

**KEARSARGE REGIONAL SCHOOL DISTRICT**

New London, New Hampshire

FINANCIAL STATEMENTS

With Schedule of Expenditures of Federal Awards

June 30, 2022

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

# KEARSARGE REGIONAL SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

# ROBERGE AND COMPANY, P.C.

## Certified Public Accountants

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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 Audit of the Financial Statements

##### *Opinions*

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, 2022, 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.

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, 2022, 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.

##### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Kearsarge Regional School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management 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.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kearsarge Regional School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kearsarge Regional School District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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 proportionate share and contributions of the 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.

### ***Supplementary 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 accompanying combining, nonmajor fund financial statements, and schedule of expenditures of federal awards Opinion as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a

required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and 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 October 13, 2022, 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

October 13, 2022

## **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, 2022.

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, 2022. Please read it in conjunction with the financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

The District's total combined net position decreased between June 30, 2021, and 2022 by \$199,967 to \$2,295,739.

Net position consisted of \$31,334,634 net investment in capital assets: \$95,039 restricted for the lunch program and \$552,460 for other purposes, and an unrestricted negative balance of (\$29,686,394). 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 \$26,941,447 net pension liability and \$9,493,264 total OPEB obligation.

The District's total revenues, consisting of general revenues, charges for services and operating grants and contributions were \$43,562,796. The amount that was paid by taxpayers through property taxes was \$36,222,377, which consisted of \$29,777,797 paid in the form of local property taxes and \$6,444,580 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 \$3,272,771 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 \$43,762,763. Instruction and support services account for 93% of total expenses (exclusive of other financing credits).

The general fund balance decreased \$913,108 during the year from a balance of \$7,709,362 as of June 30, 2021, to a \$6,796,254 fund balance as of June 30, 2022. The budgetary basis actual revenues were more than estimated in the amount of \$1,124,048. Total actual expenditures were less than authorized appropriations by \$3,487,895.

The June 30, 2022, ending general fund balance consisted of \$85,805 of non-spendable prepaid expenditures and inventories, \$2,184,311 committed for capital reserves; \$60,000 committed at the district meeting; \$1,036,415 assigned for encumbrances; and an unassigned fund balance in the amount of \$3,429,723.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## OVERVIEW OF THE FINANCIAL STATEMENTS

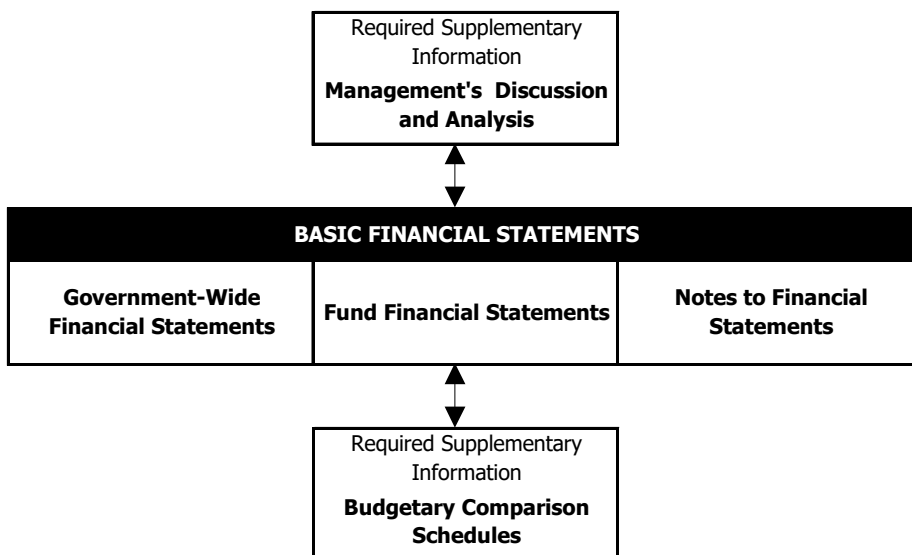
This discussion and analysis is intended to serve as an introduction to the District's annual report, which consists of a series of basic financial statements, notes and related financial or compliance information. The District's financial statements are comprised of six primary sections or components: (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 decreased between June 30, 2021, and 2022 by \$199,967 or 8% to \$2,295,739.

### Exhibit B-1 NET POSITION

	Governmental Activities		
	2021	2022	Change
<b>Assets</b>			
Current and other assets	\$ 11,025,667	\$ 10,969,310	\$ (56,357)
Noncurrent assets	<u>36,705,561</u>	<u>36,479,918</u>	<u>(225,643)</u>
<b>Total assets</b>	47,731,228	47,449,228	(282,000)
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources	<u>16,916,505</u>	<u>12,390,173</u>	<u>(4,526,332)</u>
<b>Total deferred outflows of resources</b>	16,916,505	12,390,173	(4,526,332)
<b>Liabilities</b>			
Current liabilities	3,584,939	4,573,265	988,326
Noncurrent liabilities	<u>56,256,918</u>	<u>43,174,466</u>	<u>(13,082,452)</u>
<b>Total liabilities</b>	59,841,857	47,747,731	(12,094,126)
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources	<u>2,310,170</u>	<u>9,795,931</u>	<u>7,485,761</u>
<b>Total deferred inflows of resources</b>	2,310,170	9,795,931	7,485,761
<b>Net Position</b>			
Net investment in capital assets	30,968,921	31,334,634	365,713
Restricted	552,350	647,499	95,149
Unrestricted	<u>(29,025,565)</u>	<u>(29,686,394)</u>	<u>(660,829)</u>
<b>Total net position</b>	<u>\$ 2,495,706</u>	<u>\$ 2,295,739</u>	<u>\$ (199,967)</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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## Change in Net Position

The District's total revenues were \$43,562,796 while total expenses were \$43,762,763 resulting in a decrease in net position of \$199,967.

## Revenues

Exhibit B-2 shows that a significant portion, 92%, of the District's total revenues came from the school district assessment (68%) and State of New Hampshire source intergovernmental revenues (24%) primarily derived from local and state-wide property taxes and other state aid programs. Operating grants and contributions provided 6% of total revenues, and 1% related to charges for services.

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### Exhibit B-2 SOURCES OF DISTRICT REVENUES

	<u>2021</u>	<u>%</u>	<u>2022</u>	<u>%</u>	<u>Change</u>	<u>%</u>
<b>Program Revenues</b>						
Charges for services	\$ 107,540	0%	\$ 492,300	1%	\$ 384,760	358%
Operating grants and contributions	3,327,753	8%	2,742,204	6%	(585,549)	-18%
<b>General Revenues</b>						
School district assessment	30,007,998	68%	29,777,797	68%	(230,201)	-1%
Local sources	161,334	0%	181,096	0%	19,762	12%
State of New Hampshire sources	10,234,041	23%	10,347,957	24%	113,916	1%
Investment income	8,133	0%	21,442	0%	13,309	164%
	<u>\$ 43,846,799</u>	<u>100%</u>	<u>\$ 43,562,796</u>	<u>100%</u>	<u>\$ (284,003)</u>	<u>-1%</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## Expenses

Exhibit B-3 shows that 93% of the District's total expenses were for instructional and support services.

- Instruction expenses increased of \$918,680 over the prior year amount.
- Support service expenses increased of \$1,030,491 over the prior year amount.
- Food service program expenses increased \$290,819 over the prior year amount.
- Unallocated interest expense increased \$64,953 over the prior year amount.
- Unallocated other financing uses comprised primarily of pension and other post-employment benefit costs decreased \$4,628,929 from the prior year.
- Unallocated depreciation increased \$165,014 over the prior year amount.

