

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

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Souhegan Cooperative School District
Amherst, New Hampshire

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

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

***Souhegan Cooperative School District
Independent Auditor's Report***

Other Matters

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

- Management's Discussion and Analysis,
- Schedule of the School District's Proportionate Share of Net Pension Liability,
- Schedule of School District Contributions – Pensions,
- Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of School District Contributions – Other Postemployment Benefits,
- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Souhegan Cooperative School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

January 29, 2021

*Plodzik & Sanderson
Professional Association*

**Souhegan Cooperative School District
Management's Discussion and Analysis (MD&A)
Of the Annual Financial Report for the Year Ended June 30, 2020**

INTRODUCTION

The Superintendent of Schools of New Hampshire School Administrative Unit #39, as management offers this Management's Discussion and Analysis of the financial activities of the Souhegan Cooperative School District for the fiscal year, which ended June 30, 2020. Readers are encouraged to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position of (\$6,773,492) on June 30, 2020, consisted of \$7,788,394 in net investment in capital assets- a decrease of \$535,118, \$0 restricted for use- a decrease of \$800, and (\$14,561,886) unrestricted net position balance- a decrease of \$761,783. This was a decrease in Total Net Position of \$1,297,701 from the previous fiscal year. See Note 13.
- Governmental funds reported combined ending fund balances of \$1,592,794, a decrease of \$564,418 from the previous fiscal year, as restated. The General fund shows an ending fund balance of \$1,364,904, a decrease of \$585,662, the High School Student Activity fund shows an ending balance of \$189,939, an increase of \$22,030, and Other Governmental Funds show an ending balance of \$37,951, a decrease of \$786 from the previous fiscal year, as restated. See Note 15.
- The District's non-current portion of long-term obligations of \$18,335,294 consists of \$169,204 in total bonds payable, \$1,011,081 in compensated absences, \$13,591,796 pension related liability, and \$3,563,213 in other post-employment benefits. These liabilities are reflected as a reduction in net position. See Note 9.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business, and to provide both long-term and short-term information.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. This statement of net position includes debt and contractual obligations as elements of the liabilities of the District.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. Growth in net position over time can generally be expected to reflect improving financial condition, while decline would indicate weakening financial condition.

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 programs. Some funds are required to be established by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues.

The General Fund, Food Service Fund, Grants Fund, and Student Activity Fund are consolidated as Governmental Funds. Two of the funds' expenditures are compared to budget in the Budgetary Comparison Statements. All Food Service revenues are expended on program operations and the Grants Fund revenues are spent mainly on instruction.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

NET POSITION

The Districts negative net position is due to the School District's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which requires the School District to report their proportionate share of the New Hampshire Retirement System's liability based upon their plan contributions for the year.

Change in net position for fiscal year 2020 compared to fiscal year 2019:

Summary of Net Position
Governmental Activities

	June 30, 2020	June 30, 2019 (as restated)
Current and Other Assets	\$ 2,131,791	\$ 2,600,113
Capital Assets	<u>7,957,598</u>	<u>8,661,920</u>
Total Assets	<u>10,089,389</u>	<u>11,262,033</u>
Deferred Outflows of Resources	3,184,318	3,208,279
Current Liabilities	522,518	414,030
Other Liabilities	<u>18,335,294</u>	<u>18,380,556</u>
Total Liabilities	<u>18,857,812</u>	<u>18,794,586</u>
Deferred Inflows of Resources	1,189,387	1,151,517
Net Position:		
Net Investment in Capital Assets	7,788,394	8,323,512
Restricted	-	800
Unrestricted	<u>(14,561,886)</u>	<u>(13,800,103)</u>
Total Net Position	<u>\$ (6,773,492)</u>	<u>\$ (5,475,791)</u>

Changes in Net Position. The District's total revenue of \$17,359,141 with total expenses \$18,656,842 results in a decreased net position of \$1,297,701. The majority of the District's revenue (73.6%) came from the School District Assessment. The majority of the District's expenses (59.7%) were for Instruction.

Summary of Changes in Net Position
Governmental Activities

	June 30, <u>2020</u>	June 30, <u>2019</u>
Revenues:		
Program Revenue:		
Charges for Services	\$ 417,057	\$ 555,296
Operating Grants and Contributions	635,469	700,053
General Revenue:		
School District Assessment	12,780,409	13,361,835
Grants and contributions not restricted to specific programs	3,050,641	3,193,690
Interest	20,912	94,085
Miscellaneous	454,653	53,123
Total Revenues	<u>17,359,141</u>	<u>17,958,082</u>
Expenses:		
Instruction	11,144,495	10,296,342
Student Services	1,697,287	1,631,617
Instructional Staff	521,245	585,529
General Administration	125,496	86,742
Executive Administration	1,008,802	795,529
School Administration	875,938	757,592
Business	462	2,244
Operation and Maintenance of Plant	1,966,232	2,034,798
Student Transportation	461,195	577,858
Other	427,732	425,299
Food Service	427,958	416,589
Interest on Long-Term Debt	-	3,097
Total Expenses	<u>18,656,842</u>	<u>17,613,236</u>
Change in Net Position	(1,297,701)	344,846
Net Position, beginning, as restated	<u>(5,475,791)</u>	<u>(5,820,637)</u>
Net Position, ending	<u><u>\$ (6,773,492)</u></u>	<u><u>\$ (5,475,791)</u></u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2020, the District reported capital assets of \$7,957,598 (net of accumulated depreciation), which consists of a broad range of capital assets, including buildings improvements, and machinery, equipment & furniture. More detailed information about the District's capital assets is presented in the notes to the financial statements. See Note 1-F and Note 5

