



OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Annual Financial Statements
For the Year Ended June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the School Board
Oyster River Cooperative School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oyster River Cooperative School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oyster River Cooperative School District, as of June 30, 2021, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over



financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melanson

Merrimack, New Hampshire
February 8, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oyster River Cooperative School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/(inflows) of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are categorized as governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable

resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to 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.

Required Supplementary Information (Other Than MD&A)

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$(6,126,339), a change of \$(3,672,522) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$(501,589), a change of \$1,113,477 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$828,933, a change of \$414,862 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 7,527,782	\$ 4,824,184
Capital assets	<u>70,128,080</u>	<u>46,137,095</u>
Total assets	77,655,862	50,961,279
Deferred outflows of resources	15,438,059	8,529,041
Other liabilities	8,436,285	7,001,561
Long-term liabilities	<u>89,853,785</u>	<u>53,681,240</u>
Total liabilities	98,290,070	60,682,801
Deferred inflows of resources	930,190	1,642,857
Net investment in capital assets	36,029,500	32,861,702
Restricted	450,828	164,406
Unrestricted	<u>(42,606,667)</u>	<u>(35,861,446)</u>
Total net position	\$ <u>(6,126,339)</u>	\$ <u>(2,835,338)</u>

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At the close of the most recent fiscal year, total net position was \$(6,126,339), a change of (3,672,522) in comparison to the prior year.

The largest portion of net position, \$36,029,500, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment and furnishings, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$450,828, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(42,606,667) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues		
Charges for services	\$ 39,617	\$ 461,032
Operating grants and contributions	1,444,693	1,091,868
General revenues:		
Property taxes	42,830,263	41,517,104
Tuition	3,237,706	2,890,842
Grants and contributions not restricted to specific programs	682,633	810,382
Investment income	113,959	81,005
Other	378,935	295,656
Total revenues	<u>48,727,806</u>	<u>47,147,889</u>
Expenses:		
Instruction	32,797,008	28,855,452
Other school services:		
Student	4,822,152	4,297,056
Instructional staff	905,361	1,120,575
General administration	1,914,696	1,629,328
School administration	2,225,128	1,945,301
Business	740,385	823,144
Operation and maintenance	3,898,477	4,972,651
Student transportation	2,501,492	1,672,563
Other	1,856,481	1,554,682
Interest expense	739,148	256,314
Total expenses	<u>52,400,328</u>	<u>47,127,066</u>
Change in net position	(3,672,522)	20,823
Net position - beginning of year, as reclassified	<u>(2,453,817)</u>	<u>(2,856,161)</u>
Net position - end of year	<u>\$ (6,126,339)</u>	<u>\$ (2,835,338)</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(3,672,522). Key elements of this change are as follows:

General fund operations	\$	893,042
Change in pension expense from GASB 68		(4,280,242)
Change in OPEB expense from GASB 75		(971,191)
Other		685,869
Total	\$	<u>(3,672,522)</u>

Financial Analysis of the District’s Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District’s net resources available for spending at the end of the fiscal year.

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$828,933, while total fund balance was \$3,816,193. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>		<u>6/30/21</u>		<u>6/30/20</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$	828,933	\$	414,071	\$ 414,862	1.8%
Total fund balance	\$	3,816,193	\$	2,923,151	\$ 893,042	8.3%

The total fund balance of the general fund changed by \$893,042 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$	(614,025)
Revenues in excess of budget		193,477
Expenditures less than budget		1,023,261
Change in encumbrances		266,967
Change in capital reserve		252,786
Other		<u>(229,424)</u>
Total	\$	<u>893,042</u>

Included in the total general fund balance are the District’s capital reserve accounts with the following balances:

	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>
Capital Reserve	\$ <u>1,675,093</u>	\$ <u>1,422,307</u>	\$ <u>252,786</u>
Total	\$ <u>1,675,093</u>	\$ <u>1,422,307</u>	\$ <u>252,786</u>

Other Major Funds

The capital projects fund accounts for financial transactions used for the acquisition or construction of major capital facilities and infrastructure including the construction of the new middle school.

Non-Major Governmental Funds

The non-major fund balance changed by \$(43,376) primarily from timing differences between the receipt and disbursement of grants and student activity funds.

General Fund Budgetary Highlights

There are no differences between the original budget and the final amended budget.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental activities at year-end amounted to \$70,128,080 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, and furnishings, and construction in progress.

