u> | <u>\$ 37,996,753</u> | <u>\$ 35,132,626</u> | <u>\$ 678,630</u> | <u>\$ 2,527,307</u> |

See Independent Auditor's Report.

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, 2023

| | | |
|---|------------------|---------------------|
| Unassigned fund balance, beginning | | \$ 3,308,010 |
| Changes: | | |
| Unassigned fund balance used to reduce school district assessment | | (3,308,011) |
| 2022-2023 Budget summary: | | |
| Revenue surplus (Schedule 1) | \$ 203,888 | |
| Unexpended balance of appropriations (Schedule 2) | <u>2,527,307</u> | |
| 2022-2023 Budget surplus | | 2,731,195 |
| Increase in nonspendable fund balance | | <u>(63,722)</u> |
| Unassigned fund balance, ending | | <u>\$ 2,667,472</u> |

See Independent Auditor's Report.

SCHEDULE 4
PELHAM SCHOOL DISTRICT
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

| | Special Revenue Funds | | | |
|---|-----------------------|-------------------|-------------------|-------------------|
| | Grants | Food Service | Student Activity | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 140,729 | \$ 114,371 | \$ 270,723 | \$ 525,823 |
| Intergovernmental receivable | 120,880 | 37,397 | - | 158,277 |
| Interfund receivable | - | 38,471 | - | 38,471 |
| Total assets | <u>\$ 261,609</u> | <u>\$ 190,239</u> | <u>\$ 270,723</u> | <u>\$ 722,571</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 18,867 | \$ - | \$ 18,867 |
| Interfund payable | 120,880 | - | - | 120,880 |
| Total liabilities | <u>120,880</u> | <u>18,867</u> | <u>-</u> | <u>139,747</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - grants received in advance | <u>140,729</u> | <u>48,455</u> | <u>-</u> | <u>189,184</u> |
| FUND BALANCES | | | | |
| Restricted | - | 122,917 | - | 122,917 |
| Assigned | - | - | 270,723 | 270,723 |
| Total fund balances | <u>-</u> | <u>122,917</u> | <u>270,723</u> | <u>393,640</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 261,609</u> | <u>\$ 190,239</u> | <u>\$ 270,723</u> | <u>\$ 722,571</u> |

See Independent Auditor's Report.

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, 2023

| | Special Revenue Funds | | | Total |
|---|-----------------------|-------------------|-------------------|-------------------|
| | Grants | Food | Student Activity | |
| REVENUES | | | | |
| Other local | \$ 117,330 | \$ 578,956 | \$ 269,480 | \$ 965,766 |
| State | - | 9,207 | - | 9,207 |
| Federal | 1,194,281 | 301,774 | - | 1,496,055 |
| Total revenues | <u>1,311,611</u> | <u>889,937</u> | <u>269,480</u> | <u>2,471,028</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 633,874 | - | 243,702 | 877,576 |
| Support services: | | | | |
| Instructional staff | 260,363 | - | 1,709 | 262,072 |
| Operation and maintenance of plant | 12,508 | - | - | 12,508 |
| Student transportation | 5,000 | - | - | 5,000 |
| Other | 1,461 | - | - | 1,461 |
| Noninstructional services | - | 1,021,298 | - | 1,021,298 |
| Facilities acquisition and construction | 398,405 | - | - | 398,405 |
| Total expenditures | <u>1,311,611</u> | <u>1,021,298</u> | <u>245,411</u> | <u>2,578,320</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(131,361)</u> | <u>24,069</u> | <u>(107,292)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | - | 38,471 | - | 38,471 |
| Net change in fund balances | - | (92,890) | 24,069 | (68,821) |
| Fund balances, beginning | - | 215,807 | 246,654 | 462,461 |
| Fund balances, ending | <u>\$ -</u> | <u>\$ 122,917</u> | <u>\$ 270,723</u> | <u>\$ 393,640</u> |

See Independent Auditor's Report.

SCHEDULE 6
PELHAM SCHOOL DISTRICT
Student Activity Funds
Combining Balance Sheet
June 30, 2023

| | Student Activity Funds | | | | Total |
|---------------------------|------------------------|-----------------------|-----------------|-------------------|------------|
| | High School | High School Principal | Memorial School | Elementary School | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 219,432 | \$ 3,202 | \$ 17,248 | \$ 30,841 | \$ 270,723 |
| FUND BALANCES | | | | | |
| Assigned | \$ 219,432 | \$ 3,202 | \$ 17,248 | \$ 30,841 | \$ 270,723 |

See Independent Auditor's Report.