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### Exhibit B-3 DISTRICT EXPENSES

	<u>2021</u>	<u>%</u>	<u>2022</u>	<u>%</u>	<u>Change</u>	<u>%</u>
<b>Functions / Programs</b>						
Instruction	\$ 26,972,798	59%	\$ 27,891,478	64%	\$ 918,680	3%
Support services	11,825,324	26%	12,855,815	29%	1,030,491	9%
Food service program	442,977	1%	733,796	2%	290,819	66%
<b>Unallocated</b>						
Interest	126,114	0%	191,067	0%	64,953	52%
Other	5,066,267	11%	437,338	1%	(4,628,929)	-91%
Depreciation	1,488,255	3%	1,653,269	4%	165,014	11%
	<u>\$ 45,921,735</u>	<u>100%</u>	<u>\$ 43,762,763</u>	<u>100%</u>	<u>\$ (2,158,972)</u>	<u>-5%</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

	2021		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Functions / Programs</b>				
Instruction	\$ 26,972,798	\$ 24,266,971	\$ 27,891,478	\$ 25,549,422
Support services	11,825,324	11,549,156	12,885,815	12,855,815
Food service program	442,977	(10,321)	733,796	(158,652)
<b>Unallocated</b>				
Interest	126,114	126,114	191,067	191,067
Other	5,066,267	5,066,267	437,338	437,338
Depreciation	1,488,255	1,488,255	1,653,269	1,653,269
	<u>\$ 45,921,735</u>	<u>\$ 42,486,442</u>	<u>\$ 43,792,763</u>	<u>\$ 40,528,259</u>

The total cost of all governmental activities this year was \$43,762,763; the total net cost was \$40,528,259. The primary financing for these activities of the District was as follows:

#### Property taxes

- The amount that was paid by taxpayers through property taxes was \$36,222,377, which consisted of \$29,777,797 paid in the form of local property taxes and \$6,444,580 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 \$3,272,771 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 \$21,442.
- Other local sources were received in the amount of \$181,096.

#### State Sources

- School building aid was received in the amount of \$630,606.

# 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 decreased \$913,108 during the year from a balance of \$7,709,362 as of June 30, 2021, to a \$6,796,254 fund balance as of June 30, 2022. The June 30, 2022, fund balance consisted of \$85,805 of non-spendable prepaid expenditures and inventories, \$2,184,311 committed for capital reserves; \$60,000 committed at the district meeting; \$1,036,415 assigned for encumbrances; and an unassigned fund balance in the amount of \$3,429,723. 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

#### Grants Fund

The grants fund is classified as a special revenue fund and is reported as a major fund 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.

#### 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 \$74,681 during the year from a fund balance of \$20,358 as of June 30, 2021, to a fund balance of \$95,039 as June 30, 2022.

### Nonmajor Funds

#### Other Grants Fund

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

#### Student Activities Fund

The student activities fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. It is primarily used to account for fund raising activities used to fund various student groups.

#### 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 \$114,804.



# 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 \$54,820.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

For the year ended June 30, 2022, 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.

### **Final Versus Original Budget Comparison**

In the normal circumstances under the total budget-to-actual basis the original and final budget amounts would be the same. However, the final budget varied from the original budget for the following item:

- Encumbrances were carried forward from the prior year in the amount of \$474,111.

### **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 \$1,124,048.

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

- Fund balance by \$978,382,
- Other local revenues by \$100,175,
- Medicaid reimbursements by \$58,752,

Actual total outflows were lower than the budgeted total appropriation by a positive variance of \$3,487,895.

Significant budgetary line items that were less than budgeted appropriations were:

- Regular instruction was less than appropriations by \$1,132,556.
- Special education instruction was less than appropriations by \$860,458.
- Operation and maintenance services were less than appropriations by \$179,675.
- Student transportation costs were less than appropriations by \$763,765.

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

As of June 30, 2022, the District had invested \$36,287,746 (\$63,302,351 at cost or estimated cost less accumulated depreciation of \$27,014,605) in a broad range of capital assets, including land and land improvements, buildings, furniture, general equipment, vehicles, technology equipment and leased assets as summarized in Exhibit C-1.

This amount represents a net decrease of \$417,815 or 1.14% 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>2021</u>	<u>2022</u>	<u>Change</u>
Land and improvements	\$ 976,891	\$ 976,891	0.00%
Construction In Progress	-	192,172	-100.00%
Buildings	51,978,435	52,033,458	0.11%
Vehicles	190,355	322,876	69.62%
Furniture, equipment & vehicle	4,539,494	4,660,678	2.67%
Technology equipment	4,658,633	4,710,221	1.11%
Leased equipment	-	598,227	100.00%
<b>Capital assets, at cost</b>	<u>62,343,808</u>	<u>63,494,523</u>	1.85%
Accumulated Depreciation	<u>(25,638,247)</u>	<u>(27,014,605)</u>	-5.37%
<b>Capital assets, net</b>	<u>\$ 36,705,561</u>	<u>\$ 36,479,918</u>	<u>-0.61%</u>
<b>Increase in Capital Assets, Net</b>		<u>\$ (225,643)</u>	
<b>Changes</b>			
Building additions		\$ 55,023	
Construction in progress		192,172	
Vehicle additions		132,521	
Furniture and equipment additions		121,184	
Technology equipment additions		333,811	
Leased equipment additions		598,227	
Depreciation		(1,653,269)	
Gain (Loss) on disposals		(5,312)	
		<u>\$ (225,643)</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

As of June 30, 2022, the District had \$43,174,466 of net long-term obligations (\$45,019,085 in total obligations less the current portion of \$1,844,619) as summarized in Exhibit C-2.

This amount represents a net decrease of 23.25% from the prior year.

### Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		Change
	2021	2022	
General obligation debt	\$ 9,614,795	\$ 7,887,999	-17.96%
Unamortized bond premiums	73,927	60,484	-18.18%
Lease obligations	-	489,081	100.00%
Compensated absences	58,991	62,947	6.71%
Early retirement obligations - payments	94,034	70,526	-25.00%
Early retirement obligations - healthcare	21,777	13,337	-38.76%
Total OPEB obligations	9,263,840	9,493,264	2.48%
Net pension liability	38,247,943	26,941,447	-29.56%
	57,375,307	45,019,085	-21.54%
Less current portion	(1,118,389)	(1,844,619)	64.94%
	<u>\$ 56,256,918</u>	<u>\$ 43,174,466</u>	<u>-23.25%</u>
<b>Decrease, Net</b>		<u>\$ (13,082,452)</u>	
<b>Changes</b>			
Principal payments on general obligation bonds		\$ (1,080,437)	
Capital Appreciation Bond accrued interest change		(646,359)	
Lease obligations entered into		598,227	
Principal payments on lease obligations		(109,146)	
Amortization of bond premiums		(13,443)	
Change in compensated absences		3,956	
Change in retirement obligations - payments		(23,508)	
Change in retirement obligations - health		(8,440)	
Change in net OPEB obligation		229,424	
Change in net pension liability		(11,306,496)	
Change in current portion		(726,230)	
		<u>\$ (13,082,452)</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, 2022, the estimated legal debt limit is approximately \$374,076,553 on equalized valuation of \$3,740,765,527.

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 2022-2023 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 \$3,122,883 for 2020-2021 to \$3,272,771 for 2021-2022. The State Education tax decreased from \$6,447,248 for 2020-2021 to \$6,444,580 for 2021-2022.