Major capital asset events during the current fiscal year included the following:

Additions to:

Depreciable Assets:

Parking Lot - JC McKenna	\$	295,853
Equipment		206,907

Construction in Progress:

Oyster River Middle School	\$	24,742,601
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Additional information on capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonds payable outstanding was \$26,096,800 (excluding unamortized bond premiums), all of which was backed by the full faith and credit of the District.

Additional information on long-term debt can be found in the Notes to Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Oyster River Cooperative School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Business Manager
Oyster River Cooperative School District
36 Coe Drive
Durham, New Hampshire 03824

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 5,562,153
Receivables:	
Departmental and other	94,455
Intergovernmental	1,850,974
Other assets	<u>20,200</u>
Total Current Assets	7,527,782
Noncurrent:	
Capital assets:	
Land and construction in progress	30,697,173
Other assets, net of accumulated depreciation	<u>39,430,907</u>
Total Noncurrent Assets	<u>70,128,080</u>
Total Assets	77,655,862
Deferred Outflows of Resources	
Related to pensions	13,602,264
Related to OPEB	<u>1,835,795</u>
Total Deferred Outflows of Resources	15,438,059
Liabilities	
Current:	
Accounts payable	3,100,751
Accrued liabilities	2,279,184
Note payable	3,000,000
Other current liabilities	56,350
Current portion of long-term liabilities:	
Bonds payable	1,363,328
Lease payable	596,088
Compensated absences	<u>154,258</u>
Total Current Liabilities	10,549,959
Noncurrent:	
Bonds payable, net of current portion	26,691,672
Lease payable, net of current portion	3,028,861
Compensated absences, net of current portion	1,388,325
Net pension liability	45,445,639
Net OPEB liability	<u>11,185,614</u>
Total Noncurrent Liabilities	<u>87,740,111</u>
Total Liabilities	98,290,070
Deferred Inflows of Resources	
Related to pensions	706,715
Related to OPEB	<u>223,475</u>
Total Deferred Inflows of Resources	930,190
Net Position	
Net investment in capital assets	36,029,500
Restricted for:	
Grants and other statutory restrictions	450,828
Unrestricted	<u>(42,606,667)</u>
Total Net Position	<u>\$ (6,126,339)</u>

The accompanying notes are an integral part of these financial statements.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 4,164,290	\$ 1,119,671	\$ 278,192	\$ 5,562,153
Receivables:				
Departmental and other	42,945	-	51,510	94,455
Intergovernmental	1,687,044	-	163,930	1,850,974
Due from other funds	2,873,772	-	-	2,873,772
Prepays	<u>20,200</u>	<u>-</u>	<u>-</u>	<u>20,200</u>
Total Assets	\$ <u>8,788,251</u>	\$ <u>1,119,671</u>	\$ <u>493,632</u>	\$ <u>10,401,554</u>
Liabilities				
Accounts payable	\$ 3,099,788	\$ -	\$ 963	\$ 3,100,751
Accrued liabilities	1,872,270	-	-	1,872,270
Due to other funds	-	2,763,281	110,491	2,873,772
Note payable	-	3,000,000	-	3,000,000
Other liabilities	<u>-</u>	<u>-</u>	<u>56,350</u>	<u>56,350</u>
Total Liabilities	4,972,058	5,763,281	167,804	10,903,143
Fund Balances				
Nonspendable	20,200	-	-	20,200
Restricted	125,000	-	325,828	450,828
Committed	2,575,093	-	-	2,575,093
Assigned	266,967	-	-	266,967
Unassigned	<u>828,933</u>	<u>(4,643,610)</u>	<u>-</u>	<u>(3,814,677)</u>
Total Fund Balances	<u>3,816,193</u>	<u>(4,643,610)</u>	<u>325,828</u>	<u>(501,589)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>8,788,251</u>	\$ <u>1,119,671</u>	\$ <u>493,632</u>	\$ <u>10,401,554</u>

The accompanying notes are an integral part of these financial statements.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position

June 30, 2021

Total governmental fund balances	\$ (501,589)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	70,128,080
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.	
Bonds payable	(26,096,800)
Bond premium	(1,958,200)
Pension liability, net of related deferred outflows and inflows of resources	(32,550,090)
OPEB liability, net of related deferred outflows and inflows of	(9,573,294)
Capital leases	(3,624,949)
Compensated absences	(1,542,583)
Accrued interest on long-term debt	<u>(406,914)</u>
Net position of governmental activities	\$ <u><u>(6,126,339)</u></u>