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, 2023

| | Student Activity Funds | | | | Total |
|-----------------------------|------------------------|-----------------------|------------------|-------------------|-------------------|
| | High School | High School Principal | Memorial School | Elementary School | |
| REVENUES | | | | | |
| Other local | \$ 163,139 | \$ 420 | \$ 81,472 | \$ 24,449 | \$ 269,480 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instruction | 139,486 | - | 80,758 | 23,458 | 243,702 |
| Support services: | | | | | |
| Instructional staff | - | 1,709 | - | - | 1,709 |
| Total expenditures | 139,486 | 1,709 | 80,758 | 23,458 | 245,411 |
| Net change in fund balances | 23,653 | (1,289) | 714 | 991 | 24,069 |
| Fund balances, beginning | 195,779 | 4,491 | 16,534 | 29,850 | 246,654 |
| Fund balances, ending | <u>\$ 219,432</u> | <u>\$ 3,202</u> | <u>\$ 17,248</u> | <u>\$ 30,841</u> | <u>\$ 270,723</u> |

See Independent Auditor's Report.



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

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

Independent Auditor's Report

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 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, 2023, 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 6, 2023.

Report on 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 a 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pelham School District's financial statements are free from 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.

December 6, 2023
Concord, New Hampshire


PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Pelham School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Pelham School District's major federal programs for the year ended June 30, 2023. The Pelham School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Pelham School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Pelham School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Pelham School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Pelham School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,

Pelham School District

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Pelham School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Pelham School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Pelham School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Pelham School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

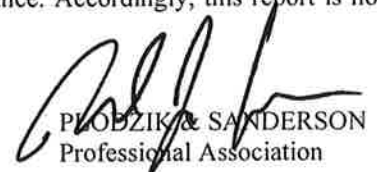
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

December 6, 2023
Concord, New Hampshire


PROBZIK & SANDERSON
Professional Association

SECTION I - SUMMARY OF AUDITOR'S RESULTS

SCHEDULE II
PELHAM SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Listing Number | Pass-Through Entity Identifying Number | Provided to Subrecipients | 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 | \$ - | \$ 25,201 |
| National School Lunch Program | 10.555 | N/A | - | 276,573 |
| <i>CLUSTER TOTAL</i> | | | - | 301,774 |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| Passed Through the State of New Hampshire Department of Education | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | | | | |
| School Security | 21.027 | 20230766 | - | 3,975 |
| School Security | 21.027 | 20230770 | - | 1,120 |
| <i>PROGRAM TOTAL</i> | | | - | 5,095 |
| Title I Grants to Local Educational Agencies: | | | | |
| Title I Part A | 84.010 | 20220294 | - | 29,187 |
| Title I Part A | 84.010 | 20230421 | - | 129,749 |
| <i>PROGRAM TOTAL</i> | | | - | 158,936 |
| SPECIAL EDUCATION CLUSTER | | | | |
| Special Education Grants to States: | | | | |
| IDEA | 84.027 | 20211158 | - | 54,894 |
| IDEA | 84.027 | 20220261 | - | 20,009 |
| IDEA | 84.027 | 20230181 | - | 311,455 |
| COVID-19 - ARP - IDEA | 84.027X | 20220423 | - | 30,608 |
| Special Education Preschool Grants: | | | | |
| Preschool | 84.173 | 20220261 | - | 6,968 |
| Preschool | 84.173 | 20230181 | - | 278 |
| COVID-19 - ARP - Preschool | 84.173X | 20220423 | - | 2,427 |
| <i>CLUSTER TOTAL</i> | | | - | 426,639 |
| English Language Acquisition State Grants: | | | | |
| Title III | 84.365 | 20211310 | - | 820 |
| <i>PROGRAM TOTAL</i> | | | - | 820 |
| Supporting Effective Instruction State Grants: | | | | |
| Title II Part A | 84.367 | 20211107 | - | 10,135 |
| Title II Part A | 84.367 | 20220849 | - | 43,467 |
| Title II Part A | 84.367 | 20230794 | - | 6,879 |
| <i>PROGRAM TOTAL</i> | | | - | 60,481 |
| Student Support and Academic Enrichment Program: | | | | |
| Title IV A | 84.424 | 20211136 | - | 20,697 |
| <i>PROGRAM TOTAL</i> | | | - | 20,697 |
| COVID-19 - Education Stabilization Fund: | | | | |
| ESSER I | 84.425D | 20204911 | - | 380 |
| ESSER II | 84.425D | 20211428 | - | 76,040 |
| ESSER III | 84.425U | 20220370 | - | 443,013 |
| <i>PROGRAM TOTAL</i> | | | - | 519,433 |
| Passed Through the Goffstown School District, New Hampshire | | | | |
| English Language Acquisition State Grants: | | | | |
| Title III | 84.365 | 20220727 | - | 1,363 |
| Title III | 84.365 | 20230682 | - | 817 |
| <i>PROGRAM TOTAL</i> | | | - | 2,180 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 1,496,055 |

The accompanying notes are an integral part of this schedule.

PELHAM SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Pelham School District under programs of the federal government for the year ended June 30, 2023. 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, 2023, the value of food donations received was \$101,594.