	<b>Equitable Education Grant 2021-2022</b>	<b>State Education Tax 2021-2022</b>
Town of Bradford	\$ 654,892	\$ 449,222
Town of New London	\$ -	\$ 2,387,037
Town of Newbury	\$ -	\$ 1,655,815
Town of Springfield	\$ 404,350	\$ 404,442
Town of Sutton	\$ 606,696	\$ 588,357
Town of Warner	\$ 1,249,352	\$ 570,787
Town of Wilmot	\$ 357,482	\$ 388,920
	<u>\$ 3,272,771</u>	<u>\$ 6,444,580</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 2020-2021 and 2021-2022.

### Exhibit D-2 SCHOOL DISTRICT ASSESSMENT

	<b>Fiscal Year (Actual) 2020-2021</b>	<b>Fiscal Year (Budget) 2021-2022</b>	<b>Change</b>
Town of Bradford	\$ 2,694,296	\$ 2,705,880	0%
Town of New London	7,788,607	8,272,187	6%
Town of Newbury	5,581,668	5,300,662	-5%
Town of Springfield	2,712,341	2,757,238	2%
Town of Sutton	4,219,295	3,881,100	-8%
Town of Warner	4,593,689	4,426,633	-4%
Town of Wilmot	2,418,102	2,434,097	1%
	<u>\$ 30,007,998</u>	<u>\$ 29,777,797</u>	<u>-1%</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, 2022

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,350,482
Investments	3,459,621
Receivables, net	2,434,719
Due from other governments	616,296
Inventories	90,816
Prepaid	17,376
Capital assets:	
Land, improvements, and construction in progress	506,810
Other capital assets, net of accumulated depreciation	<u>35,973,108</u>
Total assets	<u>47,449,228</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to net pension liability	8,596,562
Deferred outflows of resources related to other post employment benefits	<u>3,793,611</u>
Total deferred outflows of resources	<u>12,390,173</u>
<b>LIABILITIES</b>	
Accounts payable	380,381
Accrued expenses	2,348,265
Current portion of long-term liabilities	1,844,619
Noncurrent:	
Bonds payable	3,618,484
CAB accrued interest payable	2,585,437
Capital lease obligations	374,922
Unamortized bond premiums	47,041
Compensated absences	62,947
Early retirement obligation	47,017
Early retirement health benefits	3,907
Other post employment benefit obligation	9,493,264
Net pension liability	<u>26,941,447</u>
Total liabilities	<u>47,747,731</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue	880,028
Deferred inflows of resources related to net pension liability	7,933,466
Deferred inflows of resources related to other post employment benefits	<u>982,437</u>
Total deferred inflows of resources	<u>9,795,931</u>
<b>NET POSITION</b>	
Net investment in capital assets	31,334,634
Restricted for:	
Lunch program	95,039
Other purposes	552,460
Unrestricted	<u>(29,686,394)</u>
Total net position	<u>\$ 2,295,739</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, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and
				Changes in Net Position
			Primary Governmental	
Governmental activities:				
Instruction				
Regular instruction	\$ 18,246,542	\$ 60,586	\$ -	\$ (18,185,956)
Special education instruction	7,312,830	-	1,866,939	(5,445,891)
Vocational instruction	53,054	-	18,873	(34,181)
Other instruction	2,279,052	395,658	-	(1,883,394)
Support services				
Student support services	1,852,827	-	-	(1,852,827)
Instructional staff services	661,334	-	-	(661,334)
General administration	365,485	-	-	(365,485)
Executive administration	1,693,666	-	-	(1,693,666)
School administrative services	2,448,864	-	-	(2,448,864)
Operation and maintenance	3,646,027	-	-	(3,646,027)
Student transportation	2,187,612	-	-	(2,187,612)
Food service program	733,796	36,056	856,392	158,652
Interest expense	191,067	-	-	(191,067)
Other uses / expenses	437,338	-	-	(437,338)
Depreciation (unallocated)	1,653,269	-	-	(1,653,269)
Total governmental activities	<u>43,762,763</u>	<u>492,300</u>	<u>2,742,204</u>	<u>(40,528,259)</u>
General revenues:				
School district assessment				\$ 29,777,797
Grants and contributions not restricted to specific purposes:				
Local sources				181,096
State of New Hampshire sources				10,347,957
Investment Income				<u>21,442</u>
Total general revenues				<u>40,328,292</u>
Change in net position				(199,967)
Net position, beginning (as restated)				<u>2,495,706</u>
Net position, ending				<u>\$ 2,295,739</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, 2022**

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Food Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 3,967,646	\$ -	\$ -	\$ 382,836	\$ 4,350,482
Investments	2,718,823	-	580,262	160,536	3,459,621
Held by trustees	2,184,311	-	-	54,820	2,239,131
Receivables, net	126,292	-	415	68,881	195,588
Due from other governments	-	463,227	153,069	-	616,296
Due from other funds	675,689	-	-	227,672	903,361
Inventories	68,429	-	22,387	-	90,816
Prepays	17,376	-	-	-	17,376
Total assets	<u>\$ 9,758,566</u>	<u>\$ 463,227</u>	<u>\$ 756,133</u>	<u>\$ 894,745</u>	<u>\$ 11,872,671</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 251,127	\$ -	\$ 129,254	\$ -	\$ 380,381
Accrued expenses	2,185,885	79,263	-	-	2,265,148
Due to other funds	-	383,964	473,665	45,732	903,361
Total liabilities	<u>2,437,012</u>	<u>463,227</u>	<u>602,919</u>	<u>45,732</u>	<u>3,548,890</u>
Deferred inflows:					
Deferred revenue	<u>525,300</u>	<u>-</u>	<u>58,175</u>	<u>296,553</u>	<u>880,028</u>
Total deferred inflows	<u>525,300</u>	<u>-</u>	<u>58,175</u>	<u>296,553</u>	<u>880,028</u>
Fund balances:					
Nonspendable	85,805	-	22,387	-	108,192
Restricted	-	-	-	169,624	169,624
Committed	2,244,311	-	-	-	2,244,311
Assigned	1,036,415	-	72,652	382,836	1,491,903
Unassigned	<u>3,429,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,429,723</u>
Total fund balance	<u>6,796,254</u>	<u>-</u>	<u>95,039</u>	<u>552,460</u>	<u>7,443,753</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 9,758,566</u>	<u>\$ 463,227</u>	<u>\$ 756,133</u>	<u>\$ 894,745</u>	<u>\$ 11,872,671</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, 2022

**Total Fund Balances - Governmental Funds** \$ 7,443,753

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	\$ 63,494,523	
Less accumulated depreciation	<u>(27,014,605)</u>	36,479,918

Long-term liabilities 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	(4,656,203)	
CAB interest payable	(3,231,796)	
Unamortized bond premium	(60,484)	
Lease obligations	(489,081)	
Compensated absences	(62,947)	
Special early termination benefits	(70,526)	
Special early termination health benefits	(13,337)	
OPEB obligation	(9,493,264)	
Net pension liability	<u>(26,941,447)</u>	(45,019,085)

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	(8,915,903)	
Deferred outflows of resources	<u>12,390,173</u>	3,474,270

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.