The accompanying notes are an integral part of these financial statements.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

	<u>General</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 42,830,263	\$ -	\$ -	\$ 42,830,263
Tuition	3,237,706	-	-	3,237,706
Intergovernmental	682,633	-	1,444,693	2,127,326
Charges for services	4,637	-	34,980	39,617
Investment income	97,631	16,328	-	113,959
Other	<u>151,826</u>	<u>-</u>	<u>227,109</u>	<u>378,935</u>
Total Revenues	47,004,696	16,328	1,706,782	48,727,806
Expenditures				
Current:				
Instruction	27,105,321	-	1,054,679	28,160,000
Other school services:				
Student	4,325,409	-	149,398	4,474,807
Instructional staff	834,446	-	18,363	852,809
General administration	1,587,017	-	-	1,587,017
School administration	1,895,787	-	-	1,895,787
Business	523,220	-	16,806	540,026
Operation and maintenance	3,987,601	-	591,613	4,579,214
Student transportation	1,809,552	-	-	1,809,552
Support service, central, and other	1,852,285	-	-	1,852,285
Debt service:				
Principal	1,285,000	-	-	1,285,000
Interest	503,108	-	-	503,108
Capital outlay	<u>503,773</u>	<u>24,752,517</u>	<u>-</u>	<u>25,256,290</u>
Total Expenditures	<u>46,212,519</u>	<u>24,752,517</u>	<u>1,830,859</u>	<u>72,795,895</u>
Excess (deficiency) of revenues over expenditures	792,177	(24,736,189)	(124,077)	(24,068,089)
Other Financing Sources (Uses)				
Bond proceeds	-	23,041,800	-	23,041,800
Bond premium	-	1,958,200	-	1,958,200
Capital lease issuance	181,566	-	-	181,566
Transfers in	-	-	80,701	80,701
Transfers out	<u>(80,701)</u>	<u>-</u>	<u>-</u>	<u>(80,701)</u>
Total Other Financing Sources (Uses)	<u>100,865</u>	<u>25,000,000</u>	<u>80,701</u>	<u>25,181,566</u>
Change in fund balance	893,042	263,811	(43,376)	1,113,477
Fund Balance, at Beginning of Year, as reclassified	<u>2,923,151</u>	<u>(4,907,421)</u>	<u>369,204</u>	<u>(1,615,066)</u>
Fund Balance, at End of Year	\$ <u><u>3,816,193</u></u>	\$ <u><u>(4,643,610)</u></u>	\$ <u><u>325,828</u></u>	\$ <u><u>(501,589)</u></u>

The accompanying notes are an integral part of these financial statements.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net changes in fund balances - total government funds \$ 1,113,477

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay, net of disposals	25,889,366
Depreciation	(1,898,381)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Issuance of debt	(23,041,800)
Issuance of capital lease	(181,566)
Repayments of debt	1,285,000
Bond premium	(1,958,200)
Repayments of capital leases	584,589

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in pension expense from GASB 68	(4,280,242)
Change in OPEB expense from GASB 75	(971,191)
Change in accrued interest	(226,124)
Change in compensated absences	<u>12,550</u>

Change in net position of governmental activities \$ (3,672,522)

The accompanying notes are an integral part of these financial statements.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Oyster River Cooperative School District (the District) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of significant policies:

Reporting Entity

The District is a municipal corporation governed by an elected School Board. As required by Generally Accepted Accounting Principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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 a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

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. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgements, compensated absences, OPEB, and pension are recorded only when payment is due.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for all financial transactions used for the acquisition or construction of major capital facilities for the District.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. Generally, a cash and investment 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 short-term investments".

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance

Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/ deferred inflows. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent

available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/ deferred outflows and liabilities/ deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

The preparation of basic financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

At its annual meeting, the District adopts a budget for the next fiscal year. Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered. In the case of emergency expenditures, over expenditures are allowed under the provisions of the Municipal Budget Law (RSA Chapter 32) if prior approval is secured from the State Department of Education. State statutes require balanced budgets; including provisions for the use of beginning unassigned fund balance to achieve that end.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Deficit Fund Equity

The deficit in the Capital Project Fund is considered temporary and was resolved by the bonds sold by the District in July 2021.