Long-Term Liabilities

General Obligation Bonds were reduced by \$169,204. Compensated absences decreased in potential future payments by \$76,997. The liabilities for other post-employment benefits had a net increase in potential future payments of \$567,416. Net pension related liabilities decreased potential future payments of \$366,477. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements. See Note 1-J, 1-K, 1-L, 1-M, and Note 9.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report was designed to provide our citizens, taxpayers, parents, participants, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Adam Steel, Superintendent, at (603) 673-2690 or by mail at:

Souhegan Cooperative School District
ATTN: Business Office
PO Box 849
Amherst, NH 03031

BASIC FINANCIAL STATEMENTS

EXHIBIT A
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,353,473
Other receivables	1,158
Intergovernmental receivable	777,160
Capital assets, not being depreciated	1,964,891
Capital assets, net of accumulated depreciation	5,992,707
Total assets	<u>10,089,389</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	1,896,720
Amounts related to other postemployment benefits	1,287,598
Total deferred outflows of resources	<u>3,184,318</u>
LIABILITIES	
Accounts payable	72,055
Accrued salaries and benefits	219,263
Intergovernmental payable	228,102
Accrued interest payable	3,098
Noncurrent obligations:	
Due within one year	184,547
Due in more than one year	18,150,747
Total liabilities	<u>18,857,812</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - received in advance	3,027
Unavailable revenue - grants	16,550
Amounts related to pensions	974,571
Amounts related to other postemployment benefits	195,239
Total deferred inflows of resources	<u>1,189,387</u>
NET POSITION	
Net investment in capital assets	7,788,394
Unrestricted	(14,561,886)
Total net position	<u>\$ (6,773,492)</u>

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

EXHIBIT B
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2020

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change in
	Expenses	Services	Contributions	Net Position
Governmental activities:				
Instruction	\$ 11,144,495	\$ 153,997	\$ 459,305	\$ (10,531,193)
Support services:				
Student	1,697,287	-	29,869	(1,667,418)
Instructional staff	521,245	-	66,983	(454,262)
General administration	125,496	-	-	(125,496)
Executive administration	1,008,802	-	-	(1,008,802)
School administration	875,938	-	2,305	(873,633)
Business	462	-	-	(462)
Operation and maintenance of plant	1,966,232	3,170	-	(1,963,062)
Student transportation	461,195	-	2,443	(458,752)
Other	427,732	-	8,753	(418,979)
Noninstructional services	427,958	259,890	65,811	(102,257)
Total governmental activities	<u>\$ 18,656,842</u>	<u>\$ 417,057</u>	<u>\$ 635,469</u>	<u>(17,604,316)</u>
General revenues:				
School district assessment				12,780,409
Grants and contributions not restricted to specific programs				3,050,641
Interest				20,912
Miscellaneous				454,653
Total general revenues				<u>16,306,615</u>
Change in net position				(1,297,701)
Net position, beginning, as restated (see Note 15)				(5,475,791)
Net position, ending				<u>\$ (6,773,492)</u>

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

EXHIBIT C-1
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2020

	General	Food Service	High School Student Activities	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,069,954	\$ 800	\$ 244,768	\$ 37,951	\$ 1,353,473
Receivables:					
Accounts	1,128	30	-	-	1,158
Intergovernmental	686,042	63,738	-	27,380	777,160
Interfund receivables	105,220	-	-	-	105,220
Total assets	<u>\$ 1,862,344</u>	<u>\$ 64,568</u>	<u>\$ 244,768</u>	<u>\$ 65,331</u>	<u>\$ 2,237,011</u>
LIABILITIES					
Accounts payable	\$ 48,380	\$ 23,675	\$ -	\$ -	\$ 72,055
Accrued salaries and benefits	217,931	1,332	-	-	219,263
Intergovernmental payable	228,102	-	-	-	228,102
Interfund payable	-	39,561	54,829	10,830	105,220
Total liabilities	<u>494,413</u>	<u>64,568</u>	<u>54,829</u>	<u>10,830</u>	<u>624,640</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - received in advance	3,027	-	-	-	3,027
Unavailable revenue - grants	-	-	-	16,550	16,550
Total deferred inflows of resources	<u>3,027</u>	<u>-</u>	<u>-</u>	<u>16,550</u>	<u>19,577</u>
FUND BALANCES					
Committed	660,765	-	-	37,951	698,716
Assigned	285,988	-	189,939	-	475,927
Unassigned	418,151	-	-	-	418,151
Total fund balances	<u>1,364,904</u>	<u>-</u>	<u>189,939</u>	<u>37,951</u>	<u>1,592,794</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,862,344</u>	<u>\$ 64,568</u>	<u>\$ 244,768</u>	<u>\$ 65,331</u>	<u>\$ 2,237,011</u>

