

**KEARSARGE REGIONAL SCHOOL DISTRICT**

New London, New Hampshire

FINANCIAL STATEMENTS

With Schedule of Expenditures of Federal Awards

June 30, 2020

and

Independent Auditor's Report

Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

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

Schedule of Findings and Questioned Costs

# KEARSARGE REGIONAL SCHOOL DISTRICT

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## Table of Contents June 30, 2020

<b>Independent Auditor's Report</b>	4-5
<b>Management's Discussion and Analysis</b>	7-21
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements:	
Balance Sheet - Governmental Funds	25
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	26
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Fiduciary Funds:	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds	30
Notes to Basic Financial Statements	32-59
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	61
Schedule of Changes in Total OPEB Liability	62
Schedules of Proportionate Share and Contributions of the NHRS Net OPEB Liability	63
Schedules of Proportionate Share and Contributions of the Net Pension Liability	64
Notes to Required Supplementary Information	66-68
<b>Other Supplementary Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Nonmajor Governmental Funds	71
<b>Federal Awards Supplementary Information</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	73-74
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	75-76
Schedule of Expenditures of Federal Awards	78
Notes to Schedule of Expenditures of Federal Awards	80
Schedule of Findings and Questioned Costs	82-84

## **INDEPENDENT AUDITOR'S REPORT**

# ROBERGE AND COMPANY, P.C.

## Certified Public Accountants

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Member – American Institute of CPA's (AICPA)  
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Member – AICPA Private Company Practice Section (PCPS)  
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### INDEPENDENT AUDITOR'S REPORT

To the School Board  
Kearsarge Regional School District  
New London, New Hampshire

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kearsarge Regional School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Kearsarge Regional School District's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kearsarge Regional School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability, schedules of proportionate share and contributions of the NHRS net OPEB liability, and schedules of the proportionate share and contributions of net pension liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kearsarge Regional School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, on our consideration of the Kearsarge Regional 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kearsarge Regional School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kearsarge Regional School District's internal control over financial reporting and compliance.

*Roberge and Co., P.C.*

**ROBERGE & COMPANY, P.C.**

Franklin, New Hampshire  
November 10, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Superintendent of Schools and the Business Manager, as "management" of the Kearsarge Regional School District (the "District"), a K-12 local education authority located in the County of Merrimack, New Hampshire, submits this section of the District's annual financial report in order to present our discussion and analysis of the District's financial performance during the year ended June 30, 2020.

Our discussion and analysis is in accordance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) for the year ended June 30, 2020. Please read it in conjunction with the financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

The District's total combined net position increased between June 30, 2019 and 2020 by \$346,582 to \$4,716,150.

Net position consisted of \$30,242,025 net investment in capital assets; \$17,969 restricted for the lunch program and \$169,400 for other nonmajor funds for the purposes of each established fund; and, an unrestricted negative balance of (\$25,713,244). This is the result of having long-term commitments that are more than currently available resources; primarily due to the recording of the District's \$27,487,418 net pension liability and \$6,175,796 total OPEB obligation.

The District's total revenues, consisting of general revenues, charges for services and operating grants and contributions were \$41,991,807. The amount that was paid by taxpayers through property taxes was \$35,158,693; which consisted of \$28,790,774 paid in the form of local property taxes and \$6,367,919 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment. An additional amount of \$3,194,949 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 state-wide property taxes collected from other local governments.

The District's total expenses were \$41,645,225. Instruction and support services account for 91% of total expenses (exclusive of other financing credits).

The general fund balance increased \$491,917 during the year from a balance of \$6,167,356 at June 30, 2019 to a \$6,659,273 fund balance at June 30, 2020. The budgetary basis actual revenues were more than estimated in the amount of \$2,238,446. Total actual expenditures were less than authorized appropriations by \$2,286,996.

The June 30, 2020 ending general fund balance consisted of \$81,095 of non-spendable prepaid expenditures and inventories, \$2,133,831 committed for capital reserves; \$75,000 committed at the district meeting; \$653,149 assigned for encumbrances; and an unassigned fund balance in the amount of \$3,716,198.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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The food service fund balance increased \$4,164 during the year from a fund balance of \$13,805 at June 30, 2019 to a fund balance of \$17,969 (representing the amount of reserved fund balance for inventory) at June 30, 2020.

The committed balance for capital reserves increased by a net \$20,376 as a result of investment earnings and \$65,000 from principal additions and a withdrawal of \$100,000 during the year, from \$2,113,454 at June 30, 2019 to \$2,133,831 at June 30, 2020. In accordance with statutory requirements they are held in custody by the Trustees of Trust Funds of the required local municipal government and are only released for the restricted specific purposes of the individual funds.

At June 30, 2020, the District had invested \$37,104,381 (\$61,806,347 at cost or estimated cost less accumulated depreciation of \$24,701,966) in a broad range of capital assets, including land and land improvements, buildings, furniture and general equipment, vehicles and technology assets. This amount represents a net decrease of \$293,713 or 2% from the prior year.

At June 30, 2020, the District had \$44,207,067 of net long-term obligations (\$45,374,024 in total obligations less the current portion of \$1,166,957).



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## OVERVIEW OF THE FINANCIAL STATEMENTS

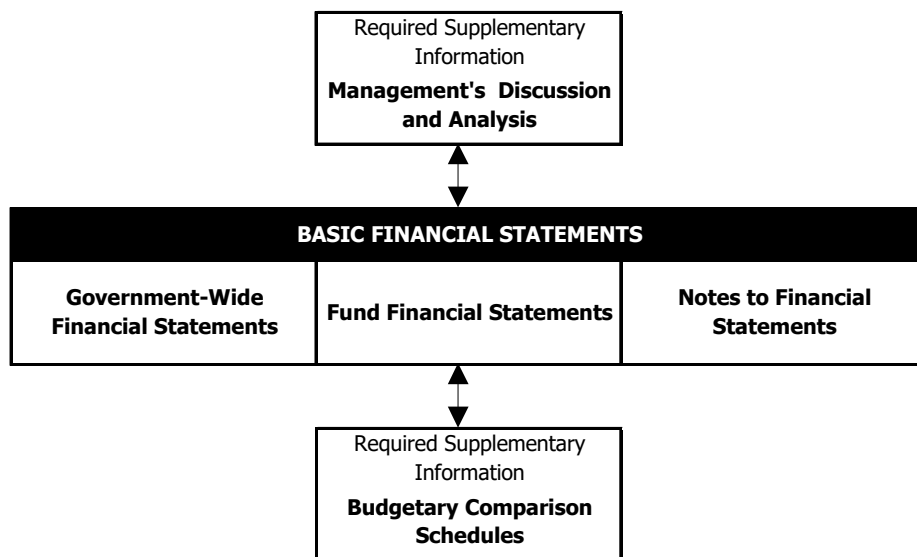
This discussion and analysis is intended to serve as an introduction to the District's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information. The District's financial statements are comprised of six primary sections or components: (1) basic government-wide financial statements, (2) basic fund financial statements, (3) notes to basic financial statements, (4) required supplementary information, (5) notes to required supplementary information, and (6) federal awards.

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Exhibit A-1 shows how the required parts of this annual report are arranged and related to one another.

**Exhibit A-1**



# MANAGEMENT'S DISCUSSION AND ANALYSIS

Exhibit A-2 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.

**Exhibit A-2**

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
<b>SCOPE</b>	Entire government (except fiduciary funds)	All activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
<b>REQUIRED FINANCIAL STATEMENTS</b>	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
<b>ACCOUNTING BASIS</b>	Accrual	Modified Accrual	Accrual
<b>MEASUREMENT FOCUS</b>	Economic Resources	Current Financial Resources	Economic Resources
<b>TYPE OF INFORMATION ASSETS AND DEFERRED OUTFLOWS, AND LIABILITIES AND DEFERRED INFLOWS</b>	All assets and deferred outflows, and liabilities and deferred inflows, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and deferred outflows, and liabilities and deferred inflows, both short-term and long-term; the Agency funds do not currently have capital assets although they can
<b>TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## **District Wide Financial Statements:**

The first two basic statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status and report net position and changes in them. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is one way to measure the District's financial health, or financial position.

- Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating, respectively.
- In order to assess the overall health of the District other nonfinancial factors should also be considered, such as changes in the District's general revenues (principally the school district assessment which is derived by local and statewide property taxes and general state aid), and federal and state intergovernmental revenues (grant programs); the condition of the District's buildings and other depreciable property (likelihood of emergency repairs or maintenance); current and long-term student population information; and other items subject to significant financial or budgetary uncertainty (out-of-District special education enrollment and the related high cost potential of the mandated services).

The government-wide financial statements of the District are included in the Governmental Activities category. Most of the District's basic services are included here, such as instruction, support services (including general and executive administration), and food services. General revenues, including the school district assessment, state aid, and federal and state grant programs, food service sales and federal reimbursements finance most of these activities.

## **Fund Financial Statements:**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. State law, regulation or bond covenant requires some funds, while others are established to comply with the requirements of grantors. The District has two kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationships (or differences) between them.

Fiduciary Funds - The District is responsible for other assets that, because of an agency arrangement, can be used only for the intended purposes. These funds are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CONDENSED FINANCIAL INFORMATION AND ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

Exhibit B-1 shows the composition of the District's total combined net position, which increased between June 30, 2019 and 2020 by \$346,582 or 8% to \$4,716,150.

### Exhibit B-1 NET POSITION

	Governmental Activities		
	2019	2020	Change
<b>Assets</b>	(as restated)		
Current and other assets	\$ 9,792,749	\$ 9,443,366	\$ (349,383)
Noncurrent assets	<u>37,398,094</u>	<u>37,104,381</u>	<u>(293,713)</u>
<b>Total assets</b>	47,190,843	46,547,747	(643,096)
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	<u>10,821,110</u>	<u>8,536,452</u>	<u>(2,284,658)</u>
<b>Total deferred outflows of resources</b>	10,821,110	8,536,452	(2,284,658)
<b>Liabilities</b>			
Current liabilities	4,878,574	3,886,355	(992,219)
Noncurrent liabilities	<u>46,167,787</u>	<u>44,207,067</u>	<u>(1,960,720)</u>
<b>Total liabilities</b>	51,046,361	48,093,422	(2,952,939)
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	<u>2,596,024</u>	<u>2,274,627</u>	<u>(321,397)</u>
<b>Total deferred inflows of resources</b>	2,596,024	2,274,627	(321,397)
<b>Net Position</b>			
Net investment in capital assets	29,364,647	30,242,025	877,378
Restricted	2,287,689	187,369	(2,100,320)
Unrestricted	<u>(27,282,768)</u>	<u>(25,713,244)</u>	<u>1,569,524</u>
<b>Total net position</b>	<u>\$ 4,369,568</u>	<u>\$ 4,716,150</u>	<u>\$ 346,582</u>

A portion of the net position is either invested in capital assets or restricted as to the purposes they can be used for (1) the District's investment in capital assets (land and land improvements, buildings, furniture and equipment, vehicles and technology equipment, net of accumulated depreciation), net of related debt, is the largest component of the total combined net position; and, (2) restricted balances represent capital project, capital reserves and specific fund amounts that are not available for discretionary spending. Noncurrent assets decreased by \$293,713 primarily due to depreciation. Current assets decreased by \$349,383.

Net position consisted of \$30,242,025 net investment in capital assets; \$187,369 restricted for grants, food service, and other non-major funds for purposes of each established fund; and, an unrestricted negative balance of (\$25,713,244).

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Change in Net Position

The District's total revenues were \$41,991,807 while total expenses were \$41,645,225 resulting in an increase in net position of \$346,582.