3. Deposits and Investments

State statutes (RSA 197.23-a for school districts) place certain limitation on the nature of deposits and investments available to the District. Deposits may be made in the New Hampshire Deposit Investment Pool (NHPDIP), in NH banks or banks outside the State of New Hampshire if such banks pledge and deliver to a third-party custodial bank with various collateralized security, in accordance with RSA 383:22. NHDIP is under the control of the New Hampshire Banking Commission and Advisory Committee. Participation units of the NHDIP are considered short-term for financial presentation purposes due to high liquidity of the fund and are carried at amortized cost in accordance with Governmental Accounting Standards Board (GASB) Statement No. 79.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, none of the District's bank balance of \$5,939,468 was exposed to custodial credit risk as uninsured and/or uncollateralized. The underlying securities of the District's deposit in repurchase agreements of \$4,151,471 are held by the bank's counterparty, not in the name of the District.

4. Departmental and Other Receivables

Departmental and other receivables consist of reimbursements requested from various State and local agencies for expenditures incurred in fiscal year 2021.

5. Intergovernmental Receivables

This balance represents capital reserve funds held by the Trustees of the Trust Funds of the Town of Durham, New Hampshire, as well as amounts requested from Federal and State agencies for expenditures incurred in fiscal year 2021.

6. Interfund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the interfund receivable and payable accounts:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 2,873,772	\$ -
Capital Project Fund	-	2,763,281
Nonmajor Governmental Funds:		
Special Revenue Funds	<u>-</u>	<u>110,491</u>
Total	<u>\$ 2,873,772</u>	<u>\$ 2,873,772</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 52,799,402	\$ 707,721	\$ (22,077)	\$ 53,485,046
Machinery, equipment, and furnishings	<u>6,583,017</u>	<u>784,832</u>	<u>(867,093)</u>	<u>6,500,756</u>
Total capital assets, being depreciated	59,382,419	1,492,553	(889,170)	59,985,802
Less accumulated depreciation for:				
Buildings and improvements	(15,376,410)	(1,340,366)	5,298	(16,711,478)
Machinery, equipment, and furnishings	<u>(3,823,486)</u>	<u>(558,015)</u>	<u>538,084</u>	<u>(3,843,417)</u>
Total accumulated depreciation	<u>(19,199,896)</u>	<u>(1,898,381)</u>	<u>543,382</u>	<u>(20,554,895)</u>
Total capital assets, being depreciated, net	40,182,523	(405,828)	(345,788)	39,430,907
Capital assets, not being depreciated:				
Land	-	-	-	-
Construction in progress	<u>5,954,572</u>	<u>24,742,601</u>	<u>-</u>	<u>30,697,173</u>
Total capital assets, not being depreciated	<u>5,954,572</u>	<u>24,742,601</u>	<u>-</u>	<u>30,697,173</u>
Governmental activities capital assets, net	<u>\$ 46,137,095</u>	<u>\$ 24,336,773</u>	<u>\$ (345,788)</u>	<u>\$ 70,128,080</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Instruction	\$ 1,224,041
School administration	9,119
Operation and maintenance	428,804
Student transportation	235,956
Other	<u>461</u>
Total governmental activities	\$ <u><u>1,898,381</u></u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent fiscal 2021 expenditures and medical and dental withholding payables paid in fiscal 2022.

10. Note Payable

The District had one bond anticipation note outstanding at June 30, 2021 in the amount of \$3,000,000. The note matures on August 12, 2021.

11. Capital Lease Obligations

The District is the lessee of certain equipment under capital leases expiring in various years through fiscal year 2029. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2021:

Fiscal <u>Year</u>	<u>Amount</u>
2022	\$ 710,356
2023	655,003
2024	576,737
2025	491,386
2026	418,857
Thereafter	<u>1,256,551</u>
Total minimum lease payments	<u>4,108,890</u>
Less amounts representing interest	<u>(483,941)</u>
Present Value of Minimum Lease Payments	<u>\$ 3,624,949</u>

12. Long-Term Debt

Long-Term Debt

The District issues general obligation bonds (including direct placements) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>General Obligation Bonds</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/21</u>
Public offerings:				
High School Additions and Renovations	\$ 2,300,000	11/01/21	3.10-4.70%	\$ 115,000
High School Addition	20,406,711	08/15/22	3.50-4.70%	2,040,000
New Middle School	23,041,800	08/15/45	2.10-5.10%	<u>23,041,800</u>
Total public offerings				25,196,800
Direct placements:				
Field Track	1,500,000	07/01/25	1.88%	<u>900,000</u>
Total direct placements				<u>900,000</u>
Total general obligation bonds				<u>\$ 26,096,800</u>