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

EXHIBIT C-2
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2020

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,592,794
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 21,989,879	
Less accumulated depreciation	<u>(14,032,281)</u>	
		7,957,598
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 1,896,720	
Deferred inflows of resources related to pensions	(974,571)	
Deferred outflows of resources related to OPEB	1,287,598	
Deferred inflows of resources related to OPEB	<u>(195,239)</u>	
		2,014,508
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (105,220)	
Payables	<u>105,220</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(3,098)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 155,000	
Unamortized bond premium	14,204	
Compensated absences	1,011,081	
Net pension liability	13,591,796	
Other postemployment benefits	<u>3,563,213</u>	
		(18,335,294)
Net position of governmental activities (Exhibit A)		<u><u>\$ (6,773,492)</u></u>

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

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

	General	Food Service	High School Student Activities	Other Governmental Funds	Total Governmental Funds
REVENUES					
School district assessment	\$12,780,409	\$ -	\$ -	\$ -	\$12,780,409
Other local	288,079	260,801	343,708	26,713	919,301
State	3,315,023	1,025	-	-	3,316,048
Federal	14,499	64,786	-	264,098	343,383
Total revenues	16,398,010	326,612	343,708	290,811	17,359,141
EXPENDITURES					
Current:					
Instruction	10,304,382	-	321,678	182,867	10,808,927
Support services:					
Student	1,690,966	-	-	29,869	1,720,835
Instructional staff	449,691	-	-	66,983	516,674
General administration	127,810	-	-	-	127,810
Executive administration	1,008,802	-	-	-	1,008,802
School administration	912,922	-	-	2,305	915,227
Business	462	-	-	-	462
Operation and maintenance of plant	1,354,134	-	-	-	1,354,134
Student transportation	461,195	-	-	-	461,195
Other	401,529	-	-	8,753	410,282
Noninstructional services	-	431,966	-	-	431,966
Debt service:					
Principal	155,000	-	-	-	155,000
Interest	12,245	-	-	-	12,245
Total expenditures	16,879,138	431,966	321,678	290,777	17,923,559
Excess (deficiency) of revenues over (under) expenditures	(481,128)	(105,354)	22,030	34	(564,418)
OTHER FINANCING SOURCES (USES)					
Transfers in	820	105,354	-	-	106,174
Transfers out	(105,354)	-	-	(820)	(106,174)
Total other financing sources (uses)	(104,534)	105,354	-	(820)	-
Net change in fund balances	(585,662)	-	22,030	(786)	(564,418)
Fund balances, beginning, as restated (see Note 15)	1,950,566	-	167,909	38,737	2,157,212
Fund balances, ending	\$ 1,364,904	\$ -	\$ 189,939	\$ 37,951	\$ 1,592,794

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

EXHIBIT C-4
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (564,418)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 130,384	
Depreciation expense	<u>(834,706)</u>	
		(704,322)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (106,174)	
Transfers out	<u>106,174</u>	
		-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayment of bond	\$ 155,000	
Amortization of bond premium	<u>14,204</u>	
		169,204
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 2,943	
Decrease in compensated absences payable	76,997	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(92,909)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(185,196)</u>	
		(198,165)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (1,297,701)</u></u>

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

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 12,780,409	\$ 12,780,409	\$ -
Other local	191,595	184,658	(6,937)
State	3,217,000	3,315,023	98,023
Federal	-	14,499	14,499
Total revenues	<u>16,189,004</u>	<u>16,294,589</u>	<u>105,585</u>
EXPENDITURES			
Current:			
Instruction	10,556,627	10,229,867	326,760
Support services:			
Student	1,830,317	1,690,966	139,351
Instructional staff	622,838	449,691	173,147
General administration	55,887	125,321	(69,434)
Executive administration	962,957	1,008,802	(45,845)
School administration	760,943	912,922	(151,979)
Business	1,500	462	1,038
Operation and maintenance of plant	1,277,791	1,575,097	(297,306)
Student transportation	745,302	461,195	284,107
Other	448,790	401,529	47,261
Debt service:			
Principal	155,000	155,000	-
Interest	12,246	12,245	1
Total expenditures	<u>17,430,198</u>	<u>17,023,097</u>	<u>407,101</u>
Deficiency of revenues under expenditures	<u>(1,241,194)</u>	<u>(728,508)</u>	<u>512,686</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	820	820
Transfers out	(10,000)	(105,354)	(95,354)
Total other financing sources (uses)	<u>(10,000)</u>	<u>(104,534)</u>	<u>(94,534)</u>
Net change in fund balance	<u>\$ (1,251,194)</u>	<u>(833,042)</u>	<u>\$ 418,152</u>
Unassigned fund balance, beginning		1,251,193	
Unassigned fund balance, ending		<u>\$ 418,151</u>	