(83,117)

**Total Net Position - Governmental Activities** \$ 2,295,739

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, 2022

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Food Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
School district assessment	\$ 29,777,797	\$ -	\$ -	\$ -	\$ 29,777,797
Local sources	235,761	-	36,056	401,903	673,720
State of New Hampshire sources	10,755,655	-	7,460	-	10,763,115
Federal sources	158,752	1,321,481	777,932	68,881	2,327,046
Investment income	19,789	-	1,329	-	21,118
Total revenues	<u>40,947,754</u>	<u>1,321,481</u>	<u>822,777</u>	<u>470,784</u>	<u>43,562,796</u>
<b>Expenditures</b>					
Current:					
Instruction	26,611,053	1,321,481	-	450,098	28,382,632
Support services	2,514,161	-	-	-	2,514,161
General administration	365,485	-	-	-	365,485
Executive administration	10,414,572	-	-	-	10,414,572
Food service program	-	-	748,096	-	748,096
Debt service:					
Principal	1,080,437	-	-	-	1,080,437
Interest	855,679	-	-	-	855,679
Capital outlay	598,227	-	-	-	598,227
Total expenditures	<u>42,439,614</u>	<u>1,321,481</u>	<u>748,096</u>	<u>450,098</u>	<u>44,959,289</u>
Excess (deficiency) of revenues over expenditures	(1,491,860)	-	74,681	20,686	(1,396,493)
<b>Other Financing Sources (Uses)</b>					
Lease financing	598,227	-	-	-	598,227
Loss on investments	<u>(19,475)</u>	<u>-</u>	<u>-</u>	<u>(218)</u>	<u>(19,693)</u>
Net change in fund balances	(913,108)	-	74,681	20,468	(817,959)
Fund balance, beginning	<u>7,709,362</u>	<u>-</u>	<u>20,358</u>	<u>531,992</u>	<u>8,261,712</u>
Fund balance, ending	<u>\$ 6,796,254</u>	<u>\$ -</u>	<u>\$ 95,039</u>	<u>\$ 552,460</u>	<u>\$ 7,443,753</u>

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

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2022

**Total Net Change in Fund Balances - Governmental Funds** \$ (817,959)

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	\$ 1,432,938	
Depreciation expense	(1,653,269)	
Loss on disposal of assets	<u>(5,312)</u>	(225,643)

Governmental funds report initial lease obligations as other financing sources while the statement of net position reports them as a long-term lease liability. (598,227)

Repayment of bond and 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	1,080,437	
Principal on leases	<u>109,146</u>	1,189,583

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 4,810

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	13,443	
Compensated absences (increase) decrease	(3,956)	
Early retirement (increase) decrease	23,508	
Early retirement health benefit (increase) decrease	8,440	
OPEB obligation (increase) decrease	(229,424)	
Net pension liability	<u>11,306,496</u>	11,764,866

Changes in deferred inflows and outflows that are not current financial sources or uses and are not recorded as revenues or expenditures in the governmental funds.

Deferred inflows related to pensions (increase) decrease	(7,322,983)	
Deferred inflows related to OPEB (increase) decrease	331,918	
Deferred outflows related to pensions increase (decrease)	(3,046,705)	
Deferred outflows related to other OPEB increase (decrease)	<u>(1,479,627)</u>	<u>(11,517,397)</u>

**Change in Net Position of Governmental Activities** \$ (199,967)

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 Net Position Fiduciary Funds June 30, 2022

### Private Purpose Trust Funds

<b>Assets</b>	
Held by Trustees of Trust Funds	\$ 64,746
Total assets	<u>64,746</u>
<b>Liabilities</b>	
Total liabilities	\$ -
<b>Net Position</b>	
Restricted for:	
Individuals and organizations	<u>64,746</u>
Total net position	<u>\$ 64,746</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 Net Position Fiduciary Funds Year Ended June 30, 2022

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Local sources	\$ 431
Total additions	<u>431</u>
<b>Deductions:</b>	
Support services	<u>5,900</u>
Total deductions	<u>5,900</u>
Operating income (loss)	<u>(5,469)</u>
<b>Non operating additions (deductions):</b>	
Loss on investments	<u>(403)</u>
Net non operating revenues (expenses)	<u>(403)</u>
Change in net position	(5,872)
Net position, beginning	<u>70,618</u>
Net position, ending	<u>\$ 64,746</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), 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 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. 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.



## NOTE 1 – (continued)

### 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. 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 two major categories: governmental, 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 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 that are legally restricted to expenditures for specific purposes. The district reports the following as special revenue funds: Grants, Food Service, Other Grants, and Student Activities.

**Capital Project Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The district reports a Roof Bond fund as a capital project fund.

**Permanent Funds** are used to account for trust arrangements in which the District is the beneficiary of the earnings on the principal, including public-purpose funds previously classified as nonexpendable trust funds. The district reports the Project Climb Fund as a permanent fund.

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. The district reports Scholarship Trusts Fund as a private purpose trust fund.

## NOTE 1 – (continued)

### 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 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 assets are recognized when they are 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).

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 1 – (continued)

### 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.

### 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 acquisition 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	\$ 2,500	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.

## NOTE 1 – (continued)

### Long-term Obligations

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt consists of bonds payable (related bond premiums are amortized), leases, compensated absences, early retirement benefits, other post-employment benefits, and net pension liability. 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.

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 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 (District Meeting). 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.

## NOTE 1 – (continued)

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 (School Board), or by an official whom authority has been given (Superintendent). 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.

### 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, 2022, the District had not exceeded its legal debt limit of approximately \$374,076,553 on \$3,740,765,527 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 were no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**Primex** - 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*").

*Primex* is a risk management nonprofit public entity formed pursuant to RSA 292 which operates multiple pooled risk management programs (*Workers' Compensation* established in 1979 and *Property/Liability* established in 1988). The *Primex* 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 *Primex* 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* 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* 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 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.

## NOTE 2 – (continued)

### 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.

As of June 30, 2022, 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 \$6,796,254 fund balance in the general fund is comprised of \$85,805 of non-spendable fund balance, \$2,184,311 of amounts committed for capital reserves, \$60,000 committed at the district meeting, an assigned fund balance subject to encumbered obligations in the amount of \$1,036,415 and an unassigned fund balance in the amount of \$3,429,723.

#### Food Service

The \$95,039 fund balance is comprised of \$22,387 nonspendable inventories, and an assigned fund balance of \$72,652.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and equivalents	\$ 4,350,482
Investments	3,459,621
	<u>\$ 7,810,103</u>

Deposits and investments as of June 30, 2022, consist of the following:

Deposits with financial institutions	\$ 4,350,482
Investments	3,459,621
	<u>\$ 7,810,103</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, 2022

## NOTE 3 – (continued)

Investments made by the District as of June 30, 2022, are summarized below:

	<u>Balance</u>	<u>Rating</u>
NH Public Deposit Investment Pool	\$ 3,459,621	Not Rated
	<u>\$ 3,459,621</u>	

### 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, 2022, \$642,488 of the District's \$5,093,200 bank balance was covered by deposit insurance and the balance 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, 2022

## NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Individual interfund balances as of June 30, 2022, consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 675,689	\$ -
Grants fund	-	383,964
Food service fund	-	473,665
Nonmajor Funds:		
Other grants fund	227,672	-
Roof bond	-	45,732
	<u>\$ 903,361</u>	<u>\$ 903,361</u>

The amounts due to and from the general fund represent balances or overdrafts of the pooled cash account maintained in the general fund.

There were no individual interfund transfers for the year ended June 30, 2022.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables as of June 30, 2022, consisted of the following:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Food Service Fund</u>	<u>Nonmajor Governmental Funds</u>
Local Governments				
Town of New London - Trustees	\$ 2,184,311	\$ -	\$ -	\$ 54,820
Other	-	-	-	-
Federal / State Government				
Pass-through grants and other	-	463,227	-	-
Food program reimbursements	-	-	153,069	-
	<u>\$ 2,184,311</u>	<u>\$ 463,227</u>	<u>\$ 153,069</u>	<u>\$ 54,820</u>

Federal and State receivables result from grant and lunch reimbursements (passed-through the State of New Hampshire) not received until after year-end. The District capital reserve funds are due from the Town of New London Trustees of Trust Funds, the statutory custodians.