Future Debt Service

The annual payments to retire all general obligation bonds outstanding as of June 30, 2021 are as follows:

<u>Governmental Activities</u>	<u>Bonds - Public Offerings</u>		<u>Bonds - Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 1,135,000	\$ 777,341	\$ 150,000	\$ 16,688	\$ 2,079,029
2023	1,020,000	750,668	150,000	13,908	1,934,576
2024	646,800	370,286	150,000	11,125	1,178,211
2025	675,000	653,038	150,000	8,344	1,486,382
2026	710,000	617,721	150,000	5,563	1,483,284
2027-2031	4,110,000	2,495,475	150,000	2,781	6,758,256
2032 - 2036	5,030,000	1,571,332	-	-	-
2037 - 2041	5,615,000	987,774	-	-	-
2042 - 2046	6,255,000	350,145	-	-	-
Total	\$ <u>25,196,800</u>	\$ <u>8,573,780</u>	\$ <u>900,000</u>	\$ <u>58,409</u>	\$ <u>14,919,738</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation bonds outstanding as of June 30, 2021.

Changes in Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
<u>Governmental Activities</u>						
Bonds payable:						
Public offerings	\$ 3,290,000	\$ 23,041,800	\$ (1,135,000)	\$ 25,196,800	\$ (1,135,000)	\$ 24,061,800
Direct placements	1,050,000	-	(150,000)	900,000	(150,000)	750,000
Unamortized premium	-	1,958,200	-	1,958,200	(78,328)	1,879,872
Subtotal	4,340,000	25,000,000	(1,285,000)	28,055,000	(1,363,328)	26,691,672
Capital leases	4,027,972	181,566	(584,589)	3,624,949	(596,088)	3,028,861
Compensated absences	1,555,133	-	(12,550)	1,542,583	(154,258)	1,388,325
Net pension liability	33,333,582	12,112,057	-	45,445,639	-	45,445,639
Net OPEB liability	10,424,553	761,061	-	11,185,614	-	11,185,614
Total	\$ <u>53,681,240</u>	\$ <u>38,054,684</u>	\$ <u>(1,882,139)</u>	\$ <u>89,853,785</u>	\$ <u>(2,113,674)</u>	\$ <u>87,740,111</u>

Long-Term Debt Supporting Governmental Activities

Bonds and loans issued by the District for various district projects are approved by School Board Meeting and repaid with revenues recorded in the general fund. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund.

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

14. Governmental Funds Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The District has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2021:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved by the School Board, capital reserve funds set aside by School Board vote for future capital acquisitions and improvements, and various special revenue funds.

Assigned

Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various District departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned

Represents amounts that are available to be spent in future periods.

The following is a breakdown of the District's fund balances at June 30, 2021:

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable				
Prepaid expenditures	\$ 20,200	\$ -	\$ -	\$ 20,200
Total Nonexpendable	20,200	-	-	20,200
Restricted				
Contributions to Facility				
Development Capital Reserve	125,000	-	-	125,000
Grants and revolving funds	-	-	47,636	47,636
Student activity funds	-	-	278,192	278,192
Total Restricted	125,000	-	325,828	450,828
Committed				
Capital reserves				
Facility Development Capital Reserve	459,946	-	-	459,946
Special Education Fund	540,507	-	-	540,507
Benefits Fund	481,939	-	-	481,939
Other	192,701	-	-	192,701
Contingency per RSA 198:4-b	900,000	-	-	900,000
Total Committed	2,575,093	-	-	2,575,093
Assigned				
Encumbrances	266,967	-	-	266,967
Total Assigned	266,967	-	-	266,967
Unassigned				
Unassigned	828,933	(4,643,610)	-	(3,814,677)
Total Unassigned	828,933	(4,643,610)	-	(3,814,677)
Total Fund Balance	\$ 3,816,193	\$ (4,643,610)	\$ 325,828	\$ (501,589)

15. Retirement System

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan provides 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 of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*, which is not applicable for the District. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

Benefits Provided

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

Contributions

Plan members are required to contribute a percentage of their Earnable Compensation to the pension plan, for which the contribution rates are 7% for employees and teachers. The District makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16 and range from 10.88% to 26.43% of covered compensation. The District's contributions to NHRS for the year ended June 30, 2021 were \$3,307,608, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred (inflows) of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At June 30, 2021, the District reported a liability of \$45,445,639 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the most recent measurement date of June 30, 2020, the District's proportion was 0.71051541%, which was an increase of 0.01774786% from its previous year proportion.