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

EXHIBIT D-2
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Food Service Fund
For the Fiscal Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Local:			
Sales	\$ 385,291	\$ 260,801	\$ (124,490)
State:			
Lunch reimbursement	800	1,025	225
Federal:			
Lunch reimbursement	20,000	58,765	38,765
USDA commodities	-	6,021	6,021
Total revenues	<u>406,091</u>	<u>326,612</u>	<u>(79,479)</u>
EXPENDITURES			
Current:			
Noninstructional services	<u>406,091</u>	<u>431,966</u>	<u>(25,875)</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>(105,354)</u>	<u>(105,354)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>-</u>	<u>105,354</u>	<u>105,354</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

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

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

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

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

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

1-A Reporting Entity

The Souhegan Cooperative School District is a municipal corporation governed by an elected 7-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

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

1-B Government-wide and Fund Financial Statements

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and are presented in the other governmental column of the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, debt service or facilities acquisition and construction. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) – These additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as "transfers in" by the receiving fund and as "transfers out" by the disbursing fund.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The School District reports the following major governmental funds:

General Fund – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, and debt service. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the other student funds, district’s portion of student activity funds, athletic account, and expendable trust funds are consolidated in the general fund.

Food Service Fund – accounts for the operation of the School District’s food service program.

Student Activity Funds– the activity funds are used to direct and account for monies used to support co-curricular and extra-curricular student activities.

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

1-D Cash and Cash Equivalents

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

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

1-E Receivables

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

1-F Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The School District has established a threshold of \$5,000 or more and an estimated useful life in excess of one year for capitalization of depreciable assets.

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Capital Asset Class:	Years
Land improvements	20
Buildings and building improvements	10 - 30
Equipment and vehicles	5 - 20

1-G Interfund Activities

Interfund activities are reported as follows:

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

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

1-H Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2020.

1-I Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-J Long-term Obligations

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

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

1-K Compensated Absences

General leave for the School District includes vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the School District's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

1-L Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-M Postemployment Benefits Other Than Pensions (OPEB)

The School District maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the School District's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-N Net Position/Fund Balances

Government-wide statements – Equity is classified as net position and displayed in two components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, or other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

The following classifications describe the relative strength of the spending constraints:

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

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

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

When multiple net position/fund balance classifications are available for use, it is the School District's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

1-O Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general and food service funds, as well as the nonmajor grants fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2020, \$1,251,194 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis and GAAP basis of accounting for the major food service fund.

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2020

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

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 16,295,409
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the blended expendable trust funds	3,889
Other local revenue of the blended funds	99,532
Per Exhibit C-3 (GAAP Basis)	<u>\$ 16,398,830</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 17,128,451
Adjustments:	
Basis difference:	
Encumbrances, beginning	32,108
Encumbrances, ending	(253,071)
GASB Statement No. 54:	
Other regular program expenditures of the blended funds	74,515
Expenditures of the blended expendable trust funds	2,489
Per Exhibit C-3 (GAAP basis)	<u>\$ 16,984,492</u>

2-C Accounting Change

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

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$1,353,473 and the bank balances totaled \$2,085,819. Petty cash totaled \$800.

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

NOTE 4 – RECEIVABLES

Receivables at June 30, 2020, consisted of accounts and intergovernmental amounts arising from grants, school lunch program, and expendable trust funds held by the Town of Amherst Trustees of Trust Funds for the School District. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 5 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 1,949,231	\$ -	\$ -	\$ 1,949,231
Construction in progress	355,859	15,660	(355,859)	15,660
Total capital assets not being depreciated	2,305,090	15,660	(355,859)	1,964,891
Being depreciated:				
Land improvements	1,345,758	-	-	1,345,758
Buildings and building improvements	17,211,204	11,975	-	17,223,179
Equipment and vehicles	997,443	458,608	-	1,456,051
Total capital assets being depreciated	19,554,405	470,583	-	20,024,988
Total capital assets	21,859,495	486,243	(355,859)	21,989,879
Less accumulated depreciation:				
Land improvements	(182,931)	(119,517)	-	(302,448)
Buildings and building improvements	(12,410,722)	(590,941)	-	(13,001,663)
Equipment and vehicles	(603,922)	(124,248)	-	(728,170)
Total accumulated depreciation	(13,197,575)	(834,706)	-	(14,032,281)
Net book value, capital assets being depreciated	6,356,830	(364,123)	-	5,992,707
Net book value, all capital assets	\$ 8,661,920	\$ (348,463)	\$ (355,859)	\$ 7,957,598