The District capital reserve funds, reported as a committed 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, 2022:

- "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 \$186,401.
- "Replacement and Major Repair to Roofs in the District" - Expendable Trust Fund - Established March 2000. School Board not named agents to expend, with a balance of \$796,977.
- "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 \$400,202.
- "Emergency Funding of Unanticipated Special Education Costs" - Expendable Trust Fund - Established March 2008 - School Board agents to expend, with a balance of \$335,386.
- "School Buildings Maintenance Fund" - Expendable Trust Fund - Established March 2009 - School Board agents to expend, with a balance of \$465,345.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the year ended June 30, 2022, 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	-	192,172	-	192,172
	<u>506,810</u>	<u>192,172</u>	<u>-</u>	<u>698,982</u>
<b>Capital assets being depreciated:</b>				
Land improvements	470,081	-	-	470,081
Buildings	51,978,435	55,023	-	52,033,458
Vehicles	190,355	132,521	-	322,876
Furniture and equipment	4,539,494	121,184	-	4,660,678
Technology equipment	4,658,633	333,811	282,223	4,710,221
Leased assets	-	598,227	-	598,227
	<u>61,836,998</u>	<u>1,240,766</u>	<u>282,223</u>	<u>62,795,541</u>
Less accumulated depreciation:				
Land improvements	301,617	10,341	-	311,958
Buildings	17,835,062	891,171	-	18,726,233
Vehicles	120,194	39,255	-	159,449
Furniture and equipment	3,241,191	227,975	-	3,469,166
Technology equipment	4,140,183	364,882	276,911	4,228,154
Leased assets	-	119,645	-	119,645
Accumulated depreciation	<u>25,638,247</u>	<u>1,653,269</u>	<u>276,911</u>	<u>27,014,605</u>
Capital assets being depreciated, net	<u>36,198,751</u>	<u>(412,503)</u>	<u>5,312</u>	<u>35,780,936</u>
<b>Governmental activities capital assets, Net of accumulated depreciation</b>	<u>\$ 36,705,561</u>	<u>\$ (220,331)</u>	<u>\$ 5,312</u>	<u>\$ 36,479,918</u>
Depreciation expense for the year ended June 30, 2022 (unallocated)				<u>\$ 1,653,269</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## 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 was compounded on each payment date. As June 30, 2022, the principal balance of all bonds outstanding was \$7,887,999, which includes compounded accreted interest (unamortized) of \$3,231,796 on the Capital Appreciation Bonds. Other long-term obligations include unamortized bond premiums, leases, compensated absences, OPEB obligations and net pension liabilities.

A summary of long-term liabilities outstanding as of June 30, 2022, is as follows:

	General Obligation Bonds	Capital Appreciation Bonds Interest	Bond Premiums	Compen- sated Absences	OPEB Obligations	Net Pension Liability	Total
Beginning balance	\$ 5,736,640	\$ 3,878,155	\$ 73,927	\$ 58,991	\$ 9,263,840	\$ 38,247,943	\$ 57,259,496
Additions	-	-	-	3,956	544,369	-	548,325
Reductions	(1,080,437)	(646,359)	(13,443)	-	(314,945)	(11,306,496)	(13,361,680)
Ending balance	<u>4,656,203</u>	<u>3,231,796</u>	<u>60,484</u>	<u>62,947</u>	<u>9,493,264</u>	<u>26,941,447</u>	<u>44,446,141</u>
Current portion	1,037,719	646,359	13,443	-	-	-	1,697,521
Noncurrent portion	<u>3,618,484</u>	<u>2,585,437</u>	<u>47,041</u>	<u>62,947</u>	<u>9,493,264</u>	<u>26,941,447</u>	<u>42,748,620</u>
	<u>\$ 4,656,203</u>	<u>\$ 3,231,796</u>	<u>\$ 60,484</u>	<u>\$ 62,947</u>	<u>\$ 9,493,264</u>	<u>\$ 26,941,447</u>	<u>\$ 44,446,141</u>

Long-term liabilities outstanding as of June 30, 2022, consisted of the following:

	Issue Year	Interest Rate	Maturity Date	Issue Amount Net (Discount) Premium	Amount Outstanding 6/30/22
<u>General Obligation Bonds</u>					
Middle School - CAB	2006	4.00-5.00	2026	\$ 24,719,000	\$ 4,061,192
Energy Improvements	2011	4.375	2026	2,231,283	<u>595,011</u>
					<u>4,656,203</u>
CAB interest					<u>3,231,796</u>
					<u>7,887,999</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					62,947
Bond premiums					60,484
OPEB obligations - Health Implicit Rate Subsidy					7,148,345
OPEB obligations - NHRS Medical Subsidy					2,344,919
Net pension liability					<u>26,941,447</u>
					<u>36,558,142</u>
					<u>\$ 44,446,141</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 7 – (continued)

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>
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	921,744	1,033,912	1,955,656
2027	739,678	1,149,260	1,888,938
	<u>\$ 4,656,203</u>	<u>\$ 4,990,919</u>	<u>\$ 9,647,122</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	1,154,260	(5,000)	1,149,260
	<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, 2022

## 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 as of June 30, 2022, is as follows:

	<b>Early Retirement Payments</b>	<b>Early Retirement Healthcare</b>	<b>Total</b>
Beginning balance	\$ 94,034	\$ 21,777	\$ 115,811
Additions	-	-	-
Reductions	<u>(23,508)</u>	<u>(8,440)</u>	<u>(31,948)</u>
Ending balance	<u>70,526</u>	<u>13,337</u>	<u>83,863</u>
Current portion	23,509	9,430	32,939
Noncurrent portion	<u>47,017</u>	<u>3,907</u>	<u>50,924</u>
	<u>\$ 70,526</u>	<u>\$ 13,337</u>	<u>\$ 83,863</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

**Notes to Basic Financial Statements**  
**June 30, 2022**

## NOTE 9 - LEASES

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Annual Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2022
Internet Fiber Optic Service	7/1/2021	5 Years	\$ 96,960	4.50%	\$ 433,377	\$ 354,308
Copiers and Printers	7/1/2021	5 Years	\$ 36,876	4.50%	\$ 164,850	<u>134,773</u>
						<u>\$ 489,081</u>

In July of 2021 the District entered into a 5-year lease agreement with First Light Fiber Inc., (Lessor), for internet services for each of its facilities. The agreement included requirements for monthly payments of a fixed amount and will renew the districts existing ELAN Circuit. There was no interest rate specified in the lease agreement. The district has elected to use the incremental borrowing rate effective at the initial date of the lease. Ownership of the leased assets remains with the lessor and does not convey to the district at the end of the lease term.

As of July of 2021, the District entered into a 5-year lease agreement with Canon Solutions America, Inc., (Lessor), for copiers and printer for use in each of the schools within the district. There was no interest rate specified in the lease agreement. The district has elected to use the incremental borrowing rate effective at the initial date of the lease. Ownership of the assets remains with the lessor and does not convey to the district at the end of the lease term.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year Ended June 30,	Principal	Interest
2023	\$ 114,159	\$ 19,673
2024	119,405	14,429
2025	124,890	8,943
2026	<u>130,627</u>	<u>3,205</u>
	<u>\$ 489,081</u>	<u>\$ 46,250</u>



## **NOTE 10 - 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, 54 Regional 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, 2022, were 21.02% and 14.06% of covered payroll for teachers and other employees, respectively. The District's contributions to the System for the years ending June 30, 2022, 2021, and 2020 were \$3,828,509, \$3,078,002, and \$2,928,315, respectively, equal to the required contributions for each year.