## Revenues

Exhibit B-2 shows that a significant portion, 93%, of the District's total revenues came from the school district assessment (67%) and State of New Hampshire source intergovernmental revenues (26%) primarily derived from local and state-wide property taxes and other state aid programs. Investment income and operating grants and contributions provided 5% of total revenues, and 1% related to charges for services.

- School district assessment, 69% and 67% for the fiscal years ended June 30, 2020 and 2019, respectively, an increase of 4% \$1,011,429 over the prior year amount.
- State of New Hampshire source intergovernmental revenues, 24% and 25% for the fiscal years ended June 30, 2020 and 2019. A decrease of (\$9,683) from the prior year amount.
- Operating grants and contributions, 5% and 5% for the fiscal years ended June 30, 2020 and 2019, an increase of 3%, or \$53,933 over the prior year amount.
- Revenues from charges for services, 1% and 1% for the fiscal years ended June 30, 2020 and 2019, respectively, a decrease of 36%, or \$213,403 from the prior year amount.
- Investment income, less than 1% and less than 1% for fiscal years ended June 30, 2020 and 2019, respectively. A decrease of \$69,905 from the prior year amount.

### Exhibit B-2 SOURCES OF DISTRICT REVENUES

	<u>2019</u>	<u>%</u>	<u>2020</u>	<u>%</u>	<u>Change</u>	<u>%</u>
<b>Program Revenues</b>						
Charges for services	\$ 585,332	1%	\$ 371,929	1%	\$ (213,403)	-36%
Operating grants and contributions	2,127,141	5%	2,181,074	5%	53,933	3%
<b>General Revenues</b>						
School district assessment	27,779,345	67%	28,790,774	69%	1,011,429	4%
Local sources	372,133	1%	195,149	0%	(176,984)	-48%
State of New Hampshire sources	10,272,564	25%	10,262,881	24%	(9,683)	0%
Investment income	259,905	1%	190,000	0%	(69,905)	-27%
	<u>\$ 41,396,420</u>	<u>100%</u>	<u>\$ 41,991,807</u>	<u>100%</u>	<u>\$ 595,387</u>	<u>1%</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Expenses

Exhibit B-3 shows that 91% of the District's total expenses were for instructional and support services.

- Instruction expenses, 62% and 67% for the fiscal years ended June 30, 2020 and 2019, respectively, an increase of \$705,514 over the prior year amount.
- Support service expenses, 29% and 35% for the fiscal years ended June 30, 2020 and 2019, respectively, a decrease of \$776,314 from the prior year amount.
- Food service program expenses, 1% and 2% for the fiscal years ended June 30, 2020 and 2019, respectively, a decrease of (\$50,979) from the prior year amount.
- Unallocated interest expense, less than 1% and 1% for the fiscal years ended June 30, 2020 and 2019, a decrease of \$136,685 from the prior year amount.
- Unallocated depreciation, 3% and 4% for the fiscal years ended June 30, 2020 and 2019, respectively, an increase of \$19,695 over the prior year amount.
- Unallocated other expenses include pension, other post-employment benefits and associated costs.

### Exhibit B-3 DISTRICT EXPENSES

	<u>2019</u>	<u>%</u>	<u>2020</u>	<u>%</u>	<u>Change</u>	<u>%</u>
<b>Functions / Programs</b>						
Instruction	\$ 24,941,978	67%	\$ 25,647,492	62%	\$ 705,514	3%
Support services	13,003,278	35%	12,226,964	29%	(776,314)	-6%
Food service program	606,366	2%	555,387	1%	(50,979)	-8%
<b>Unallocated</b>						
Interest	201,929	1%	65,244	0%	(136,685)	-68%
Other	(2,857,231)	-8%	1,764,940	4%	4,622,171	-162%
Depreciation	1,365,503	4%	1,385,198	3%	19,695	1%
	<u>\$ 37,261,823</u>	<u>100%</u>	<u>\$ 41,645,225</u>	<u>100%</u>	<u>\$ 4,383,402</u>	<u>12%</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Governmental Activities

Exhibit B-4 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).

### Exhibit B-4 TOTAL AND NET COST OF SERVICES

	2019		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Functions / Programs</b>				
Instruction	\$ 24,941,978	\$ 22,812,415	\$ 25,647,492	\$ 23,628,543
Support services	13,003,278	13,003,278	12,226,964	12,226,964
Food service program	606,366	23,456	555,387	21,333
<b>Unallocated</b>				
Interest	201,929	201,929	65,244	65,244
Other	(2,857,231)	(2,857,231)	1,764,940	1,764,940
Depreciation	1,365,503	1,365,503	1,385,198	1,385,198
	<u>\$ 37,261,823</u>	<u>\$ 34,549,350</u>	<u>\$ 41,645,225</u>	<u>\$ 39,092,222</u>

The total cost of all governmental activities this year was \$41,645,225; the total net cost was \$39,092,222. 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 \$35,158,693; which consisted of \$28,790,774 paid in the form of local property taxes and \$6,367,919 paid in the form of property taxes under the State of New Hampshire state-wide education tax system for the annual school district assessment.
- An additional amount of \$3,194,949 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 state-wide property taxes collected from other local governments.

#### Local Sources

- Earnings on investments were received in the amount of \$190,000.
- Other local sources were received in the amount of \$195,149.

#### State Sources

- School building aid was received in the amount of \$690,253.
- Kindergarten aid was received in the amount of \$9,760.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## ANALYSIS OF BALANCES AND TRANSACTIONS OF THE DISTRICT'S INDIVIDUAL FUNDS

### General Fund

The general fund balance increased \$491,917 during the year from a balance of \$6,167,356 at June 30, 2019 to a \$6,659,273 fund balance at June 30, 2020. This was attributed to several factors. The budgetary basis revenues actual was more than estimated in the amount of \$2,238,446. Total actual expenditures were less than authorized appropriations by \$2,286,996. The June 30, 2020 ending fund balance consisted of \$81,095 of non-spendable prepaid expenditures and inventories, \$2,133,831 committed for capital reserves; \$75,000 committed at the district meeting; \$653,149 assigned for encumbrances; and an unassigned fund balance in the amount of \$3,716,198. In accordance with RSA 198:4-b, the district may vote to retain unassigned general fund balance in an amount not to exceed 2.5 percent of the current fiscal year's net assessment.

### Major Funds

#### Food Service Fund

The food service fund is classified as a special revenue fund and is reported as a major fund in the basic financial statements. The food service fund balance increased \$4,164 during the year from a fund balance of \$13,805 at June 30, 2019 to a fund balance of \$17,969 (representing the amount of reserved fund balance for inventory) at June 30, 2020.

#### Other Grants Fund

The other grants fund is classified as a special revenue fund and reported as a major fund in the basic financial statements. It is used to account for various nonfederal grants and donations which are designated for particular purposes.

### Nonmajor Funds

#### Grants Fund

The grants fund is classified as a special revenue fund and is aggregated in the category nonmajor funds in the basic financial statements. The grants fund is used to account for federal grants and is reimbursement based; revenues equal the amount of the qualifying expenditures made.

#### Roof Bond Fund

The roof bond fund is classified as a capital project fund and is aggregated in the category nonmajor funds in the basic financial statements. The fund balance was \$114,376.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## Project Climb Fund

The project climb fund is classified as a permanent trust fund and is aggregated in the category nonmajor funds in the basic financial statements. The fund is held by the town trustees of trust funds. The fund balance was \$55,024.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

For the year ended June 30, 2020 the District did not revise its statutory budgetary line items; rather, the District's budgetary control was managed on an aggregate total budget-to-actual basis; total estimated revenues and appropriations versus actual revenues and expenditures.

### **Actual Versus Final Budget Comparison**

The amounts of actual inflows (resources) and outflows (charges to appropriations) varied from the final budget for the following significant items:

Actual inflows (resources) were more than the budgetary revenue estimates by \$2,238,446.

In general, revenues from the following sources exceeded original estimates:

- Fund balance by \$1,799,081,
- Other local revenues by \$57,678,
- Catastrophic Aid by \$151,622,
- Other State sources by \$244,644,
- Capital reserve transfers by \$100,000.

The original budget for the general fund in the amount of \$42,259,810 consists of the total appropriation voted of \$43,767,163 less amounts representing offsets for other funds; \$668,153 for the food service fund, \$839,200 for other special revenue funds.

The final budget consists of \$42,259,810 original budget plus \$0 encumbered and reserved funds carried forward from the year ended June 30, 2019 and \$17,480 reported as a budgeted operating subsidy to the food service fund.

Actual total outflows in the amount of \$39,990,294 were lower than the budgeted total appropriation of \$42,277,290 by a positive variance of \$2,286,996.

In general, budgetary line items throughout the functions / program categories resulted in positive or negative variances that were due to the efforts of management to not exceed the bottom-line budget (adjusted for any increase in unanticipated revenues) as a result of (outflows with positive or negative variances over \$100,000):

- Instruction services were less than appropriations by \$1,249,891.
- Operation and maintenance services were less than appropriations by \$110,511.
- Student transportation costs were less than appropriations by \$792,060.
- Support services were less than appropriations in the amount of \$152,972.

None of the currently known reasons for the budgetary variations are expected to have a significant effect on future services or liquidity.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2020, the District had invested \$37,104,381 (\$61,806,347 at cost or estimated cost less accumulated depreciation of \$24,701,966) in a broad range of capital assets, including land and land improvements, buildings, furniture, general equipment, vehicles and technology assets as summarized in Exhibit C-1.

This amount represents a net decrease of \$293,713 or 0.79% from the prior year. This year's changes are also summarized in Exhibit C-1.

### Exhibit C-1 NET CAPITAL ASSETS AND MAJOR ADDITIONS

Net Capital Assets	<u>2019</u>	<u>2020</u>	<u>Change</u>
Land and improvements	\$ 976,891	\$ 976,891	0.00%
Construction In Progress	42,861	458,900	970.67%
Buildings	51,028,968	51,128,565	0.20%
Furniture, equipment & vehicle	4,345,349	4,454,826	2.52%
Technology equipment	<u>4,378,600</u>	<u>4,787,165</u>	<u>9.33%</u>
<b>Capital assets, at cost</b>	60,772,669	61,806,347	1.70%
Accumulated Depreciation	<u>(23,374,575)</u>	<u>(24,701,966)</u>	<u>-5.68%</u>
<b>Capital assets, net</b>	<u>\$ 37,398,094</u>	<u>\$ 37,104,381</u>	<u>-0.79%</u>
<b>Increase in Capital Assets, Net</b>		<u>\$ (293,713)</u>	
<b>Changes</b>			
Building additions		\$ 99,597	
Change in construction in progress		416,039	
Furniture and equipment additions		577,283	
Depreciation		(1,385,198)	
Gain (Loss) on disposals		(1,434)	
		<u>\$ (293,713)</u>	

More detailed information about the District's capital assets is presented in the notes to the basic financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Debt

At June 30, 2020, the District had \$44,207,067 of net long-term obligations (\$45,374,024 in total obligations less the current portion of \$1,166,957) as summarized in Exhibit C-2.

This amount represents a net decrease of 4.25% from the prior year.

### Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2019	2020	Change
	(as restated)		
General obligation bonds	\$ 13,204,320	\$ 11,386,870	-13.76%
Unamortized bond premiums	100,813	87,380	-13.32%
Compensated absences	55,048	58,448	6.18%
Early retirement obligations - payments	65,784	135,275	105.64%
Early retirement obligations - healthcare	73,054	42,837	-41.36%
Total OPEB obligations	6,072,446	6,175,796	1.70%
Net pension liability	27,833,197	27,487,418	-1.24%
	47,404,662	45,374,024	-4.28%
Less current portion	(1,236,875)	(1,166,957)	-5.65%
	<u>\$ 46,167,787</u>	<u>\$ 44,207,067</u>	<u>-4.25%</u>
<b>Decrease, Net</b>		<u>\$ (1,960,720)</u>	
<b>Changes</b>			
Principal payments on general obligation bonds		\$ (1,171,091)	
Capital Appreciation Bond accrued interest change		(646,359)	
Amortization of bond premiums		(13,443)	
Change in compensated absences		3,400	
Change in retirement obligations - payments		69,491	
Change in retirement obligations - health		(30,217)	
Change in net OPEB obligation		103,350	
Change in net pension liability		(345,779)	
Change in current portion		69,918	
		<u>\$ (1,960,730)</u>	

State law (RSA 195:6II) limits the amount of general obligation debt that the District may incur at any one time to 10% of the locally assessed valuation (of the towns in which the District is located) as equalized by the Commissioner of the New Hampshire Department of Revenue Administration. For the year ended June 30, 2020 the estimated legal debt limit is approximately \$313,984,285 on equalized valuation of \$3,139,842,853.

More detailed information about the District's long-term liabilities is presented in the notes to the basic financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

District management and the School Board considered many factors when submitting the fiscal year 2020-2021 budget to the Municipal Budget Committees and the District voters. One of the major factors continues to be the impact of yearly changes in revenues under the State's system of funding education on the school district assessment to be assessed to each of the seven towns in the District. The Equitable Education Grant increased from \$2,810,059 for 2018-2019 to \$3,194,949 for 2019-2020. The State Education tax decreased from \$6,606,341 for 2018-2019 to \$6,367,919 for 2019-2020.

### Exhibit D-1 STATE TAX AND ADEQUACY GRANTS

	<b>Equitable Education Grant 2019-2020</b>	<b>State Education Tax 2019-2020</b>
Town of Bradford	\$ 633,569	\$ 458,393
Town of New London		\$ 2,403,501
Town of Newbury		\$ 1,516,222
Town of Springfield	\$ 369,288	\$ 409,429
Town of Sutton	\$ 622,950	\$ 631,819
Town of Warner	\$ 1,193,265	\$ 563,042
Town of Wilmot	\$ 375,877	\$ 385,513
	<u>\$ 3,194,949</u>	<u>\$ 6,367,919</u>

The school district assessment is allocated to each of town under a formula calculation which is based on the relative percent to the total of two components: (1) 40% by the equalized valuation percentage, and (2) 60% by the average daily membership (ADM) percentage. Exhibit D-2 shows the school district assessment for each of the towns in the District used by the State to set the local school district property tax rate for the fiscal years 2018-2019 and 2019-2020.

	<b>Fiscal Year (Actual) 2018-2019</b>	<b>Fiscal Year (Budget) 2019-2020</b>	<b>Change</b>
Town of Bradford	\$ 2,467,806	\$ 2,716,170	10%
Town of New London	7,298,352	7,454,292	2%
Town of Newbury	5,082,743	5,225,543	3%
Town of Springfield	2,784,146	2,680,593	-4%
Town of Sutton	3,851,346	4,289,210	11%
Town of Warner	4,158,087	4,273,105	3%
Town of Wilmot	2,136,865	2,151,861	1%
	<u>\$ 27,779,345</u>	<u>\$ 28,790,774</u>	<u>4%</u>

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

Questions regarding this report should be directed to Mr. Larry LeBoeuf, Business Administrator, at (603-526-2051) or by mail at:

Kearsarge Regional School District  
Attn: Larry LeBoeuf  
114 Cougar Court  
New London, New Hampshire 03257

## **BASIC FINANCIAL STATEMENTS**

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Statement of Net Position June 30, 2020

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,480,042
Investments	1,842,575
Receivables, net	2,362,411
Due from other governments	638,709
Inventories	81,688
Prepaid	37,941
Capital assets:	
Land, improvements, and construction in progress	976,891
Other capital assets, net of accumulated depreciation	36,127,490
Total assets	<u>46,547,747</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to net pension liability	4,872,197
Deferred outflows of resources related to other post employment benefits	3,664,255
Total deferred outflows of resources	<u>8,536,452</u>
<b>LIABILITIES</b>	
Accounts payable	149,538
Accrued expenses	2,154,870
Internal balances due to/from other funds	(1,860)
Deferred revenue	416,850
Current portion of long-term liabilities	1,166,957
Bonds payable	5,736,639
CAB accrued interest payable	4,524,514
Unamortized bond premiums	87,380
Compensated absences	58,448
Early retirement obligation	94,035
Early retirement health benefits	42,837
Post employment benefit obligation	6,175,796
Net pension liability	27,487,418
Total liabilities	<u>48,093,422</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to net pension liability	1,136,209
Deferred inflows of resources related to other post employment benefits	1,138,418
Total deferred inflows of resources	<u>2,274,627</u>
<b>NET POSITION</b>	
Net investment in capital assets	30,242,025
Restricted for:	
Lunch program	17,969
Other nonmajor purposes	169,400
Unrestricted	(25,713,244)
Total net position	<u>\$ 4,716,150</u>

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

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Statement of Activities Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental activities:				
Instruction				
Regular instruction	\$ 17,017,902	\$ 80,765	\$ -	\$ (16,937,137)
Special education instruction	7,112,079	-	1,905,569	(5,206,510)
Vocational instruction	61,122	-	32,615	(28,507)
Other instruction	1,456,389	-	-	(1,456,389)
Support services				
Student support services	1,709,956	-	-	(1,709,956)
Instructional staff services	686,576	-	-	(686,576)
General administration	410,873	-	-	(410,873)
Executive administration	1,471,883	-	-	(1,471,883)
School administrative services	2,319,940	-	-	(2,319,940)
Operation and maintenance	3,535,034	-	-	(3,535,034)
Student transportation	2,092,702	-	-	(2,092,702)
Food service program	555,387	291,164	242,890	(21,333)
Interest expense	65,244	-	-	(65,244)
Other uses / expenses	1,764,940	-	-	(1,764,940)
Depreciation (unallocated)	1,385,198	-	-	(1,385,198)
Total governmental activities	<u>41,645,225</u>	<u>371,929</u>	<u>2,181,074</u>	<u>(39,092,222)</u>
Total Primary Government	<u>\$ 41,645,225</u>	<u>\$ 371,929</u>	<u>\$ 2,181,074</u>	<u>\$ (39,092,222)</u>

### General revenues:

School district assessment	\$ 28,790,774
Grants and contributions not restricted to specific purposes:	
Local sources	195,149
State of New Hampshire sources	10,262,881
Investment Income	190,000
Total general revenues	<u>39,438,804</u>
Change in net position	346,582
Net position - beginning (as restated)	<u>4,369,568</u>
Net position - ending	<u>\$ 4,716,150</u>

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



# KEARSARGE REGIONAL SCHOOL DISTRICT

**Balance Sheet  
Governmental Funds  
June 30, 2020**

	<b>General Fund</b>	<b>Food Service Fund</b>	<b>Other Grants</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 4,480,042	\$ -	\$ -	\$ -	\$ 4,480,042
Investments	988,135	694,332	-	160,108	1,842,575
Held by trustees	2,133,831	-	-	55,024	2,188,855
Receivables, net	37,764	69,827	65,965	-	173,556
Due from other governments	314,608	33,984	-	290,117	638,709
Due from other funds	756,099	-	323,781	-	1,079,880
Inventories	63,719	17,969	-	-	81,688
Prepays	17,376	20,565	-	-	37,941
Total assets	<u>\$ 8,791,574</u>	<u>\$ 836,677</u>	<u>\$ 389,746</u>	<u>\$ 505,249</u>	<u>\$ 10,523,246</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 149,538	\$ -	\$ -	\$ -	\$ 149,538
Accrued expenses	1,982,763	-	-	49,433	2,032,196
Due to other funds	-	791,604	-	286,416	1,078,020
Deferred revenue	-	27,104	389,746	-	416,850
Total liabilities	<u>2,132,301</u>	<u>818,708</u>	<u>389,746</u>	<u>335,849</u>	<u>3,676,604</u>
Fund balances:					
Nonspendable	81,095	17,969	-	-	99,064
Restricted	-	-	-	169,400	169,400
Committed	2,208,831	-	-	-	2,208,831
Assigned	653,149	-	-	-	653,149
Unassigned	3,716,198	-	-	-	3,716,198
Total fund balance	<u>6,659,273</u>	<u>17,969</u>	<u>-</u>	<u>169,400</u>	<u>6,846,642</u>
Total liabilities and fund balances	<u>\$ 8,791,574</u>	<u>\$ 836,677</u>	<u>\$ 389,746</u>	<u>\$ 505,249</u>	<u>\$ 10,523,246</u>

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

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2020

**Total Fund Balances - Governmental Funds** \$ 6,846,642

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost	\$ 61,806,347	
Less accumulated depreciation	<u>(24,701,966)</u>	37,104,381

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(6,862,356)	
CAB interest payable	(4,524,514)	
Unamortized bond premium	(87,380)	
Compensated absences	(58,448)	
Special early termination benefits	(135,275)	
Special early termination health benefits	(42,837)	
OPEB obligation	(6,175,796)	
Net pension liability	<u>(27,487,418)</u>	(45,374,024)

Deferred inflows and outflows of resources are not current financial sources and uses and therefore are not reported in the governmental funds.

Deferred inflows of resources	(2,274,627)	
Deferred outflows of resources	<u>8,536,452</u>	6,261,825

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.

(122,674)

**Total Net Position - Governmental Activities** \$ 4,716,150

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

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2020

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Other Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
School district assessment	\$ 28,790,774	\$ -	\$ -	\$ -	\$ 28,790,774
Local sources	196,155	291,164	47,471	17,970	552,760
State of New Hampshire sources	11,216,779	5,696	-	-	11,222,475
Federal sources	36,044	237,194	-	965,530	1,238,768
Investment income	<u>177,459</u>	<u>9,571</u>	<u>-</u>	<u>-</u>	<u>187,030</u>
Total revenues	<u>40,417,211</u>	<u>543,625</u>	<u>47,471</u>	<u>983,500</u>	<u>41,991,807</u>
<b>Expenditures</b>					
Current:					
Instruction	25,013,050	-	47,471	965,530	26,026,051
Support services	2,387,532	-	-	9,000	2,396,532
General administration	415,206	-	-	-	415,206
Executive administration	10,129,586	-	-	-	10,129,586
Food service program	-	555,387	-	-	555,387
Debt service:					
Principal	1,171,092	-	-	-	1,171,092
Interest	<u>792,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>792,902</u>
Total expenditures	<u>39,909,368</u>	<u>555,387</u>	<u>47,471</u>	<u>974,530</u>	<u>41,486,756</u>
Excess (deficiency) of revenues over expenditures	507,843	(11,762)	-	8,970	505,051
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	15,926	-	-	15,926
Transfers out	<u>(15,926)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,926)</u>
Net change in fund balances	491,917	4,164	-	8,970	505,051
Fund balances - beginning of year	<u>6,167,356</u>	<u>13,805</u>	<u>-</u>	<u>160,430</u>	<u>6,341,591</u>
Fund balances - end of year	<u>\$ 6,659,273</u>	<u>\$ 17,969</u>	<u>\$ -</u>	<u>\$ 169,400</u>	<u>\$ 6,846,642</u>

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

# KEARSARGE REGIONAL SCHOOL DISTRICT

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## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2020

**Total Net Change in Fund Balances - Governmental Funds** \$ 505,051

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 1,092,919	
Depreciation expense	(1,385,198)	
Loss on disposal of assets	<u>(1,434)</u>	(293,713)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal on bonds	<u>1,171,091</u>	1,171,091
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Interest on long-term liabilities in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Accrued interest (increase) decrease		67,867
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In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

CAB interest (increase) decrease	646,359	
Unamortized bond premium (increase) decrease	13,433	
Compensated absences (increase) decrease	(3,400)	
Early retirement (increase) decrease	(69,491)	
Early retirement health benefit (increase) decrease	30,217	
OPEB obligation (increase) decrease	(103,350)	
Net pension liability	<u>345,779</u>	859,547

The change in deferred inflows and outflows from the *Schedule of Pension Amounts by Employer* related to the New Hampshire Retirement System Cost-Sharing Employer Defined Benefit Pension Plan, and related to GASB 75 other post employment benefits are reported as other financing uses in the governmental activities.