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

Instruction	\$ 59,423
Support services:	
General administration	10,165
Operation and maintenance of plant	746,289
Other support	17,914
Noninstructional services	915
Total depreciation expense	\$ 834,706

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General	Food service	\$ 39,561
	Student activities	54,829
	Nonmajor	10,830
		\$ 105,220

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

Interfund transfers during the year ended June 30, 2020 are as follows:

	Transfers In:		
	General Fund	Food Service Fund	Total
Transfers out:			
General fund	\$ -	\$ 105,354	\$ 105,354
Nonmajor fund	820	-	820
Total	<u>\$ 820</u>	<u>\$ 105,354</u>	<u>\$ 106,174</u>

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

NOTE 7 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at June 30, 2020 consist of the following:

Balance due to the Amherst School District	\$ 129,396
Balance due to the School Administrative Unit No. 39	89,971
Balance due to other New Hampshire School Districts	7,249
Balance due to the Town of Amherst	1,486
Total intergovernmental payables due	<u>\$ 228,102</u>

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at June 30, 2020 consist of amounts related to pensions totaling \$1,896,720 and amounts related to OPEB totaling \$1,287,598. For further discussion on these amounts, see Notes 10 and 11, respectively.

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

	Governmental Activities	General Fund	Nonmajor Governmental Funds
Fiscal year 2021 revenues received in advance	\$ 3,027	\$3,027	\$ -
Local grant revenue collected in advance of eligible expenditures being made	16,550	-	16,550
Amounts related to pensions, see Note 10	974,571	-	-
Amounts related to OPEB, see Note 11	195,239	-	-
Total deferred inflows of resources	<u>\$ 1,189,387</u>	<u>\$3,027</u>	<u>\$ 16,550</u>

NOTE 9 – LONG-TERM LIABILITIES

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

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Bond payable:					
General obligation bond	\$ 310,000	\$ -	\$(155,000)	\$ 155,000	\$ 155,000
Premium	28,408	-	(14,204)	14,204	14,204
Total bond payable	338,408	-	(169,204)	169,204	169,204
Compensated absences	1,088,078	-	(76,997)	1,011,081	15,343
Pension related liability	13,958,273	-	(366,477)	13,591,796	-
Net other postemployment benefits	2,995,797	655,817	(88,401)	3,563,213	-
Total long-term liabilities	<u>\$18,380,556</u>	<u>\$ 655,817</u>	<u>\$ (701,079)</u>	<u>\$ 18,335,294</u>	<u>\$ 184,547</u>

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

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2020
General obligation bond payable:					
2013 Series C	\$ 1,090,000	2013	2021	2.14%	\$ 155,000

The final payments on the above noted bond payable are due in fiscal year 2020-21 and consists of \$155,000 principal and \$4,146 interest, for a total of \$159,146.

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

NOTE 10 – DEFINED BENEFIT PENSION PLAN

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

Benefits Provided – The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2020, the School District contributed 15.99% for teachers and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$1,273,667, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the School District reported a liability of \$13,591,796 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability

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was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the School District's proportion was 0.28% which was a decrease of 0.01% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$1,351,867. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 79,894	\$ 571,284
Net difference between projected and actual investment earnings on pension plan investments	-	111,025
Changes in assumptions	487,668	-
Differences between expected and actual experience	75,151	292,262
Contributions subsequent to the measurement date	1,254,007	-
Total	<u>\$ 1,896,720</u>	<u>\$ 974,571</u>

The \$1,254,007 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2020	\$ 196,126
2021	(418,559)
2022	(83,184)
2023	(26,241)
Thereafter	-
Totals	<u>\$ (331,858)</u>

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

Inflation:	2.5% per year
Wage inflation	3.25% per year (3.00% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

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

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

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

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

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption	
		7.25%	1% Increase 8.25%
June 30, 2019	\$18,199,975	\$ 13,591,796	\$9,783,172

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

11-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

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Benefits Provided – Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

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

Maximum medical subsidy rates paid during fiscal year 2019 were as follows:

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2019, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2020, the School District contributed 1.81% for teachers and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$127,755, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2020, the School District reported a liability of \$1,106,897 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on a projection of the School District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the School District's proportion was 0.25% which was an decrease of 0.01% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$46,468. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 4,181
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,244
Differences between expected and actual experience	-	1,926
Contributions subsequent to the measurement date	127,755	-
Total	<u>\$ 127,755</u>	<u>\$ 7,351</u>

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The \$127,755 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2020	\$ (6,932)
2021	(825)
2022	86
2023	320
Thereafter	-
Totals	<u>\$ (7,351)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2019. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5% per year
Wage inflation:	3.25% per year (3.00% for Teachers)
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

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

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2019:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2019</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	<u>100.00%</u>	

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Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 1,200,595	\$ 1,106,897	\$ 1,025,474

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

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

11-B Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The School District provides postemployment medical benefits for certain eligible retirees. The benefits are provided through fully insured plans that are sponsored by a state-wide health insurance consortium. Retirees are required to continue to pay 100% of the cost of the premium for coverage elected.