For the year ended June 30, 2021, the District recognized pension expense of \$7,587,850. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,227,252	\$ 487,956
Changes of assumptions	4,495,475	-
Differences between projected and actual earnings on pension plan investments	2,810,862	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,761,067	218,759
Contributions subsequent to the measurement date	<u>3,307,608</u>	<u>-</u>
Total	<u>\$ 13,602,264</u>	<u>\$ 706,715</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 2,370,435
2023	2,567,958
2024	2,384,228
2025	<u>2,265,320</u>
Total	\$ <u>9,587,941</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.00%
Wage inflation	2.75% per year (2.25% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	6.75%, net of plan investment expense, including inflation

Mortality rates were based on the Pub-2010 healthy retiree with credibility adjustments for each group and projected fully generational mortality improvements using scale MP-2019.

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

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

Actuarial assumptions reflect benefit changes resulting from CH 340 laws (HB616), which grants a one-time 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiary of such member. The COLA will

take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020.

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.71%
Small/Mid Cap Equities	<u>7.50</u>	4.15%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	3.96%
Emerging Int'l Equities	<u>7.00</u>	6.20%
Total international equities	20.00	
Core Bonds	9.00	0.42%
Global Multi-Sector Fixed Income	10.00	1.66%
Absolute Return Fixed Income	<u>6.00</u>	0.92%
Total fixed income	25.00	
Private equity	10.00	7.71%
Private debt	<u>5.00</u>	4.81%
Total alternative investments	15.00	
Real estate	<u>10.00</u>	2.95%
Total	<u><u>100.00</u></u> %	

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 58,833,607	\$ 45,445,639	\$ 34,505,896

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NHRS financial report.

16. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred (inflows) of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

District OPEB Plan

All the following OPEB disclosures are based on a measurement date of June 30, 2021.

General Information about the OPEB Plan

Plan Description

The District indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the District who participate in this single-employer plan pay 100% of the healthcare premiums to participate in the District’s healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration. This increased rate is an implicit subsidy the District pays for the retirees.

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

Benefits Provided

The District provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria are eligible to receive these benefits.

Plan Membership

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>352</u>
Total	<u><u>356</u></u>

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.00%, average, including inflation
Discount rate	2.21%
Healthcare cost trend rates	9.50% for 2020, then fluctuating 0.50%, to an ultimate rate of 5.00% as of 2029 and later years
Retirees' share of benefit-related costs	100%

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).

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The District's total OPEB liability of \$8,107,095 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019.

Changes in the Total OPEB Liability

The following summarizes the changes to the total OPEB liability for the past year:

	Total OPEB Liability
Balance at beginning of year	\$ 7,628,963
Changes for the year:	
Service cost	462,918
Interest	166,924
Benefit payments	<u>(151,710)</u>
Net change	<u>478,132</u>
Balance at end of year	\$ <u><u>8,107,095</u></u>

Changes of assumptions and other inputs reflect a change in the actuarial cost method.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
\$ 8,599,718	\$ 8,107,095	\$ 7,608,235

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (8.50%)	Current Healthcare Cost Trend (9.50%)	1% Increase (10.50%)
\$ 7,192,434	\$ 8,107,095	\$ 9,151,441

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

For the year ended June 30, 2021, the District recognized an OPEB expense of \$928,103. At June 30, 2021, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 35,866	\$ 214,555
Change in assumptions	<u>1,390,305</u>	<u>-</u>
Total	<u>\$ 1,426,171</u>	<u>\$ 214,555</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ending June 30, 2021:

<u>Year Ended June 30:</u>	
2022	\$ 298,261
2023	298,780
2024	368,010
2025	<u>246,565</u>
Total	<u>\$ 1,211,616</u>

New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed above, the District participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their website at <http://www.nhrs.org>.

Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The OPEB plan is closed to new entrants. The monthly Medical Subsidy rates are:

1 Person - \$375.56
2 Person - \$751.12
1 Person Medicare Supplement - \$236.84
2 person Medicare Supplement - \$473.68

Contributions

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The District contributed 0.29% of gross payroll for Group I employees and 1.81% of gross payroll for Group I teachers. Employees are not required to contribute. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the medical subsidy plan.

Actuarial Assumptions and Other Inputs

Actuarial assumptions are the same in the Retirement System footnote.