## **NOTE 11 - 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 termination benefits.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 12 – 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 2021 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 is a component of total employer contributions presented in the System's financial statements for the corresponding period.

Actuarial assumptions. The collective total pension liability was based on the following actuarial assumptions:

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

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 12 – (continued)

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016–June 30, 2019.

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. Following is a table presenting target allocations and geometric real rates of return for each class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>2021 Weighted Average Long-Term Expected Real Rate of Return</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
<b>Total Domestic Equity</b>	<b>30.00%</b>	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
<b>Total International Equity</b>	<b>20.00%</b>	
Core US Fixed Income	25.00%	3.60%
<b>Total Fixed Income</b>	<b>25.00%</b>	
Private Equity	10.00%	7.71%
Private Debt	5.00%	4.81%
<b>Total Alternative Investments</b>	<b>15.00%</b>	
<b>Real Estate</b>	<b>10.00%</b>	6.60%
<b>TOTAL</b>	<b>100.00%</b>	

Discount rate. The discount rate used to measure the total pension liability was 6.75 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 service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy 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.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 12 – (continued)

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 6.75 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:

	<u>1% Decrease</u>	<u>Current single rate assumption</u>	<u>1% Increase</u>
	5.75%	6.75%	7.75%
Employer's proportionate share of the net pension liability:			
June 30, 2022	\$ 38,529,352	\$ 26,941,447	\$ 17,275,243

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

As of June 30, 2022, the District reported a liability of \$26,941,447 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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. As of June 30, 2022, the District's proportion was 0.60789572 percent.

For the year ended June 30, 2022, the District recognized pension expense of \$2,636,819. As of June 30, 2022, 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 Excluding Employer Contributions</u>
Differences between expected and actual experience	\$ 754,400	\$ 282,058	\$ 472,342
Net differences between projected and actual earnings on pension plan investments	-	7,534,905	(7,534,905)
Changes of assumptions	2,813,882	-	2,813,882
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,451,234	116,503	1,334,731
Employer contributions subsequent to the measurement date	3,577,046	-	NA
Total	<u>\$ 8,596,562</u>	<u>\$ 7,933,466</u>	<u>\$ (2,913,950)</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 12 – (continued)

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows)
2023	\$ (441,967)
2024	(346,001)
2025	(445,567)
2026	<u>(1,680,415)</u>
Total	<u>\$ (2,913,950)</u>

## **NOTE 13 – 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.

The School District's OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

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.

#### **Benefits provided**

Benefits are provided under New Hampshire Revised Statutes Annotated (100-A:50 Medical Insurance Coverage). The School District provides medical benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a state-wide health insurance consortium. Retirees and their covered spouses are required to pay 100% of the premiums for elected coverage. The benefits in this plan end when the retiree and or the covered spouse reach age 65. This valuation does not account for the cost of benefits to retirees or their spouses after age 65.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 13 – (continued)

### Employees covered by benefit terms

As of July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	0
Active Employees	<u>311</u>
Total Participants covered by OPEB Plan	<u>315</u>

### Total OPEB Liability

The school district's total OPEB liability of \$7,148,345 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020.

### 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	2.16%
Healthcare Cost Trend Rates:	
Actual 2020 - 2021 premium rate increase	8.89%
2021 - 2022 Trend	7.00%
Ultimate Trend	4.04%
Year Ultimate Trend is Reached	2089
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, 2021.

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, 2022

## NOTE 13 – (continued)

### Significant Changes from the Previous Actuarial Valuation

- Decreasing the discount rate from 3.50% to 2.16%
- Trend rates were advanced, the model for trends in subsequent years is based on the Getzen Model as updated through September 2020.
- Mortality assumption changed from *SOA RP-2-14 Total Dataset Mortality with Scale MP-2018 (Base Rate 2006)* to *SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Rate 2006)*.
- Morbidity factors were adjusted to reflect rates that better reflect expected underlying costs.
- The tables used for retirement and termination assumptions were updated to reflect the most recent tables from the New Hampshire Retirement System Comprehensive Annual Financial Report date June 30, 2019.

### Changes in the Total OPEB Liability

	June 30, 2022
OPEB Liability Beginning of Year	\$ 6,707,822
Changes for the year:	
Service Cost	400,602
Plan Change	-
Interest	143,767
Assumption Changes	-
Difference Between Actual and Expected Experience	-
Benefit payments	(103,846)
OPEB Liability End of Year	<u>\$ 7,148,345</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 2.16%, 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:

	Discount Rate		
	<u>1% Decrease</u>	<u>Baseline Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 7,683,967	\$ 7,148,345	\$ 6,625,689



# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 13 – (continued)

### 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 8.89%, 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	\$ 6,273,239	\$ 7,148,345	\$ 8,162,376

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

For the year ended June 30, 2022, the School District recognized an OPEB expense of \$1,578,222. As of June 30, 2022, 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, beginning	\$ 4,931,218	\$ 1,306,949	\$ 3,624,269
Changes in experience	-	-	-
Changes in assumptions	-	-	\$ -
Amortization	<u>(1,388,146)</u>	<u>(354,293)</u>	<u>(1,033,853)</u>
Balance, ending	<u>\$ 3,543,072</u>	<u>\$ 952,656</u>	<u>\$ 2,590,416</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
2023	\$ 1,360,996	\$ 354,293	\$ 1,006,703
2024	1,096,476	354,293	742,183
2025	460,000	129,903	330,097
2026	460,000	83,947	376,053
2027	<u>165,600</u>	<u>30,220</u>	<u>135,380</u>
Total	<u>\$ 3,543,072</u>	<u>\$ 952,656</u>	<u>\$ 2,590,416</u>

## NOTE 13 – (continued)

### **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 is a public employee retirement system which administers a cost-sharing, multiple-employer other postemployment benefit (OPEB) 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 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.

#### **Proportionate Share of NHRS Net OPEB Liability**

The District's proportionate share of the NHRS Medical Subsidy Net OPEB Liability as of the measurement date was \$2,344,919. The District's proportion of the net OPEB liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. As of June 30, 2022, the District's proportion was 0.58556096 percent.

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 13 – (continued)

### Actuarial assumptions and other inputs

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

Inflation	2.00%
Salary Increases	5.60% average, including inflation
Wage Inflation	2.75%
Investment rate of return	6.75% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

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

### Long-Term Rates of Return

The long-term expected rate of return on OPEB 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. The following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>2021 Weighted Average Long-Term Expected Real Rate of Return</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
<b>Total Domestic Equity</b>	<b>30.00%</b>	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
<b>Total International Equity</b>	<b>20.00%</b>	
Core US Fixed Income	25.00%	3.60%
<b>Total Fixed Income</b>	<b>25.00%</b>	
Private Equity	10.00%	8.85%
Private Debt	5.00%	7.25%
<b>Total Alternative Investments</b>	<b>15.00%</b>	
<b>Real Estate</b>	<b>10.00%</b>	6.60%
<b>TOTAL</b>	<b><u>100.00%</u></b>	

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 13 – (continued)

### Discount Rate

The discount rate used to measure the collective OPEB liability was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on this assumption, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### 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		
	1%	Baseline Rate	1%
	Decrease	Baseline Rate	Increase
Total OPEB Liability	\$ 2,549,112	\$ 2,344,919	\$ 2,167,259