Employees Covered by Benefit Terms – At July 1, 2019 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	116
Total participants covered by OPEB plan	122

Total OPEB Liability – The School District's total OPEB liability of \$2,456,316 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

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Actuarial Assumptions and Other Inputs – The total OPEB liability of \$2,456,316 in the July 1, 2019 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:	2.21%
Healthcare Cost Trend Rates:	
Current Year Trend	2.20%
Second Year Trend	6.30%
Decrement	0.50%
Ultimate Trend	1.80%
Year Ultimate Trend is Reached	2030
Salary Increases:	0.00%

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, 2020.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base year 2006).

Significant Changes from the Previous Actuarial Valuation

- Decreasing the discount rate from 3.58% to 2.21%.
- Trend rates were advanced, and the current year trend rate was adjusted to reflect actual experience.
- Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006) to SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Year 2006).
- Morbidity factors were adjusted to reflect rates that better reflect expected underlying costs.
- The payroll growth rate was decreased from 2.00% to 0.00% based on information from the school.

Changes in the Total OPEB Liability

	June 30,	
	2019	2020
Total OPEB liability beginning of year	\$ 1,779,594	\$ 1,800,499
Changes for the year:		
Service cost	83,708	106,328
Interest	62,469	51,584
Assumption changes	(55,955)	728,460
Difference between actual and expected experience	-	(159,095)
Benefit payments	(69,317)	(71,460)
Total OPEB liability end of year	\$ 1,800,499	\$ 2,456,316

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2019 actuarial valuation was prepared using a discount rate of 2.21%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$2,261,988 or by 7.91%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$2,660,767 or by 8.32%.

	Discount Rate		
	1% Decrease	Baseline 2.21%	1% Increase
Total OPEB Liability	\$ 2,660,767	\$ 2,456,316	\$ 2,261,988

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Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2019 actuarial valuation was prepared using an initial trend rate of 2.20%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$2,774,793 or by 12.97%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$2,179,065 or by 11.29%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 2.20%	1% Increase
Total OPEB Liability	<u>\$ 2,179,065</u>	<u>\$ 2,456,316</u>	<u>\$ 2,774,793</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the School District recognized OPEB expense of \$431,010. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 638,617	\$ -
Differences between expected and actual experience	521,226	187,888
Total	<u>\$ 1,159,843</u>	<u>\$ 187,888</u>

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

Fiscal Year Ending June 30,	
2021	\$ 273,098
2022	273,098
2023	249,734
2024	98,335
2025	77,690
Thereafter	-
Totals	<u>\$ 971,955</u>

NOTE 12 – ENCUMBRANCES

Encumbrances in the amount of \$253,071 outstanding on June 30, 2020 are for operation and maintenance of plant.

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

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

	Governmental Activities
Net investment in capital assets:	
Net book value of all capital assets	\$ 7,957,598
Less:	
General obligation bond payable	(155,000)
Unamortized bond premiums	(14,204)
Total net investment in capital assets	<u>7,788,394</u>
Unrestricted	<u>(14,561,886)</u>
Total net position	<u>\$ (6,773,492)</u>

None of the net position is restricted by enabling legislation.

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NOTE 14 – GOVERNMENTAL FUND BALANCES

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

	General Fund	High School Student Activities	Nonmajor Governmental Funds	Total Governmental Funds
Committed:				
Expendable trust	\$ 660,765	\$ -	\$ -	\$ 660,765
Recreation revolving	-	-	37,951	37,951
Total committed fund balance	660,765	-	37,951	698,716
Assigned:				
Encumbrances	253,071	-	-	253,071
Student balances	375	-	-	375
District activities	27,305	-	-	27,305
Athletics	5,237	-	-	5,237
Student activities	-	189,939	-	189,939
Total assigned fund balance	285,988	189,939	-	475,927
Unassigned	418,151	-	-	418,151
Total governmental fund balances	\$ 1,364,904	\$ 189,939	\$ 37,951	\$ 1,592,794

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements	General Fund	Student Activity Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84	\$ 174,669	\$ 6,760	\$ 167,909
Net position/fund balance, as previously reported	(5,650,460)	1,943,806	-
Net position/fund balance, as restated	\$ (5,475,791)	\$ 1,950,566	\$ 167,909

NOTE 16 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2020, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2019 to June 30, 2020 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2019-20 the School District paid \$56,090 and \$45,164, respectively, to Primex for workers' compensation and property/liability. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

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NOTE 17 – CAFETERIA BENEFIT PLAN

Effective August 22, 2000, the School District implemented a cafeteria benefit plan pursuant to Section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the School District, into any combination of the following benefit categories:

1. Medical Insurance Premium Account;
2. Out of Pocket Medical Spending Account; or
3. Dependent Care Spending Account.

In addition to directing the School District's contribution to the above categories, eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Spending Account, and \$2,500 into the Medical Spending Account. This cap applies to both School District contributions and employee pre-tax contributions.