Deferred inflows related to pensions (increase) decrease	(78,604)	
Deferred inflows related to OPEB (increase) decrease	400,001	
Deferred outflows related to pensions increase (decrease)	(1,374,983)	
Deferred outflows related to other post employment benefits increase (decrease)	<u>(909,675)</u>	<u>(1,963,261)</u>

**Change in Net Position of Governmental Activities** \$ 346,582

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

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Statement of Net Position Fiduciary Funds June 30, 2020

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>	
	<u>Scholarship Trusts</u>	<u>Student Activities</u>	<u>Total Fiduciary Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 313,392	\$ 313,392
Receivables, net	<u>76,069</u>	<u>-</u>	<u>76,069</u>
Total assets	<u>76,069</u>	<u>\$ 313,392</u>	<u>389,461</u>
<b>Liabilities</b>			
Due to other funds	1,860	\$ -	1,860
Due to student groups	<u>-</u>	<u>313,392</u>	<u>313,392</u>
Total liabilities	<u>1,860</u>	<u>\$ 313,392</u>	<u>315,252</u>
<b>Net Position</b>			
Held in trust for private purposes	<u>74,209</u>		<u>74,209</u>
Total net position	<u>\$ 74,209</u>		<u>\$ 74,209</u>

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

# KEARSARGE REGIONAL SCHOOL DISTRICT

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## Statement of Changes in Fiduciary Net Position Private Purpose Trust Funds Year Ended June 30, 2020

	<b>Scholarship Trusts</b>	<b>Total Private Purpose Trust Funds</b>
<b>Additions:</b>		
Local sources	\$ 2,931	\$ 2,931
Total additions	<u>2,931</u>	<u>2,931</u>
<b>Deductions:</b>		
Support services	<u>6,500</u>	<u>6,500</u>
Total deductions	<u>6,500</u>	<u>6,500</u>
Operating income (loss)	<u>(3,569)</u>	<u>(3,569)</u>
Change in net position	(3,569)	(3,569)
Net position beginning of year	<u>77,778</u>	<u>77,778</u>
Net position end of year	<u>\$ 74,209</u>	<u>\$ 74,209</u>

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kearsarge Regional School District (the "District" or "Government") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. The significant accounting policies established in GAAP and used by the District are discussed below.

### A. THE REPORTING ENTITY

The District is a primary (special-purpose) local government governed by an elected board. As required by GAAP, these financial statements are required to present the District and its component units (if any).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government. Fiscal independency is the ability to complete certain essential fiscal events without substantive approval by a primary government: (a) determine its budget without another government's having the authority to approve and modify that budget; (b) levy taxes or set rates or charges without approval by another government; and (c) issue bonded debt without approval by another government.

### B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The District does not have any business type primary activities.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions / programs. The functions / programs are also supported by general revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. The net costs (by function) are normally covered by general revenue. The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.



## C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Funds are classified into three major categories: governmental, proprietary and fiduciary.

Fund financial statements focus on major funds of the primary government in contrast to the governmental and business type (if any) activities reported in the government-wide financial statements. Major funds represent the government's most important funds and are determined based on minimum criteria set forth in GASBS No. 34 (numerical formula using total assets, liabilities, revenues, or expenditures/expenses of either fund category or activity combined). Major individual governmental funds are reported in separate columns in the fund financial statements with a combined column for all other nonmajor funds. The general fund is required to be reported as major fund. The following fund types are used by the District:

1. **Governmental Funds** – The focus of governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

**General Fund** is the general operating fund of the District and is used to account for all resources except those required to be accounted for in another fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (such as federal and state grants, local and private grants and the food service program) that are legally restricted to expenditures for specific purposes.

**Capital Project Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. **Fiduciary Funds** – The reporting focus of fiduciary funds is on net position and, for private purpose trust funds, changes in net position. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements. The following is a description of the fiduciary funds of the District:

**Private Purpose Trust Funds** are used to report trust arrangements under which the principal and interest benefits individuals, private organizations, or other governments. The assets are essentially held in trust for someone outside the reporting entity.

**Agency Funds** are used to report assets held in a custodial capacity for individuals or organizations outside of the reporting entity. The assets for these funds equal the liabilities and there is no operating activity to report.

## D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Two different measurement focuses are used under the new financial reporting model, the flow of current financial resources and the flow of economic resources. The determination of when transactions are recognized is referred to as the basis of accounting. Like measurement focus, there are two different bases of accounting used; the accrual basis and the modified accrual basis.

### Government-Wide Financial Statements

The government-wide financial statements use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, generally, all revenues, expenses, gains, losses, assets, and liabilities should be recognized when the economic exchange takes place. The government-wide financial statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the entire government. These financial statements do not report fund information. Instead they focus on two specific types of activities performed by the government, "governmental activities" and, when applicable, "business type activities". Governmental and proprietary fund types are included in the governmental and, when applicable, business type activities reported in the government-wide financial statements and therefore utilize the measurement focus and basis of accounting applicable to these statements. Fiduciary funds are not reported in the government-wide financial statements.

### Fund Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and asset are recognized when they susceptible to accrual; i.e., both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally within sixty days after year-end. Expenditures and liabilities are recognized in the accounting period in which the fund liability is incurred and due, with certain modifications. Debt service and capital lease payments are recognized when the payment is due and compensated absences, claims and judgments, and special termination benefits are recognized to the extent that the liabilities are "normally expected to be liquidated with expendable available financial resources". Fiduciary fund financial statements use the economic resources measurement focus and the full accrual basis of accounting.

## E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

### Cash and Cash Equivalents and Investments

The District has defined cash and cash equivalents to include cash on hand, demand deposits as well as short-term investments with a maturity date of within three months of the date acquired by the District.

Investments are stated at fair value (quoted market price or the best available estimate).

### Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to at market or near market rates, are treated as revenues and expenditures / expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased. The District has reported fuel inventories in the general fund and food and supply inventories in the food service fund.

## Capital Assets

For government-wide financial statements, capital assets purchased or acquired, in accordance with the District's capitalization policy, are reported at historical cost or estimated historical cost. The capitalization threshold represents the amount that capital assets acquired must be capitalized. The District, however, may capitalize individual or aggregate assets under the threshold. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the assets estimated useful lives.

ASSET	Capitalization Threshold	Estimated Useful Lives
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-50
Machinery, equipment and other	\$ 5,000	5-20

For fund financial statements, capital assets purchased for governmental operations are accounted for as capital expenditures of the governmental fund at the time of purchase.

## Compensated Absences

The District accrued accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

## Long-term Obligations

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt generally consists of bonds payable (related bond premiums are amortized), capital leases, accrued compensated absences and early retirement termination benefits (which include annual cash payments and "District-share" of post-employment health and dental insurance). Governmental funds reported in the fund financial statements are concerned with current financial resources only and do not report long-term debt. Instead, debt proceeds are reported as other financing sources when received and payments of principal and interest are reported as expenditures when due. Statutory required supplementary information report on the current year lease payments with funding clauses per New Hampshire statutes as expenditures. For government-wide financial statements, leases that meet the requirements for capital lease assets and the related capital lease obligations are recorded.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

The District implemented Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which requires governments to account for other post-employment 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 post-employment benefits, rather than when they use their post-employment benefit. In addition the District is required to report its proportionate share of the net other post-employment benefit liability (OPEB), deferred outflows of resources, and deferred inflows of resources related to the OPEB, and information about the fiduciary net position of the New Hampshire Retirement System (NHRS) Medical Subsidy Other Post Employment Benefit Plan.

## Pensions

The District implemented Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*. As a result, the District is required to report its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the New Hampshire Retirement System, (NHRS) a Cost-Sharing Multiple Employer Defined Benefit Pension Plan.

## Governmental Fund Equity and Fund Balance Policy

The district has implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement established new fund balance classifications and reporting requirements as follows:

**Nonspendable** – Are fund balances that cannot be spent because they are either; not in spendable form, such as inventories or prepaid amounts, or are legally or contractually required to be maintained intact, such as the principal of a permanent fund.

**Restricted** – Are amounts that can only be used for specific purposes because of enabling legislation or externally imposed constraints, such as grant requirements or laws or regulations.

**Committed** – Are amounts that can be used for specific purposes because of a formal action by the entities highest level of decision-making authority. This would include contractual obligations if existing resources have been committed. Formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

**Assigned** – Are amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, or by and official whom authority has been given. This is the residual fund balance classification of all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative “unassigned” general fund balance.

**Unassigned** – Is the residual classification for the general fund. The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In instances where both restricted and unrestricted fund balances are available to fund expenditures, the restricted fund balances will be exhausted first, followed by committed, assigned and unassigned fund balances.

# KEARSARGE REGIONAL SCHOOL DISTRICT

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Notes to Basic Financial Statements  
June 30, 2020

## Revenues

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the period in which the resources are measurable and available. Revenue resulting from non-exchange transactions, in which the District receives value without directly giving equal value in return, generally includes grants and donations and is recognized when applicable grantor requirements, including purpose, eligibility, timing, and matching have been met. General revenues on the Statement of Activities include the school district assessment (levied by the appropriate local governments as property taxes) and aid from various State of New Hampshire sources that are not program revenues (charges for services or related to operating or capital grant programs).

## Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Legal Debt Limit

Per state statute, the District may not incur debt at any one time in excess of 10% of its locally assessed valuation (for all municipalities in the District) as last equalized by the Commissioner of the New Hampshire Department of Revenue Administration. For the year ended June 30, 2020, the District had not exceeded its legal debt limit of approximately \$313,984,285 on \$3,139,842,853 of equalized valuation.

### Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees and natural disasters. There have no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Primex<sup>3</sup>** - The District is a participating member in the *Workers' Compensation* and *Liability/Property* (commercial auto and commercial property and liability, including general liability; errors and omissions; buildings and contents; employee dishonesty; electronic equipment and equipment breakdown; commercial umbrella and public officials and Treasurer Bond) programs of the New Hampshire Public Risk Management Exchange ("**Primex<sup>3</sup>**").

**Primex<sup>3</sup>** is a risk management nonprofit public entity formed in 1979 pursuant to RSA 292 which operates multiple pooled risk management programs (*Workers' Compensation* established in 1979 and *Property/Liability* established in 1988). The **Primex<sup>3</sup>** member risk pool retains Loss Funds of \$500,000 of each *Workers' Compensation* loss (up to \$2,000,000), \$500,000 of each *Liability* loss and \$200,000 of each *Property* loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose.

The *Workers' Compensation* Section of the Self-Insurance Membership Agreement permits **Primex<sup>3</sup>** to make additional assessments to members should there be a deficiency in contributions for any year, not to exceed the member's annual contribution. At this time, **Primex<sup>3</sup>** foresees no likelihood of an assessment for this or any prior year.

**SchoolCare** - The District is a member in the New Hampshire School Health Coalition ("**SchoolCare**"). **SchoolCare** is a labor and management nonprofit corporation formed on February 28, 1995 pursuant to NH RSA 292. **SchoolCare** is a health and dental public entity pooled risk management program governed under RSA 5-B and contracts the administration of the health and dental benefits to Cigna HealthCare and is monitored by the **SchoolCare** Board for service, quality and cost.