Net OPEB Liability, Expense, and Deferred Outflows and (Inflows)

The District's proportionate share of the total NHRS Medical Subsidy (total OPEB liability) as of the measurement date of June 30, 2021 was \$3,078,519, representing 0.70332542%.

For the year ended June 30, 2021, the District recognized an OPEB expense related to the NHRS Medical Subsidy of \$59,279. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 342,481	\$ -
Difference between expected and actual experience	-	8,920
Changes in proportion	35,830	-
Change in assumptions	19,794	-
Net difference between projected and actual OPEB investment earnings	<u>11,519</u>	<u>-</u>
Total	<u>\$ 409,624</u>	<u>\$ 8,920</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ending June 30, 2022.

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

<u>Year Ended June 30:</u>	
2022	\$ 47,577
2023	3,410
2024	4,065
2025	<u>3,171</u>
Total	<u>\$ 58,223</u>

Sensitivity of the Total NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$	3,342,950	\$ 3,078,519	\$ 2,848,940

Healthcare Cost Trend Rate

Healthcare cost trend rates are not applicable given that the benefits are fixed stipends.

Consolidation of Total OPEB Liabilities and Related Deferred Outflows and Inflows

The following consolidates the District's total OPEB liability and related deferred outflows/(inflows), and the District's proportionate share of the NHRS Medical Subsidy total OPEB liability and related deferred outflows/inflows at June 30, 2021:

	Total OPEB Liability	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources	Total OPEB Expense
District OPEB Plan	\$ 8,107,095	\$ 1,426,171	\$ 214,555	\$ 928,103
Proportionate share of NHRS Medical Subsidy Plan	<u>3,078,519</u>	<u>409,624</u>	<u>8,920</u>	<u>538,383</u>
Total	\$ <u>11,185,614</u>	\$ <u>1,835,795</u>	\$ <u>223,475</u>	\$ <u>1,466,486</u>

17. Subsequent Events

Management has evaluated subsequent events through February 8, 2022, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2021, the District has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate %</u>	<u>Issue Date</u>	<u>Maturity Date</u>
2021 Series C	\$ 22,513,950	2.01%	07/14/21	08/15/46

18. Commitments and Contingencies

COVID-19

The COVID-19 pandemic has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the pandemic, impact on individuals served by the District, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations remains uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the District is involved. The District’s management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

19. Beginning Net Position / Fund Balance Reclassification

The beginning (July 1, 2020) net position / fund balance of the District has been reclassified as follows:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>
As previously reported	\$ (2,835,338)
Implementation of GASB 84	<u>381,521</u>
As reclassified	<u>\$ (2,453,817)</u>

Fund Basis Financial Statements:

	<u>General Fund</u>	Nonmajor Governmental <u>Funds</u>	Private Purpose <u>Trust Funds</u>
As previously reported	\$ 2,746,428	\$ 164,406	\$ 142,262
Implementation of GASB 84	<u>176,723</u>	<u>204,798</u>	<u>(142,262)</u>
As reclassified	\$ <u><u>2,923,151</u></u>	\$ <u><u>369,204</u></u>	\$ <u><u>-</u></u>

20. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, Leases, effective for the District beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Required Supplementary Information
 General Fund
 Schedule of Revenues and Expenditures and Other Sources/Uses
 Budget and Actual
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property taxes	\$ 42,842,903	\$ 42,842,903	\$ 42,830,263	\$ (12,640)
Tuition	3,150,000	3,150,000	3,237,706	87,706
Intergovernmental	570,753	570,753	588,363	17,610
Medicaid	100,000	100,000	94,270	(5,730)
Charges for services	3,500	3,500	4,637	1,137
Investment income	15,000	15,000	5,109	(9,891)
Other	30,000	30,000	145,285	115,285
Total Revenues	<u>46,712,156</u>	<u>46,712,156</u>	<u>46,905,633</u>	<u>193,477</u>
Expenditures				
Instruction	27,275,884	27,275,884	27,105,321	170,563
Student	4,473,922	4,473,922	4,325,409	148,513
Instructional staff	1,086,466	1,086,466	834,446	252,020
General administration	1,464,450	1,464,450	1,587,017	(122,567)
School administration	1,917,249	1,917,249	1,895,787	21,462
Business	663,209	663,209	523,220	139,989
Operation and maintenance	4,270,894	4,270,894	4,254,568	16,326
Student transportation	2,141,448	2,141,448	1,627,986	513,462
Other	1,530,443	1,530,443	1,829,285	(298,842)
Debt service	2,055,358	2,055,358	1,788,108	267,250
Capital outlay	418,858	418,858	503,773	(84,915)
Total Expenditures	<u>47,298,181</u>	<u>47,298,181</u>	<u>46,274,920</u>	<u>1,023,261</u>
Excess (deficiency) of revenues over expenditures	(586,025)	(586,025)	630,713	1,216,738
Other Financing Sources/Uses				
Transfers out	(28,000)	(28,000)	(80,701)	(52,701)
Use of fund balance				
To reduce tax rate	<u>614,025</u>	<u>614,025</u>	<u>-</u>	<u>(614,025)</u>
Total Other Financing Sources/Uses	<u>586,025</u>	<u>586,025</u>	<u>(80,701)</u>	<u>(666,726)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,012</u>	<u>\$ 550,012</u>