All regular full-time and part-time employees employed on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the School District begins on July 1 and ends on June 30. To obtain reimbursement of expenses incurred within a plan year within the spending accounts (items 2 and 3 above), employees must submit claims within ninety days of the end of the plan year or separation of service from the School District, whichever occurs first. Funds unclaimed after ninety days of the close of the plan year are then remitted to the School District.

NOTE 18 – CONTINGENT LIABILITIES

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

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

NOTE 19 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 29, 2021, the date the June 30, 2020 financial statements were available to be issued, and noted the following events occurred that require recognition or disclosure:

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

On September 1, 2020 the New Hampshire Department of Education approved the District's request to use the retained fiscal year 2020 unrestricted funds (fiscal year 2020 Retained Fund Balance) for the purpose of covering unanticipated costs due to the District's response to the Coronavirus, pursuant to Emergency Order #38. As determined by the New Hampshire Departments of Revenue (DRA), this amount is not to exceed \$417,329 (the total amount of audited unrestricted fund balance for FY 2020).

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT E
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	2014	2015	2016	June 30, 2017	2018	2019	2020
School District's:							
Proportion of the net pension liability	0.32%	0.32%	0.30%	0.30%	0.29%	0.29%	0.28%
Proportionate share of the net pension liability	\$ 13,979,235	\$ 11,951,376	\$ 11,956,064	\$ 15,984,325	\$ 14,107,103	\$ 13,958,273	\$ 13,591,796
Covered payroll	\$ 9,088,182	\$ 8,856,904	\$ 8,860,121	\$ 8,705,717	\$ 8,512,284	\$ 8,188,416	\$ 8,283,350
Proportionate share of the net pension liability as a percentage of its covered payroll	153.82%	134.94%	134.94%	183.61%	165.73%	170.46%	164.09%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%

EXHIBIT F
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Schedule of School District Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 807,658	\$ 1,032,960	\$ 1,012,518	\$ 1,076,361	\$ 1,050,844	\$ 1,225,197	\$ 1,229,286
Contributions in relation to the contractually required contributions	807,658	1,032,960	1,012,518	1,076,361	1,050,844	1,225,197	1,229,286
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 9,088,182	\$ 8,856,904	\$ 8,860,121	\$ 8,705,717	\$ 8,512,284	\$ 8,188,416	\$ 8,283,350
Contributions as a percentage of covered payroll	8.89%	11.66%	11.43%	12.36%	12.35%	14.96%	14.84%

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

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E and F represent the actuarial determined costs associated with the School District's pension plan at June 30, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of investment expenses including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT G
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	June 30,			
	2017	2018	2019	2020
School District's proportion of the net OPEB liability	0.36%	0.35%	0.26%	0.25%
School District's proportionate share of the net OPEB liability (asset)	\$ 1,759,875	\$ 1,587,688	\$1,195,298	\$ 1,106,897
School District's covered payroll	\$ 8,705,717	\$ 8,512,284	\$8,188,416	\$ 8,283,350
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	20.22%	18.65%	14.60%	13.36%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

EXHIBIT H
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Schedule of School District Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2020

	June 30.			
	2017	2018	2019	2020
Contractually required contribution	\$ 211,234	\$ 205,808	\$ 115,479	\$ 115,221
Contributions in relation to the contractually required contribution	211,234	205,808	115,479	115,221
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$8,705,717	\$8,512,284	\$8,188,416	\$8,283,350
Contributions as a percentage of covered payroll	2.43%	2.42%	1.41%	1.39%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

EXHIBIT I
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios
For the Fiscal Year Ended June 30, 2020

	June 30,			
	2017	2018	2019	2020
OPEB liability, beginning of year	\$ 662,711	\$ 1,719,470	\$ 1,779,594	\$ 1,800,499
Changes for the year:				
Service cost	34,652	82,067	83,708	106,328
Interest	26,456	60,530	62,469	51,584
Assumption changes and difference between actual and expected experience	998,285	(25,106)	(55,955)	569,365
Benefit payments	(2,634)	(57,367)	(69,317)	(71,460)
OPEB liability, end of year	<u>\$ 1,719,470</u>	<u>\$ 1,779,594</u>	<u>\$ 1,800,499</u>	<u>\$ 2,456,316</u>
Covered payroll	<u>\$ 7,992,560</u>	<u>\$ 7,992,560</u>	<u>\$ 8,152,411</u>	<u>\$ 7,358,054</u>
Total OPEB liability as a percentage of covered payroll	21.51%	22.27%	22.09%	33.38%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