# KEARSARGE REGIONAL SCHOOL DISTRICT

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Notes to Basic Financial Statements  
June 30, 2020

## Claims, Judgments and Contingent Liabilities

### Grant Programs

The District participates in numerous state, federal and private funded programs, which are governed by various laws, regulations, contracts and agreements of the grantor. Costs charged to these programs are subject to audit or review by the grantor; therefore, to the extent that the District has not complied with laws, regulations, contracts and agreements of the grantor, refunds of money for any disallowed claims, including amounts already collected, may constitute a contingent liability of the District.

At June 30, 2020, the District believes that there are no significant contingent liabilities relating to compliance with the laws, regulations, contracts and agreements governing these programs; therefore, no provision has been recorded in the financial statements for such contingencies.

### Litigation

The District is subject to various claims, and sometimes lawsuits, which arise in the normal course of operations. Management of the District believes that the outcome of these contingencies will not have a materially adverse effect on the financial statements and accordingly, no provision for loss has been recorded.

## Fund Deficits, Restrictions and Encumbrances

### General Fund

The \$6,659,273 fund balance in the general fund is comprised of \$81,095 of non-spendable fund balance, \$2,133,831 of amounts committed for capital reserves, \$75,000 committed at the district meeting, an assigned fund balance subject to encumbered obligations in the amount of \$653,149 and an unassigned fund balance in the amount of \$3,716,198.

### Food Service

The year end nonspendable fund balance of \$17,969 is for inventories.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and equivalents	\$ 4,480,042
Investments	1,842,575
Fiduciary funds:	
Cash and investments	313,392
	<u>\$ 6,636,009</u>

Deposits and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ -
Deposits with financial institutions	4,793,434
Investments	1,842,575
	<u>\$ 6,636,009</u>

### Credit Risk - Deposits

The District maintains deposits in accordance with RSA 197:23-a which states that the district treasurer shall deposit the moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in solvent banks in the state, except that funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the regional federal reserve bank collateral security for such deposits United States government obligations, United States 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.

### Credit Risk - Investments

The District maintains investments in accordance with RSA 197:23-a which states that whenever the treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the treasurer shall, with the approval of the school board, invest the same in obligations of the United States government, in participation units in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under the laws of the state of New Hampshire or in certificates of deposits and repurchase agreements of banks incorporated under the laws of the state of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the district. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. At least yearly, the school board shall review and adopt an investment policy for the investment of public funds in conformance with the provisions of applicable statutes.



# KEARSARGE REGIONAL SCHOOL DISTRICT

**Notes to Basic Financial Statements**  
**June 30, 2020**

Investments made by the District as of June 30, 2020 are summarized below:

	<u>Balance</u>	<u>Rating</u>	<u>Rating Agencies</u>
U.S. government securities	\$ -		
Certificates of deposit	-		
NH Public Deposit Investment Pool	1,842,575	Not Rated	
	\$ 1,842,575		

## Concentration of Credit Risk

The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. Investments in the New Hampshire PDIP ("pooled investments") are excluded from the five percent disclosure requirement.

## Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District's investments (including investments underlying repurchase agreements or pledged as collateral under a qualifying agreement) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity (specific agreements identify which two District bank accounts are covered under the pledge agreement):

<u>Investment Type</u>	<u>Remaining Maturity (Months)</u>			
	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Pledged Collateral				
NH Public Deposit Investment Pool	\$ 1,842,575	\$ -	\$ -	\$ -

Investments in the New Hampshire PDIP ("pooled investments") are excluded from this disclosure requirement.

## Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk on deposits. As of June 30, 2020, \$508,663 of the District's \$5,328,125 bank balance was covered by deposit insurance and the balance, \$4,843,012 was collateralized by pledged government-backed securities. Investments in the New Hampshire PDIP are evidenced by shares of the pool, they are not evidenced by securities that exist in physical or book-entry form; therefore, no disclosure is required.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Individual interfund balances, resulting primarily from utilization of centralized general fund cash accounts, at June 30, 2020 consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 756,099	\$ -
Food service fund	-	791,604
Other grants fund	323,781	-
Nonmajor Funds:		
Grants fund	-	240,684
Roof bond	-	45,732
Fiduciary Funds:		
Private purpose trust funds	-	1,860
	<u>\$ 1,079,880</u>	<u>\$ 1,079,880</u>

Individual interfund transfers, resulting from routine transfers during the year based upon statutory or budgetary authorization, for the year ended June 30, 2020 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ -	\$ 15,926
Food service fund	15,926	-
	<u>\$ 15,926</u>	<u>\$ 15,926</u>

The transfer to the Food Service Fund is an operating transfer from the general fund to subsidize lunch operations for the year.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2020 consisted of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Nonmajor Governmental Funds</u>
Local Governments			
Town of Warner	\$ 284,850	\$ -	\$ -
Town of New London - Trustees	2,133,831	-	55,024
Other	17,288	-	-
Federal / State Government			
Pass-through grants and other	12,470	-	590,117
Food program reimbursements	-	33,984	-
	<u>\$ 2,448,439</u>	<u>\$ 33,984</u>	<u>\$ 645,141</u>

Federal and State receivables result from grant reimbursement and federal (passed-through the State of New Hampshire) reimbursements not received until after year-end. The District capital reserve funds are due from the Town of New London - Trustees; the statutory custodian.

The District capital reserve funds, reported as a restricted general fund balance, as authorized by voters at an annual meeting that are being held by the Trustees of Trust Funds, Town of New London consisted of the following as of June 30, 2020:

- "Reconstructing or Adding to Existing Schools of the District" - Expendable Trust Fund - Established March 1994 - Amended March 1997 to name School Board Agents to expend, with a balance of \$186,918.
- "Replacement and Major Repair to Roofs in the District" - Expendable Trust Fund - Established March 2000. Roof replacement must take place over the next 2 to 5 years at an approximate total cost of \$875,000. School Board not named agents to expend, with a balance of \$803,636.
- "Emergency Funding of Unforeseen Special Education Out-of-District Placement Tuition" - Expendable Trust Fund - Established March 1997 - School Board agents to expend, with a balance of \$400,717.
- "Emergency Funding of Unanticipated Special Education Costs" - Expendable Trust Fund - Established March 2008 - School Board agents to expend, with a balance of \$285,963.
- "School Buildings Maintenance Fund" - Expendable Trust Fund - Established March 2009 - School Board agents to expend, with a balance of \$456,597.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities (at cost)</b>				
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 506,810	\$ -	\$ -	\$ 506,810
Construction in progress	42,861	416,039	-	458,900
	<u>549,671</u>	<u>416,039</u>	<u>-</u>	<u>965,710</u>
<b>Capital assets being depreciated:</b>				
Land improvements	470,081	-	-	470,081
Buildings	51,028,968	99,597	-	51,128,565
Vehicles	104,791	-	-	104,791
Furniture and equipment	4,039,200	310,835	-	4,350,035
Technology equipment	4,579,958	266,448	59,241	4,787,165
	<u>60,222,998</u>	<u>676,880</u>	<u>59,241</u>	<u>60,840,637</u>
Less accumulated depreciation:				
Land improvements	280,935	10,341	-	291,276
Buildings	16,072,762	874,351	-	16,947,113
Vehicles	102,300	1,602	-	103,902
Furniture and equipment	2,819,787	199,533	-	3,019,320
Technology equipment	4,098,791	299,371	57,807	4,340,355
Accumulated depreciation	<u>23,374,575</u>	<u>1,385,198</u>	<u>57,807</u>	<u>24,701,966</u>
Capital assets being depreciated, net	<u>36,848,423</u>	<u>(708,318)</u>	<u>1,434</u>	<u>36,138,671</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u>\$ 37,398,094</u>	<u>\$ (292,279)</u>	<u>\$ 1,434</u>	<u>\$ 37,104,381</u>

Depreciation expense for the year ended June 30, 2020 (unallocated)

\$ 1,385,198

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## NOTE 7 - LONG-TERM LIABILITIES

The District can issue general obligation debt instruments to provide funds for the acquisition and construction of major capital equipment, infrastructure and other facilities. General obligation debt instruments are "direct government obligations" and consequently are a pledge of the full faith and credit of the District. The 2004 and 2006 issuances were Capital Appreciation Bonds (CAB's) in which scheduled payments do not bear level funded interest. As a result, interest is compounded on each payment date. At June 30, 2020, the principal balance of all bonds outstanding was \$11,386,870, which includes compounded accreted interest of \$4,524,514 on the Capital Appreciation Bonds. Other long-term obligations include compensated absences. A summary of long-term liabilities outstanding at June 30, 2020 is as follows:

	General Obligation Bonds	Capital Appreciation Bonds Interest	Bond Premiums	Compen- sated Absences	OPEB Obligations	Net Pension Liability	Total
							(as restated)
Beginning balance	\$ 8,033,447	\$ 5,170,873	\$ 100,813	\$ 55,048	\$ 6,072,446	\$ 27,833,197	\$ 47,265,824
Additions	-	-	-	3,400	361,034	-	364,434
Reductions	(1,171,091)	(646,359)	(13,443)	-	(257,684)	(345,779)	(2,434,356)
Ending balance	<u>6,862,356</u>	<u>4,524,514</u>	<u>87,370</u>	<u>58,448</u>	<u>6,175,796</u>	<u>27,487,418</u>	<u>45,195,902</u>
Current portion	1,125,717	-	-	-	-	-	1,125,717
Noncurrent portion	<u>5,736,639</u>	<u>4,524,514</u>	<u>87,370</u>	<u>58,448</u>	<u>6,175,796</u>	<u>27,487,418</u>	<u>44,070,185</u>
	<u>\$ 6,862,356</u>	<u>\$ 4,524,514</u>	<u>\$ 87,370</u>	<u>\$ 58,448</u>	<u>\$ 6,175,796</u>	<u>\$ 27,487,418</u>	<u>\$ 45,195,902</u>

Long-term liabilities outstanding at June 30, 2020 consisted of the following:

	Issue Year	Interest Rate	Maturity Date	Issue Amount Net (Discount) Premium	Amount Outstanding 6/30/20
<u>General Obligation Bonds</u>					
Middle School - CAB	2006	4.00-5.00	2026	\$ 24,719,000	\$ 5,969,841
Energy Improvements	2011	4.375	2026	2,231,283	<u>892,515</u>
					<u>6,862,356</u>
CAB interest					<u>4,524,514</u>
					<u>11,386,870</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					58,448
Bond premiums					87,370
OPEB obligations					6,175,796
Net pension liability					<u>27,487,418</u>
					<u>\$ 45,195,902</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2020

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,125,717	\$ 822,860	\$ 1,948,577
2022	1,080,437	857,590	1,938,027
2023	1,037,719	904,787	1,942,506
2024	998,112	934,432	1,932,544
2025	958,950	968,528	1,927,478
2026 to 2027	<u>1,661,421</u>	<u>2,183,172</u>	<u>3,844,593</u>
	<u>\$ 6,862,356</u>	<u>\$ 6,671,369</u>	<u>\$ 13,533,725</u>

The New Hampshire Municipal Bond Bank (NHMBB), holder of the Middle School General Obligation bond in the original amount of \$24,719,000, notified the District that it has completed a 2015 Series A Refunding of a bond pool, including the District's. In accordance with the NHMBB policy regarding guidelines on refunding savings, that 50% of the gross savings net of cost shall be returned to the participating communities. The NHMBB has revised the interest portion of the remaining payments, through August 15, 2026, by \$890,100 as follows.