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

For the year ended June 30, 2022, the District recognized an OPEB expense of \$152,880. As of June 30, 2022, the District reported deferred inflows and outflows of resources related to the Net OPEB Liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total exclusive of Employer Contribution
Differences between expected and actual experience	\$ -	\$ 489	\$ (489)
Net differences between projected and actual earnings on OPEB plan investments	-	29,292	(29,292)
Changes of assumptions	-	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	59	-	59
Employer contributions subsequent to the measurement date	250,480	-	NA
Total	<u>\$ 250,539</u>	<u>\$ 29,781</u>	<u>\$ (29,722)</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 13 – (continued)

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, 2023. 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,	Deferred Outflows/(Inflows)
2023	\$ (7,175)
2024	(6,142)
2025	(6,885)
2026	(9,520)
Total	<u>\$ (29,722)</u>

## 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, 2022.

	<u>OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total OPEB Expense</u>
District OPEB Plan	\$ 7,148,345	\$ 3,543,072	\$ 952,656	\$ 1,578,222
NHRS Medical Subsidy OPEB Plan	2,344,919	250,539	29,781	152,880
Total	<u>\$ 9,493,264</u>	<u>\$ 3,793,611</u>	<u>\$ 982,437</u>	<u>\$ 1,731,102</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Basic Financial Statements  
June 30, 2022

## NOTE 14 - FUND BALANCE COMPONENTS

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

	General Fund	Food Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	\$ 68,429	\$ 22,387	\$ -	\$ 90,816
Prepaid expenditures	17,376	-	-	17,376
Restricted:				
Permanent Funds	-	-	54,820	54,820
Bond restrictions	-	-	114,804	114,804
Committed:				
Voted by district meeting	60,000	-	-	60,000
Capital reserves	2,184,311	-	-	2,184,311
Assigned:				
Food Service Fund	-	72,652	-	72,652
Student Activities	-	-	382,836	382,836
Encumbrances	1,036,415	-	-	1,036,415
Unassigned:	<u>3,429,723</u>	<u>-</u>	<u>-</u>	<u>3,429,723</u>
	<u>\$ 6,796,254</u>	<u>\$ 95,039</u>	<u>\$ 552,460</u>	<u>\$ 7,443,753</u>

## NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

For the year ended June 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the district's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use a leased asset. These changes were incorporated into the District's June 30, 2022, financial statements and affected the beginning net position of the governmental activities as follows:

	<b>Governmental Activities</b>
Lease Liability	\$ (598,227)
Net Book Value of Leased Assets	598,227
Correction to construction in progress	(458,900)
Net position, as previously reported	<u>2,954,606</u>
Net position, as restated	<u>\$ 2,495,706</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Budgetary Comparison Schedule - General Fund Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance
<b>Budgetary Fund Balance - Beginning</b>	\$ 4,136,692	\$ 4,610,803	\$ 5,589,185	\$ 978,382
Resources (inflows):				
School district assessment				
Local school tax	29,777,797	29,777,797	29,777,797	-
Local sources				
Tuition	20,000	20,000	60,586	40,586
Earnings on investments	6,000	6,000	11,180	5,180
Other	75,000	75,000	175,175	100,175
State of New Hampshire sources				
School building aid	630,606	630,606	630,606	-
Catastrophic aid	388,825	388,825	388,825	-
Vocational aid	27,026	27,026	18,873	(8,153)
Adult education	21,969	21,969	-	(21,969)
Adequacy grant	3,273,903	3,273,903	3,272,771	(1,132)
State education tax	6,444,580	6,444,580	6,444,580	-
Federal sources				
Medicaid distribution	100,000	100,000	158,752	58,752
Other	27,773	27,773	-	(27,773)
Amounts available for appropriation	<u>44,930,171</u>	<u>45,404,282</u>	<u>46,528,330</u>	<u>1,124,048</u>
Charges to appropriations (outflows):				
Instruction				
Regular instruction	19,723,841	19,854,813	18,722,257	1,132,556
Special education instruction	8,188,504	8,188,727	7,328,269	860,458
Vocational instruction	77,000	77,000	53,054	23,946
Other instruction	621,633	692,213	475,406	216,807
Adult and community programs	29,734	29,734	32,067	(2,333)
Support services				
Student support services	1,880,490	1,880,623	1,852,827	27,796
Instructional staff services	805,120	824,535	661,334	163,201
General administration				
Other school board	352,916	375,138	365,485	9,653
Executive administration				
SAU management services	1,667,158	1,669,626	1,693,666	(24,040)
School administrative services	2,585,364	2,585,364	2,448,864	136,500
Operation and maintenance	4,036,007	4,264,105	4,084,430	179,675
Student transportation	2,951,377	2,951,377	2,187,612	763,765
Debt service				
Debt service principal	1,080,437	1,080,437	1,080,437	-
Debt service interest	855,590	855,590	855,679	(89)
Operating transfers out				
Transfer to capital reserve	75,000	75,000	75,000	-
Total charges to appropriations	<u>44,930,171</u>	<u>45,404,282</u>	<u>41,916,387</u>	<u>3,487,895</u>
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,611,943</u>	<u>\$ 4,611,943</u>

See the accompanying notes to the required supplementary information.



## KEARSARGE REGIONAL SCHOOL DISTRICT

### Schedule of Changes in Implicit Rate Subsidy OPEB Liability Year Ended June 30, 2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB Liability Beginning of Year	\$ 4,887,155	\$ 5,076,733	\$ 3,643,729	\$ 3,891,033	\$ 6,707,822
Changes for the Year:					
Service Cost	313,723	227,530	235,494	392,132	400,602
Plan Change	-	-	-	-	-
Interest	136,468	117,382	125,540	134,609	143,767
Assumption Changes	(63,013)	(404,511)	-	2,925,600	-
Difference Between Actual and Expected Experience	-	(1,263,521)	-	(533,902)	-
Benefit payments	<u>(197,600)</u>	<u>(109,884)</u>	<u>(113,730)</u>	<u>(101,650)</u>	<u>(103,846)</u>
Total OPEB Liability End of Year	<u>\$ 5,076,733</u>	<u>\$ 3,643,729</u>	<u>\$ 3,891,033</u>	<u>\$ 6,707,822</u>	<u>\$ 7,148,345</u>
District's covered-employee payroll	\$ 15,961,808	\$ 17,235,330	\$ 17,580,037	\$ 17,688,406	\$ 18,042,174
Total OPEB Liability as a percentage of covered payroll	31.81%	21.14%	22.13%	37.92%	39.62%

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, 2022

### Schedule of Proportionate Share of Net OPEB Liability

#### New Hampshire Retirement System Medical Subsidy

Fiscal Year	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Net OPEB as a Percentage of Covered Payroll (AAL)	Plan Fiduciary
					Net Position as a Percentage of the Net OPEB Liability
June 30, 2022	0.58556096%	\$ 2,344,919	\$ 18,668,972	13%	11.06%
June 30, 2021	0.58395373%	\$ 2,556,018	\$ 17,633,959	14%	7.74%
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

Fiscal Year	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of
					Covered Employee Payroll
June 30, 2022	\$ 281,749	\$ 281,392	\$ (357)	\$ 18,668,972	1.51%
June 30, 2021	\$ 270,491	\$ 271,055	\$ 564	\$ 17,633,959	1.53%
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%

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, 2022

### 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 as a Percentage of the Total Pension Liability</b>
June 30, 2022	0.60789572%	\$ 26,941,447	\$ 18,668,972	144.31%	72.22%
June 30, 2021	0.59798373%	\$ 38,247,943	\$ 17,633,959	216.90%	58.72%
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, 2022	\$ 2,796,253	\$ 2,792,833	\$ (3,420)	\$ 18,668,972	14.98%
June 30, 2021	\$ 2,657,202	\$ 2,656,495	\$ (707)	\$ 17,633,959	15.07%
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**

## 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).

### 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 an assignment of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent 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 commitment 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, 2022

## 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	\$ 46,528,330
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning fund balance	(5,589,185)
Financial reporting revenues that are not inflows for budgetary purposes	
Capital reserve earnings	<u>8,609</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 40,947,754</u>
<b>Uses / Outflows of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 41,916,387
Differences - Budget to GAAP:	
Budgetary outflows that are not expenditures for financial reporting purposes	
Lease purchases	598,227
Capital reserve transfers	<u>(75,000)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 42,439,614</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information  
June 30, 2022

## 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**

The information presented in the *Schedule of Proportionate Share of NHRS Net Medical Subsidy OPEB Liability* is determined as of the measurement date of the Plan.