SOUHEGAN COOPERATIVE SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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

As required by GASB Statement No. 75, Exhibits G and H represent the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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

As required by GASB Statement No. 75, Exhibit I represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2020. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

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

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 12,780,409	\$ 12,780,409	\$ -
Other local sources:			
Tuition	56,995	78,778	21,783
Investment earnings	12,600	16,989	4,389
Student activities	120,000	75,219	(44,781)
Miscellaneous	2,000	13,672	11,672
Total from other local sources	191,595	184,658	(6,937)
State sources:			
Adequacy aid (grant)	1,614,272	1,614,271	(1)
Adequacy aid (tax)	1,436,370	1,436,370	-
Special education aid	166,358	261,939	95,581
Vocational aid	-	2,443	2,443
Total from state sources	3,217,000	3,315,023	98,023
Federal sources:			
Medicaid	-	14,499	14,499
Other financing sources:			
Transfers in	-	820	820
Total revenues and other financing sources	16,189,004	\$ 16,295,409	\$ 106,405
Use of fund balance to reduce school district assessment	1,251,194		
Total revenues, other financing sources, and use of fund balance	\$ 17,440,198		

SCHEDULE 2
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ -	\$ 7,091,037	\$ 7,204,316	\$ -	\$ (113,279)
Special programs	-	2,732,263	2,384,162	-	348,101
Vocational programs	-	18,000	16,377	-	1,623
Other programs	-	715,327	625,012	-	90,315
Total instruction	-	10,556,627	10,229,867	-	326,760
Support services:					
Student	-	1,830,317	1,690,966	-	139,351
Instructional staff	-	622,838	449,691	-	173,147
General administration	-	55,887	125,321	-	(69,434)
Executive administration	-	962,957	1,008,802	-	(45,845)
School administration	-	760,943	912,922	-	(151,979)
Business	-	1,500	462	-	1,038
Operation and maintenance of plant	32,108	1,277,791	1,354,134	253,071	(297,306)
Student transportation	-	745,302	461,195	-	284,107
Other	-	448,790	401,529	-	47,261
Total support services	32,108	6,706,325	6,405,022	253,071	80,340
Debt service:					
Principal of long-term debt	-	155,000	155,000	-	-
Interest on long-term debt	-	12,246	12,245	-	1
Total debt service	-	167,246	167,245	-	1
Other financing uses:					
Transfers out	-	10,000	105,354	-	(95,354)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 32,108	\$ 17,440,198	\$ 16,907,488	\$ 253,071	\$ 311,747

SCHEDULE 3
SOUHEGAN COOPERATIVE SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

Unassigned fund balance, beginning		\$ 1,251,193
Changes:		
Unassigned fund balance used to reduce school district assessment		(1,251,194)
2019-2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 106,405	
Unexpended balance of appropriations (Schedule 2)	311,747	
2019-2020 Budget surplus		418,152
Unassigned fund balance, ending		<u>\$ 418,151</u>

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

	Special Revenue Funds		Capital Project Fund	
	Grants	Recreation Revolving	Turf Field Project	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 37,951	\$ -	\$ 37,951
Intergovernmental receivable	27,380	-	-	27,380
Total assets	<u>\$ 27,380</u>	<u>\$ 37,951</u>	<u>\$ -</u>	<u>\$ 65,331</u>
LIABILITIES				
Interfund payable	<u>\$ 10,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,830</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	<u>16,550</u>	<u>-</u>	<u>-</u>	<u>16,550</u>
FUND BALANCES				
Committed	<u>-</u>	<u>37,951</u>	<u>-</u>	<u>37,951</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 27,380</u>	<u>\$ 37,951</u>	<u>\$ -</u>	<u>\$ 65,331</u>

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

	Special Revenue Funds		Capital Project Fund	
	Grants	Recreation Revolving	Turf Field Project	Total
REVENUES				
Other local	\$ 26,679	\$ 14	\$ 20	\$ 26,713
Federal	264,098	-	-	264,098
Total revenues	290,777	14	20	290,811
EXPENDITURES				
Current:				
Instruction	182,867	-	-	182,867
Support services:				
Student	29,869	-	-	29,869
Instructional staff	66,983	-	-	66,983
School administration	2,305	-	-	2,305
Other	8,753	-	-	8,753
Total expenditures	290,777	-	-	290,777
Excess of revenues over expenditures	-	14	20	34
OTHER FINANCING USES				
Transfers out	-	-	(820)	(820)
Net change in fund balances	-	14	(800)	(786)
Fund balances, beginning	-	37,937	800	38,737
Fund balances, ending	\$ -	\$ 37,951	\$ -	\$ 37,951