	<u>Original Interest</u>	<u>Reduction</u>	<u>Interest After Reduction</u>
8/15/2017	\$ 633,321	\$ (26,100)	\$ 607,221
8/15/2018	688,821	(22,000)	666,821
8/15/2019	744,678	(119,000)	625,678
8/15/2020	801,557	(132,000)	669,557
8/15/2021	857,459	(134,000)	723,459
8/15/2022	914,398	(120,000)	794,398
8/15/2023	972,952	(125,000)	847,952
8/15/2024	1,030,942	(122,000)	908,942
8/15/2025	1,090,314	(85,000)	1,005,314
8/15/2026	<u>1,154,260</u>	<u>(5,000)</u>	<u>1,149,260</u>
	<u>\$ 8,888,702</u>	<u>\$ (890,100)</u>	<u>\$ 7,998,602</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## NOTE 8 - EARLY RETIREMENT OBLIGATIONS

The District Collective Bargaining Agreement contains provisions for voluntary early retirement, payment and post-employment healthcare provisions. When the offer for early retirement is accepted, the early retiree is scheduled to receive a series of "payments" specific to each early retiree's length of service and history of compensation. In addition, early retirees also receive post-employment healthcare benefits with employer cost and employee amounts. Some early retirees may also be eligible to receive a health insurance subsidy from a special account maintained by the State. A summary of early retirement and related healthcare liabilities outstanding at June 30, 2020 is as follows:

	<b>Early Retirement Payments</b>	<b>Early Retirement Healthcare</b>	<b>Total</b>
Beginning balance	\$ 65,784	\$ 73,054	\$ 138,838
Additions	152,266	-	152,266
Reductions	<u>(82,775)</u>	<u>(30,217)</u>	<u>(112,992)</u>
Ending balance	<u>135,275</u>	<u>42,837</u>	<u>178,112</u>
Current portion	41,240	-	41,240
Noncurrent portion	<u>94,035</u>	<u>42,837</u>	<u>136,872</u>
	<u>\$ 135,275</u>	<u>\$ 42,837</u>	<u>\$ 178,112</u>

## **NOTE 9 - PENSION PLAN**

The District participates in the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan and trust established in 1967 by RSA 100-A:2 administered by a Board of Trustees. The plan is a contributory plan that provides service, disability, death and vested retirement benefits to members and their beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to New Hampshire Retirement System, 4 Chenell Drive, Concord, New Hampshire 03301.

The System is funded by contributions from both the employees and the District. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature while the employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Plan members are required to contribute 7.0% of their covered salary. The District's contribution rates for the year ended June 30, 2020 were 17.80% and 11.17% of covered payroll for teachers and other employees, respectively. The District's contributions to the System for the years ending June 30, 2020, 2019, and 2018 were \$2,928,315, \$2,723,269, and \$2,678,629, respectively, equal to the required contributions for each year.

## **NOTE 10 - COLLECTIVE BARGAINING AGREEMENTS**

The District normally negotiates long-term agreements with qualifying employee groups through a formal collective bargaining process. The District voters must ratify the agreement. State budgetary statutes require disclosure of certain aggregate cost items / cost item increases to be incurred during the term of the agreement. Cost items include levels of compensation and related fringe benefits (such as the District portion of employee health, dental, group life, and disability insurances) and sick, vacation and other compensated absences or special termination benefits.



**NOTE 11 – PROPORTIONATE SHARE OF NET PENSION LIABILITY**

The District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense information about the fiduciary net position of the New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan (NHRS) and additions to/deductions from NHRS’s fiduciary net position have been determined on the same basis as they are reported by NHRS.

**General Information about the Pension Plan**

Plan description. The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan). For additional NHRS information, please refer to the fiscal 2019 Comprehensive Annual Financial Report, which can be found on the NHRS website at [www.nhrs.org](http://www.nhrs.org).

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 a benefit multiplier depending on vesting status as of 1/1/12. 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:

<b>Years of creditable service as of January 1, 2012</b>	<b>Minimum age</b>	<b>Minimum service</b>	<b>Benefit multiplier</b>
At least 8 but less than 10 years	46	21	2.40%
At least 6 but less than 8 years	47	22	2.30%
At least 4 but less than 6 years	48	23	2.20%
Less than 4 years	49	24	2.10%

Contributions. By Statute, the Board of Trustees of the System is responsible for the certification of employer contribution rates, which are determined through the preparation of biennial valuation of the System’s assets by the System’s actuary using the entry age normal cost method.

The employer contributions used in the schedules of employer allocations as of and for the year ended June 30, 2019 is a component of total employer contributions presented in the System’s financial statements for the corresponding period.

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Notes to Basic Financial Statements June 30, 2020

Actuarial assumptions. The collective pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using the following actuarial assumptions:

Inflation	2.50%	
Salary increases	5.60%	average, including inflation
Wage inflation	3.25%	(3.00% for Teachers)
Investment rate of return	7.25%	Net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments 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 rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. 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 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 and 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 investments was applied to all periods of projected benefits payments to determine the collective total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the 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 or 1-percentage-point higher than the current rate:

	<b>1% Decrease</b>	<b>Current single rate assumption</b>	<b>1% Increase to</b>
2020	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Employer's proportionate share of the net pension liability:			
June 30, 2020	\$ 36,806,785	\$ 27,487,418	\$ 19,785,034

# KEARSARGE REGIONAL SCHOOL DISTRICT

**Notes to Basic Financial Statements**  
**June 30, 2020**

## **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2020, the District reported a liability of \$27,487,418 for its proportionate share of the net pension liability. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. At June 30, 2020, the District's proportion was 0.57126747 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$3,765,556. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total exclusive of Employer Contribution</u>
Differences between expected and actual experience	\$ 151,982	\$ 591,058	\$ (439,076)
Changes of assumptions	986,238	-	986,238
Net differences between projected and actual earnings on pension plan investments	-	224,533	(224,533)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,076,775	320,618	756,157
Employer contributions subsequent to the measurement date	<u>2,657,202</u>	<u>-</u>	<u>NA</u>
Total	<u>\$ 4,872,197</u>	<u>\$ 1,136,209</u>	<u>\$ 1,078,786</u>

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Deferred Outflows/(Inflows)</u>
For the Year Ending June 30,	
2021	\$ 946,609
2022	695,041
2023	(473,106)
2024	<u>(89,758)</u>
Total	<u>\$ 1,078,786</u>

**NOTE 12 – ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75**

**A. DISTRICT OPEB PLAN**

**Plan description**

GASB Statement 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment 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 post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

GASB No. 75 requires that employers recognize the expected claims of the retiree population less the expected contributions by those retirees. This is not necessarily the same determination as the expected cash payments of the employer for retiree health benefits. The difference is that many post-employment health plans (including the School District's program) charge the same premium rates for all participants in a non-Medicare plan regardless of their age. This single premium rate is called a blended premium rate because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims costs. This subsidy is referred to as the "Implicit Rate Subsidy".

Another way of considering the Implicit Rate Subsidy is to assume the retirees were removed from a blended plan and, instead, separately rated. In this scenario, the premium rate for the remaining active population would be lower; therefore, the retirees' premium rate is being subsidized by the premiums for active employees. Since the employer generally pays a portion of the premiums for the active employees, this subsidy creates a liability for the employer.

By comparison, the cash costs are the actual dollars paid by the employer to cover a portion or all of the retirees' premium rates. This is sometimes referred to as the "Explicit Rate Subsidy". This is the benefit that is explicitly stated by the School District that will be paid on behalf of retirees.

GASB 75 reports are required to value both the Implicit Rate Subsidy and the Explicit Rate Subsidy. This report values the Implicit Rate Subsidy only.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## Employees covered by benefit terms

As of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	0
Active Employees	<u>325</u>
Total Participants covered by OPEB Plan	<u>332</u>

## Total OPEB Liability

The school district's total OPEB liability of \$3,891,033 was measured as of July 1, 2018 and was determined by an actuarial valuation as of that date.

## Actuarial assumptions and other inputs

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.50%
Healthcare Cost Trend Rates:	
Current Trend	-3.97%
Second Year Trend	9.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2029
Salary Increases	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate as of June 30, 2019.

Mortality rates were based on the SOARP-2014 Total Dataset Mortality with Scale MP-2018 (Base Rate 2006).

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## Changes in the Total OPEB Liability

	<u>June 30, 2020</u>
OPEB Liability Beginning of Year	\$ 3,643,729
Changes for the year:	
Service Cost	235,494
Interest	125,540
Assumption Changes	-
Difference Between Actual and Expected Experience	-
Change in Actuarial Cost Method	-
Benefit payments	<u>(113,730)</u>
OPEB Liability End of Year	<u>\$ 3,891,033</u>

## Sensitivity of the total OPEB liability to changes in the discount rate (City and School)

The following presents the total OPEB Liability, calculated using the discount rate of 3.50%, as well as what the total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 4,185,538	\$ 3,891,033	\$ 3,599,459

## Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate (City and School)

The following presents the total OPEB Liability, calculated using the trend rate of (3.97%), as well as what the total OPEB Liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,397,287	\$ 3,891,033	\$ 4,457,193

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the School District recognized an OPEB expense of \$263,565. At June 30, 2020, the School District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Balance as of June 30, 2019	\$ 4,321,910	\$ 1,397,686	\$ 2,924,224
Increase in OPEB liability due to actuarial experience different from expected and actuarial assumption	-	-	-
Amortization	(928,146)	(270,346)	(657,800)
Balance as of June 30, 2020	<u>\$ 3,393,764</u>	<u>\$ 1,127,340</u>	<u>\$ 2,266,424</u>

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

<u>For the Year Ending June 30,</u>	Deferred Outflows	Deferred Inflows	Net
2021	\$ 928,146	\$ 270,346	\$ 657,800
2022	928,146	270,346	657,800
2023	928,146	270,346	657,800
2024	609,326	316,302	293,024
2025	-	-	-
Thereafter	-	-	-
Total	<u>\$ 3,393,764</u>	<u>\$ 1,127,340</u>	<u>\$ 2,266,424</u>

## **B. NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY OPEB PLAN**

### **Plan description**

In addition to the OPEB plan discussed in A. above, the District participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer defined benefit postemployment medical subsidy healthcare plan. For additional information, please refer to the system's website at [www.nhrs.org](http://www.nhrs.org).

### **Benefits**

Benefit amounts and eligibility requirements 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 I State Employees, Group I Political Subdivision Employees, Group I Teachers, and Group II Police and Firefighters. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the Medical Subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the Medical Subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

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

Participating employers are required by GASB No. 75 to recognize *their proportionate share* of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense of the Plan. The employer allocation is the ratio of each employer's contribution to the OPEB Plan's total employer contributions during the measurement period.

### **Contributions**

Funding for the Medical Subsidy comes from employer contributions. Employer contribution rates are set by the NHRS pursuant to RSA 100-A:16, and the biennial actuarial valuation.

### **Actuarial assumptions and other inputs**

The collective total OPEB liability was based on the following actuarial assumptions:

Inflation	2.50%	
Salary Increases	5.60%	average, including inflation
Wage Inflation	3.25%	(3.00% for Teachers)
Investment rate of return	7.25%	per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

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



# KEARSARGE REGIONAL SCHOOL DISTRICT

**Notes to Basic Financial Statements**  
**June 30, 2020**

## Proportionate Share of NHRS Net OPEB Liability

The school district's proportionate share of the NHRS Medical Subsidy Net OPEB Liability as of the measurement date was \$2,284,763.

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the School District recognized an OPEB expense of \$(21,524). At June 30, 2020, the School District reported deferred inflows and outflows of resources related to the Net OPEB Liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total exclusive of Employer Contribution</u>
Differences between expected and actual experience	\$ -	\$ 3,975	\$ (3,975)
Changes of assumptions	-	-	-
Net differences between projected and actual earnings on OPEB plan investments	-	2,567	(2,567)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	4,536	(4,536)
Employer contributions subsequent to the measurement date	<u>270,491</u>	<u>-</u>	<u>NA</u>
Total	<u>\$ 270,491</u>	<u>\$ 11,078</u>	<u>\$ (11,078)</u>

Deferred outflows of resources related to OPEB benefits resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liabilities will be recognized in pension expense as follows:

For the Year Ending June 30,	<u>Deferred Outflows/(Inflows)</u>
2021	\$ (20,073)
2022	4,079
2023	4,079
2024	<u>837</u>
Total	<u>\$ (11,078)</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## Sensitivity of the NHRS Medical Subsidy Net OPEB liability to changes in the discount rate

The following presents the Net OPEB Liability, calculated using the discount rate as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	<b>1% Decrease</b>	<b>Baseline Rate</b>	<b>1% Increase</b>
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,478,173	\$ 2,284,763	\$ 2,116,702

## C. CONSOLIDATED DISTRICT and NHRS OPEB LIABILITIES

The following consolidates the District's total OPEB liability and related deferred outflows/inflows of resources, and the District's proportionate share of the NHRS Medical Subsidy Net OPEB Liability and related deferred outflows/inflows of resources as of June 30, 2019.