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

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 Plan.

The information presented in the *Schedule of Pension 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, 2022

	Special Revenue		Capital Project	Permanent	Total Nonmajor Governmental Funds
	Other Grants	Student Activities	Roof Bond	Project Climb	
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 382,836	\$ -	\$ -	\$ 382,836
Investments	-	-	160,536	-	160,536
Held by trustees	-	-	-	54,820	54,820
Receivables, net	68,881	-	-	-	68,881
Due from other funds	<u>227,672</u>	-	-	-	<u>227,672</u>
Total assets	<u>\$ 296,553</u>	<u>\$ 382,836</u>	<u>\$ 160,536</u>	<u>\$ 54,820</u>	<u>\$ 894,745</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 45,732	\$ -	\$ 45,732
Total liabilities	-	-	<u>45,732</u>	-	<u>45,732</u>
Deferred inflows:					
Deferred revenue	<u>296,553</u>	-	-	-	<u>296,553</u>
Total deferred inflows	<u>296,553</u>	-	-	-	<u>296,553</u>
Fund balances:					
Restricted	-	-	114,804	54,820	169,624
Assigned	-	<u>382,836</u>	-	-	<u>382,836</u>
Total fund balances	-	<u>382,836</u>	<u>114,804</u>	<u>54,820</u>	<u>552,460</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 296,553</u>	<u>\$ 382,836</u>	<u>\$ 160,536</u>	<u>\$ 54,820</u>	<u>\$ 894,745</u>

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2022

	<u>Special Revenue</u>		<u>Capital</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Other Grants</u>	<u>Student Activities</u>	<u>Project Roof Bond</u>	<u>Project Climb</u>	
<b>Revenues</b>					
Local sources	\$ 5,921	\$ 395,658	\$ 316	\$ 8	\$ 401,903
Federal sources	68,881	-	-	-	68,881
Total revenues	<u>74,802</u>	<u>395,658</u>	<u>316</u>	<u>8</u>	<u>470,784</u>
<b>Expenditures</b>					
Instruction	74,802	375,296	-	-	450,098
Other uses / expenses	-	-	-	218	218
Total expenditures	<u>74,802</u>	<u>375,296</u>	<u>-</u>	<u>218</u>	<u>450,316</u>
Excess revenues over (under) expenditures	-	20,362	316	(210)	20,468
Fund balance, beginning	-	362,474	114,488	55,030	531,992
Fund balance, ending	<u>\$ -</u>	<u>\$ 382,836</u>	<u>\$ 114,804</u>	<u>\$ 54,820</u>	<u>\$ 552,460</u>

## **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, 2022, 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 October 13, 2022.

#### **Report on 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.

## **Report on 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  
October 13, 2022

# 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 COMPLIANCE FOR EACH MAJOR 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**

##### ***Opinion on the 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 Kearsarge Regional School District's major federal program for the year ended June 30, 2022. Kearsarge Regional School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 its major federal program for the year ended June 30, 2022.

##### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

##### ***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kearsarge Regional School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kearsarge Regional School District's compliance with the requirements of its major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kearsarge Regional School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kearsarge Regional School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Kearsarge Regional School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Roberge and Co., P.C.*

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

Franklin, New Hampshire

October 13, 2022



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

# KEARSARGE REGIONAL SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor / Pass-Through Grantor Program or Cluster Title	Assistance Listing #	Pass Through ID #	Expenditures of Federal Awards
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through the NH Department of Education</i>			
<b>CHILD NUTRITION CLUSTER</b>			
School Breakfast Program	10.553		\$ 2,822
National School Lunch Program	10.555		738,998
National School Lunch Program - Commodities (Noncash)	10.555		36,111
			<u>775,109</u>
<b>CHILD NUTRITION CLUSTER TOTAL</b>			<u>777,931</u>
<i>Passed through the NH Department of Education</i>			
Child Nutrition Discretionary Grants Limited Availability	10.579		2,119
<b>U.S. DEPARTMENT OF AGRICULTURE TOTAL</b>			<u>780,050</u>
<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	20220096	174,169
Title I, Grants to Local Educational Agencies (LEAs)	84.010	20210806	1,851
			<u>176,020</u>
<b>SPECIAL EDUCATION CLUSTER</b>			
Special Education - Grants to States (IDEA, Part B)	84.027	20220006	387,363
Special Education - Grants to States (IDEA, Part B)	84.027	20212511	20,202
Special Education - Grants to States (IDEA, Part B)	84.027	20220846	11,111
			<u>418,676</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173	20212511	6,385
Special Education - Preschool Grants (IDEA Preschool)	84.173	20202503	2,428
Special Education - Preschool Grants (IDEA Preschool)	84.173	92606	1,695
			<u>10,508</u>
<b>SPECIAL EDUCATION CLUSTER TOTAL</b>			<u>429,184</u>
Title IIA - Supporting Effective Instruction State Grants	84.367	20190068	2,647
Title IIA - Supporting Effective Instruction State Grants	84.367	20211041	2,066
Title IIA - Supporting Effective Instruction State Grants	84.367	20200068	53,286
Title IIA - Supporting Effective Instruction State Grants	84.367	20220433	57,593
			<u>115,592</u>
Student Support & Academic Enrichment	84.424	20200550	7,541
Student Support & Academic Enrichment	84.424	20211040	30,309
			<u>37,850</u>
COVID-19 - Education Stabilization Fund	84.425D	20211483	402,676
COVID-19 - Education Stabilization Fund	84.425U	20220885	124,238
			<u>526,914</u>
<b>U.S. DEPARTMENT OF EDUCATION TOTAL</b>			<u>1,285,560</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,065,610</u>

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, 2022

### 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, 2022. 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 Title 2 CFR 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>	\$ 2,065,610
State/Nonfederal grant programs	<u>33,803</u>
	<u>\$ 2,099,413</u>
 <b>Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	
Major Funds	
Grants Fund	\$ 1,321,481
Food Service Fund	
Federal Sources	<u>777,932</u>
	<u>\$ 2,099,413</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, 2022

### **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:

- CHILD NUTRITION CLUSTER
  - Assistance Listing # 10.553 – School Breakfast Program
  - Assistance Listing # 10.555 – National School Lunch Program
  - Assistance Listing # 10.555 – National School Lunch – Commodities (Noncash)
  - Assistance Listing # 10.556 – Special Milk Program for Children

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

Auditee qualified as a low-risk auditee – Yes.

# KEARSARGE REGIONAL SCHOOL DISTRICT

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## Schedule of Findings and Questioned Costs 2 - Financial Statement Findings June 30, 2022

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, 2022

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.