	<b>OPEB Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total OPEB Expense</b>
District OPEB Plan	\$ 3,891,033	\$ 3,393,764	\$ 1,127,340	\$ 263,565
NHRS Medical Subsidy OPEB Plan	2,284,763	270,491	11,078	(21,524)
Total	<u>\$ 6,175,796</u>	<u>\$ 3,664,255</u>	<u>\$ 1,138,418</u>	<u>\$ 242,041</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2020

## NOTE 13 - FUND BALANCE COMPONENTS

The District's governmental fund balance components under GASB 54 are comprised of the following:

	<b>General Fund</b>	<b>Food Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:				
Inventories	\$ 63,719	\$ 17,969	\$ -	\$ 81,688
Prepaid expenditures	17,376	-	-	17,376
Restricted:				
Grant restrictions	-	-	55,024	55,024
Bond restrictions	-	-	114,376	114,376
Committed:				
Designated by district meeting	75,000	-	-	75,000
Capital reserves	2,133,831	-	-	2,133,831
Assigned:				
Encumbrances	653,149	-	-	653,149
Unassigned:	3,716,198	-	-	3,716,198
	<u>\$ 6,659,273</u>	<u>\$ 17,969</u>	<u>\$ 169,400</u>	<u>\$ 6,846,642</u>

## NOTE 14 - RESTATEMENT OF NET POSITION

Correction to the OPEB liability associated with the NHRS Medical Subsidy Plan recorded in accordance with GASB No. 75 resulted in the restatement of the government-wide net position as follows:

	<b>Governmental Activities</b>
Net position as of July 1, 2019	\$ 6,686,998
Deferred Outflows related to NHRS Medical Subsidy OPEB Plan	252,020
Change in Total OPEB Obligation as a result of recording the NHRS Medical Subsidy OPEB Plan Liability	(2,428,717)
Deferred Inflows related to NHRS Medical Subsidy OPEB Plan	<u>(140,733)</u>
Net position as of July 1, 2019 - Restated	<u>\$ 4,369,568</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Budgetary Comparison Schedule - General Fund Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance
<b>Budgetary Fund Balance - Beginning</b>	\$ 2,254,821	\$ 2,254,821	\$ 4,053,902	\$ 1,799,081
Resources (inflows):				
School district assessment				
Local school tax	28,790,774	28,790,774	28,790,774	-
Local sources				
Tuition	70,000	70,000	63,477	(6,523)
Earnings on investments	125,000	125,000	122,082	(2,918)
Other	75,000	75,000	132,678	57,678
State of New Hampshire sources				
School building aid	690,253	690,253	690,253	-
Kindergarten aid	9,760	9,760	9,760	-
Catastrophic aid	507,729	507,729	659,351	151,622
Vocational aid	33,596	33,596	32,615	(981)
Adult education	8,005	8,005	17,288	9,283
Other state sources	-	-	244,644	244,644
Adequacy grant	3,194,949	3,194,949	3,194,949	-
State education tax	6,367,919	6,367,919	6,367,919	-
Federal sources				
Medicaid distribution	110,000	110,000	36,044	(73,956)
Other	39,484	39,484	-	(39,484)
Operating transfers in				
Received from capital reserves	-	-	100,000	100,000
Amounts available for appropriation	<u>42,277,290</u>	<u>42,277,290</u>	<u>44,515,736</u>	<u>2,238,446</u>
Charges to appropriations (outflows):				
Instruction				
Regular instruction	17,836,670	17,836,670	17,233,628	603,042
Special education instruction	7,708,227	7,708,227	7,218,126	490,101
Vocational instruction	89,000	89,000	61,122	27,878
Other instruction	600,041	600,041	470,590	129,451
Adult and community programs	29,003	29,003	29,584	(581)
Support services				
Student support services	1,765,769	1,765,769	1,700,956	64,813
Instructional staff services	774,735	774,735	686,576	88,159
General administration				
Other school board	332,364	332,364	415,206	(82,842)
Executive administration				
SAU management services	1,495,767	1,495,767	1,471,883	23,884
School administrative services	2,358,906	2,358,906	2,319,940	38,966
Operation and maintenance	4,355,572	4,355,572	4,245,061	110,511
Student transportation	2,884,762	2,884,762	2,092,702	792,060
Debt service				
Debt service principal	1,171,092	1,171,092	1,171,092	-
Debt service interest	792,902	792,902	792,902	-
Operating transfers out				
Special revenue funds	17,480	17,480	15,926	1,554
Transfer to capital reserve	65,000	65,000	65,000	-
Total charges to appropriations	<u>42,277,290</u>	<u>42,277,290</u>	<u>39,990,294</u>	<u>2,286,996</u>
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,525,442</u>	<u>\$ 4,525,442</u>

See the accompanying notes to the required supplementary information.

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Schedule of Changes in Total OPEB Liability Year Ended June 30, 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability Beginning of Year	\$ 4,887,155	\$ 5,076,733	\$ 3,643,729
Changes for the Year:			
Service Cost	313,723	227,530	235,494
Interest	136,468	117,382	125,540
Changes in benefit terms	-	-	-
Assumption Changes	(63,013)	(404,511)	-
Difference Between Actual and Expected Experience	-	(1,263,521)	-
Change in Actuarial Cost Method	-	-	-
Benefit payments	<u>(197,600)</u>	<u>(109,884)</u>	<u>(113,730)</u>
Total OPEB Liability End of Year	<u>\$ 5,076,733</u>	<u>\$ 3,643,729</u>	<u>\$ 3,891,033</u>
District's covered-employee payroll	\$ 15,961,808	\$ 17,235,330	\$ 17,580,037
Total OPEB Liability as a percentage of covered payroll	31.81%	21.14%	22.13%

See the accompanying notes to the required supplementary information.

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Schedules of Proportionate Share and Contributions of the NHRS Net OPEB Liability Year Ended June 30, 2020

### Schedule of Proportionate Share of Net OPEB Liability New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Net OPEB as a Percentage of Covered Payroll (AAL)</u>	<u>Plan Fiduciary Net Position of the Net OPEB Liability</u>
June 30, 2020	0.52114616%	\$ 2,284,763	\$ 16,682,113	14%	7.75%
June 30, 2019	0.53046622%	\$ 2,428,717	\$ 16,360,844	15%	7.53%
June 30, 2018	0.66715278%	\$ 3,050,449	\$ 15,805,781	19%	7.91%

### Schedule of Medical Subsidy Contributions New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
June 30, 2020	\$ 237,764	\$ 237,830	\$ 66	\$ 16,682,113	1.43%
June 30, 2019	\$ 234,748	\$ 234,641	\$ (107)	\$ 16,360,844	1.43%
June 30, 2018	\$ 395,485	\$ 395,422	\$ (63)	\$ 15,805,781	2.50%

Schedules are required to show information for prior 10 years. Additional years will be reported as they become avail

See the accompanying notes to the required supplementary information.

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Schedules of Proportionate Share and Contributions of the Net Pension Liability Year Ended June 30, 2020

### Schedule of Proportionate Share of the Net Pension Liability

#### New Hampshire Retirement System Net Pension Liability

<b>Fiscal Year</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Net Pension as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position of the Total Pension Liability</b>
June 30, 2020	0.57126747%	\$ 27,487,418	\$ 16,682,113	164.77%	65.59%
June 30, 2019	0.57802756%	\$ 27,833,197	\$ 16,360,844	170.12%	64.73%
June 30, 2018	0.53953812%	\$ 26,534,446	\$ 15,805,781	167.88%	62.66%
June 30, 2017	0.54168484%	\$ 28,804,608	\$ 15,565,423	185.06%	58.30%
June 30, 2016	0.53455489%	\$ 21,176,537	\$ 15,258,246	138.79%	65.47%
June 30, 2015	0.54659976%	\$ 20,517,091	\$ 15,113,744	135.75%	66.32%
June 30, 2014	0.52261896%	\$ 22,492,394	\$ 14,589,252	154.17%	59.81%

### Schedule of Pension Contributions

#### New Hampshire Retirement System Pension Contributions

<b>Fiscal Year</b>	<b>Contractually Required Contribution</b>	<b>Contributions Relative to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
June 30, 2020	\$ 2,485,505	\$ 2,486,051	\$ 546	\$ 16,682,113	14.90%
June 30, 2019	\$ 2,443,882	\$ 2,443,078	\$ (804)	\$ 16,360,844	14.94%
June 30, 2018	\$ 1,959,079	\$ 1,976,562	\$ 17,483	\$ 15,805,781	12.39%
June 30, 2017	\$ 1,930,756	\$ 1,939,660	\$ 8,904	\$ 15,565,423	12.40%
June 30, 2016	\$ 1,789,439	\$ 1,789,439	\$ -	\$ 15,258,246	11.73%
June 30, 2015	\$ 1,773,757	\$ 1,773,296	\$ (461)	\$ 15,113,744	11.74%
June 30, 2014	\$ 1,300,007	\$ 1,229,511	\$ (70,496)	\$ 14,589,252	8.91%

See the accompanying notes to the required supplementary information.



**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
June 30, 2020

## NOTE 1 - BUDGETARY INFORMATION

### A. Original Budget

Governmental budgetary appropriations and estimated revenues are accounted for on a fund basis in accordance with state statutes, administrative rules and local laws, policies or procedures. The budgetary process results in a formally adopted District budget by voters at the annual District meeting. Subsequent regulatory reviews by departments of the State of New Hampshire are made of the budgetary process (warrant articles, required results of votes, etc.), adopted budget and the estimated revenues of the District. After final allocation of state aid programs to the District and approval of final estimated revenues (including the use of beginning unreserved general fund balance), a balanced District budget is achieved in accordance with State statute (the "original" budget). The original budget for the general fund in the amount of \$42,277,290 consists of the voted appropriation of \$43,784,643 less \$668,153 for the Food Service Fund, and \$839,200 for other Special Revenue Funds.

### B. Budgetary Changes, Transfers, Encumbrances and Continuing Appropriations

#### Budgetary Changes

In accordance with RSA 198:20-b, appropriations may be made by the school board by applying for, accepting and expending unanticipated funds (money from a state, federal or other governmental unit or a private source) which become available during the year without further action by the District. Such money may be used only for legal purposes for which a school district may appropriate money; shall not require the expenditure of other school district funds except those funds lawfully appropriated for the same purpose; and shall be exempt from the provisions of RSA 32 relative to the limitation of expenditure of school district moneys. The statute requires the school board to hold a public hearing on the action to be taken and to comply with various public notice requirements.

#### Transfers

The school board may authorize budgetary transfers between allowable appropriations (programs, functions or categories); however, total expenditures may not exceed the total allowable appropriations budgeted (which consists of the original budget plus appropriations allowable under RSA 198:20-b, encumbrances carried forward from the prior year and continuing appropriations, if any).

#### Encumbrances and Continuing Appropriations

All annual appropriations lapse at year-end unless encumbered. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are not expenditures and are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year. Encumbrances and reserves of \$0 were carried forward from the prior year.

Certain appropriations that are not "annual appropriations" do not lapse at year-end. These continuing appropriations include those from special or unanticipated revenues, capital projects and specific items that are not required to have been completed at year-end. Continuing appropriations are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

### C. Final Budget

The final budget consists of the original budget adjusted for appropriate legal changes applicable to the year, including those occurring during and after the end of the year.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
June 30, 2020

## NOTE 2 - EXPLANATION OF BUDGETARY TO GAAP DIFFERENCES

### Basis and Timing Differences

The basis of accounting or the timing of transactions used or applied by the funds in the basic financial statements (fund financial statements) differs from the basis of accounting or timing of transactions used or applied by the funds for budgetary purposes. The following is an explanation of the differences between budgetary inflows and outflows and GAAP revenues and expenditures.

<u>Budgetary Fund</u>	<u>General Fund</u>
<u>Financial Statement Major Fund</u>	<u>General Fund</u>
<b>Sources / Inflows of Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 44,515,736
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning fund balance	(4,053,902)
Transfers from other funds	(100,000)
Financial reporting revenues that are not inflows for budgetary purposes	
Capital reserve earnings	<u>55,377</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 40,417,211</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 39,990,294
Differences - Budget to GAAP:	
Budgetary outflows that are not expenditures for financial reporting purposes	
Transfers to other funds	(15,926)
Capital reserve transfers	<u>(65,000)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 39,909,368</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
June 30, 2020

## NOTE 3 –REQUIRED OPEB SUPPLEMENTARY INFORMATION

The district is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the district is required to disclose its obligations for post-employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees (District Plan) and medical subsidies to retirees paid by the NHRS (NHRS Medical Subsidy Plan). Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 75 - "Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions" (GASB No. 75). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

District OPEB Plan – The District plan as described in the notes to the financial statements is required to report as required supplementary information a **Schedule of Changes in Total OPEB Liability** for the 10 most recent years. Subsequent year's information will be added as it becomes available.

NHRS Medical Subsidy OPEB Plan – The NHRS medical subsidy plan as described in the notes to the financial statements is required to report as required supplementary information the following:

- **Schedule of Proportionate Share of NHRS Net Medical Subsidy OPEB Liability**
- **Schedule of Contributions**

This information is required to be reported for the 10 most recent years. Subsequent year's information will be added as it becomes available.

## NOTE 4 – GASB 68 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

In accordance with GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, the district is required to disclose historical data for each of the prior ten years within the following schedules:

- **Schedule of the Proportionate Share of Net Pension Liability**
- **Schedule of Pension Contributions**

The information presented in the *Schedule of the Proportionate Share of Net Pension Liability* is determined as of the measurement date of the collective net pension liability.

The information presented in the *Schedule of District Contributions* is determined as of the Plan's most recent fiscal year-end.

Subsequent year's information will be added as it becomes available until the ten-year requirement is met.

## **OTHER SUPPLEMENTARY INFORMATION**

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Combining Balance Sheet - Nonmajor Governmental Funds June 30, 2020

	<u>Grants Fund</u>	<u>Roof Bond</u>	<u>Project Climb</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>				
Investments	\$ -	\$ 160,108	\$ -	\$ 160,108
Held by trustees	-	-	55,024	55,024
Due from other governments	290,117	-	-	290,117
Total assets	<u>\$ 290,117</u>	<u>\$ 160,108</u>	<u>\$ 55,024</u>	<u>\$ 505,249</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accrued expenses	\$ 49,433	\$ -	\$ -	\$ 49,433
Due to other funds	240,684	45,732	-	286,416
Total liabilities	<u>290,117</u>	<u>45,732</u>	<u>-</u>	<u>335,849</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	114,376	55,024	169,400
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>114,376</u>	<u>55,024</u>	<u>169,400</u>
Total liabilities and fund balances	<u>\$ 290,117</u>	<u>\$ 160,108</u>	<u>\$ 55,024</u>	<u>\$ 505,249</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2020

	<b>Grants Fund</b>	<b>Roof Bond</b>	<b>Project Climb</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Local sources	\$ -	\$ 2,436	\$ 15,534	\$ 17,970
Federal sources	965,530	-	-	965,530
Total revenues and other financing sources	965,530	2,436	15,534	983,500
<b>Expenditures</b>				
Instruction	965,530	-	-	965,530
Support services	-	-	9,000	9,000
Total expenditures and other financing sources	965,530	-	9,000	974,530
Excess revenue and other financing sources over (under) expenditures and other financing uses	-	2,436	6,534	8,970
Fund balances - beginning of year	-	111,940	48,490	160,430
Fund balances - end of year	\$ -	\$ 114,376	\$ 55,024	\$ 169,400

**FEDERAL AWARDS SUPPLEMENTARY INFORMATION**



# ROBERGE AND COMPANY, P.C.

## Certified Public Accountants

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Member – American Institute of CPA's (AICPA)  
Member – AICPA Government Audit Quality Center (GAQC)  
Member – AICPA Private Company Practice Section (PCPS)  
Member – New Hampshire Society of CPA's

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

To the School Board  
Kearsarge Regional School District  
New London, 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 Kearsarge Regional School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Kearsarge Regional School District's basic financial statements, and have issued our report thereon dated November 10, 2020.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kearsarge Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kearsarge Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kearsarge Regional 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 may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kearsarge Regional 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.

*Roberge and Co., P.C.*

## **ROBERGE & COMPANY, P.C.**

Franklin, New Hampshire  
November 10, 2020

# ROBERGE AND COMPANY, P.C.

## Certified Public Accountants

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Members – American Institute of CPA’s (AICPA)  
Member – AICPA Government Audit Quality Center (GAQC)  
Member – AICPA Private Company Practice Section (PCPS)  
Members – New Hampshire Society of CPA’s

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

To the School Board  
Kearsarge Regional School District  
New London, New Hampshire

#### **Report on Compliance for Each Major Federal Program**

We have audited Kearsarge Regional School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kearsarge Regional School District’s major federal programs for the year ended June 30, 2020. Kearsarge Regional 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.

#### **Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of Kearsarge Regional School District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kearsarge Regional School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kearsarge Regional School District’s compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Kearsarge Regional 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, 2020.

## Report on Internal Control Over Compliance

Management of Kearsarge Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kearsarge Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kearsarge Regional School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Roberge and Co., P.C.*

**ROBERGE & COMPANY, P.C.**

Franklin, New Hampshire  
November 10, 2020

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Federal CFDA #	Pass Through ID #	Expenditures of Federal Awards	Expenditures to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through the NH Surplus Distribution Section</i>				
Fresh Fruit and Vegetable Program	10.582		\$ 5,266	\$ -
<i>Passed through the NH Department of Education</i>				
<b>CHILD NUTRITION CLUSTER</b>				
School Breakfast Program	10.553		60,876	-
National School Lunch Program	10.555		141,958	-
National School Lunch Program - Commodities (Noncash)	10.555		27,187	-
			169,145	-
<b>CHILD NUTRITION CLUSTER TOTAL</b>			230,021	-
<b>U.S. DEPARTMENT OF AGRICULTURE TOTAL</b>			235,287	-
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed through the NH Department of Education</i>				
Title I, Grants to Local Educational Agencies (LEAs)	84.010	20200147	202,144	-
Title I, Grants to Local Educational Agencies (LEAs)	84.010	20190147	13,544	-
			215,688	-
<b>SPECIAL EDUCATION CLUSTER</b>				
Special Education - Grants to States (IDEA, Part B)	84.027	82504	15,107	-
Special Education - Grants to States (IDEA, Part B)	84.027	92606	83,898	-
Special Education - Grants to States (IDEA, Part B)	84.027	95633	1,136	-
Special Education - Grants to States (IDEA, Part B)	84.027	202503	397,173	-
			497,314	-
Special Education - Preschool Grants (IDEA Preschool)	84.173	92606	1,080	-
Special Education - Preschool Grants (IDEA Preschool)	84.173	202503	3,776	-
			4,856	-
<b>SPECIAL EDUCATION CLUSTER TOTAL</b>			502,170	-
Adult Education - Basic Grants to States	84.002	20204312	700	-
Title IIA - Supporting Effective Instruction State Grants	84.367	20190068	24,295	-
Title IIA - Supporting Effective Instruction State Grants	84.367	20200068	16,325	-
			40,620	-
Student Support & Academic Enrichment	84.424	20190550	19,185	-
			19,185	-
COVID-19 - Education Stabilization Fund	84.425D	20200842	153,646	-
			153,646	-
<b>U.S. DEPARTMENT OF EDUCATION TOTAL</b>			932,009	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 1,167,296	\$ -

The accompanying notes are an integral part of this schedule.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Notes to Schedule of Expenditures of Federal Awards June 30, 2020

### 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal award activity of the Kearsarge Regional School District under programs of the federal government for the year ended June 30, 2020. The Kearsarge Regional School District's reporting entity is defined in Note 1 to the District's basic financial statements. The information in the Schedule of Expenditures of Federal Awards is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of the Kearsarge Regional School District and is not intended to and does not present the financial position or changes in net position of the Kearsarge Regional School District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting within the governmental funds (general and special revenue) of the District. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The expenditures reported in the Schedule of Expenditures of Federal Awards are recognized following the applicable cost principles of OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (codified in 2 CFR Part 225), or Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and include, but are not limited to, expenditure transactions associated with grants, cost reimbursement grants and contracts, the receipt or use of program income and the distribution or consumption of food commodities (non-cash transactions) and cost reimbursements for nutrition goods and services programs.

Indirect costs included in the Schedule of Expenditures of Federal Awards of the Kearsarge Regional School District, when applicable, are based upon an annual indirect cost rate calculation that is approved by the New Hampshire Department of Education and is specifically identified in each grant program award passed through the New Hampshire Department of Education. Accordingly, the Kearsarge Regional School District has not elected to use the ten percent (10%) de minimis indirect cost rate allowed under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

### 3. RELATIONSHIP AND RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The total expenditures of federal awards per the accompanying schedule of expenditures of federal awards reconciles to the Statement of Revenues, Expenditures and Changes in Fund Balances – Major and Other Governmental Funds as follows:

<b>Schedule of Expenditures of Federal Awards</b>	\$ 1,167,296
State/Nonfederal grant programs	35,428
	<u>\$ 1,202,724</u>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	
Major Fund	
Food Service Fund	
Federal Sources	\$ 237,194
Nonmajor Funds	
Grants Fund	965,530
	<u>\$ 1,202,724</u>



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs 1 - Summary of Auditor's Results June 30, 2020

### **Financial Statements**

The type of auditor's report issued – Unmodified – All Reporting Units

Internal control over financial reporting:

- Material weaknesses identified – No.
- Significant deficiencies identified – None Reported.
- Noncompliance material to financial statements noted? – No.

### **Federal Awards**

Internal control over major programs:

- Material weaknesses identified – No.
- Significant deficiencies identified – None Reported.

Type of auditor's report issued on compliance for major programs – Unmodified.

Are there any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings – No.

Identification of major programs:

- SPECIAL EDUCATION CLUSTER
  - CFDA # 84.027 - Special Education - Grants to States (IDEA, Part B)
  - CFDA # 84.173 - Special Education - Preschool Grants (IDEA Preschool)

Dollar Threshold used to distinguish between type A and type B Programs - \$750,000.

Auditee qualified as a low-risk auditee – No.

# KEARSARGE REGIONAL SCHOOL DISTRICT

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## Schedule of Findings and Questioned Costs 2 - Financial Statement Findings June 30, 2020

There were no findings relating to the financial statements required to be reported by standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

# KEARSARGE REGIONAL SCHOOL DISTRICT

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## Schedule of Findings and Questioned Costs 3 – Federal Award Findings and Questioned Costs June 30, 2020

There were no findings or questioned costs required to be reported under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.516 Audit Findings.