See Independent Auditors' Report.

**Notes to Required Supplementary Information
for General Fund Budget**

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP basis)	\$ 47,004,696	\$ 46,212,519	\$ 100,865
Add end-of-year appropriation carryforwards from expenditures	-	266,967	-
To eliminate capital reserve activity	(99,063)	(23,000)	-
To record use of fund balance	-	-	-
Other GAAP adjustments	<u>-</u>	<u>(181,566)</u>	<u>(181,566)</u>
Budgetary basis	<u>\$ 46,905,633</u>	<u>\$ 46,274,920</u>	<u>\$ (80,701)</u>

See Independent Auditors' Report.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	0.71051541%	\$ 45,445,639	\$ 20,720,880	219.32%	58.72%
June 30, 2020	June 30, 2019	0.69276755%	\$ 33,333,582	\$ 20,139,765	165.51%	65.59%
June 30, 2019	June 30, 2018	0.70086645%	\$ 33,748,138	\$ 19,772,974	170.68%	64.73%
June 30, 2018	June 30, 2017	0.65124480%	\$ 32,028,173	\$ 19,205,680	166.76%	62.66%
June 30, 2017	June 30, 2016	0.62205870%	\$ 33,078,564	\$ 17,963,643	184.14%	58.30%
June 30, 2016	June 30, 2015	0.62481065%	\$ 24,752,043	\$ 17,929,809	138.05%	65.47%
June 30, 2015	June 30, 2014	0.61574181%	\$ 23,112,397	\$ 17,189,314	134.46%	66.32%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	June 30, 2020	\$ 3,307,608	\$ 3,307,608	\$ -	\$ 21,769,072	15.19%
June 30, 2020	June 30, 2019	\$ 3,146,225	\$ 3,146,225	\$ -	\$ 20,720,880	15.18%
June 30, 2019	June 30, 2018	\$ 3,014,796	\$ 3,014,796	\$ -	\$ 20,139,765	14.97%
June 30, 2018	June 30, 2017	\$ 2,962,266	\$ 2,962,266	\$ -	\$ 19,772,974	14.98%
June 30, 2017	June 30, 2016	\$ 2,382,996	\$ 2,382,996	\$ -	\$ 19,205,680	12.41%
June 30, 2016	June 30, 2015	\$ 2,227,460	\$ 2,227,460	\$ -	\$ 17,963,629	12.40%
June 30, 2015	June 30, 2014	\$ 2,096,839	\$ 2,096,839	\$ -	\$ 17,929,809	11.69%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Required Supplementary Information
Schedules of Proportionate Share and Contributions of the Net OPEB Liability

JUNE 30, 2021
(Unaudited)

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Measurement Date	Proportion of the Total OPEB Liability	Proportionate Share of the Total OPEB Liability	Covered Payroll	Proportionate Share of the Total OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total OPEB Liability
June 30, 2021	June 30, 2020	0.70332542%	\$3,078,519	\$ 20,720,880	14.86%	7.74%
June 30, 2020	June 30, 2019	0.63766395%	\$2,795,590	\$ 20,139,765	13.88%	7.75%
June 30, 2019	June 30, 2018	0.64748977%	\$2,964,504	\$ 19,772,974	14.99%	7.53%
June 30, 2018	June 30, 2017	0.81346437%	\$3,719,435	\$ 19,205,680	19.37%	7.91%
June 30, 2017	June 30, 2016	0.77151095%	\$3,734,925	\$ 17,963,643	20.79%	5.21%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Measurement Date	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2021	June 30, 2020	\$342,481	\$342,481	-	\$ 21,769,072	1.57%
June 30, 2020	June 30, 2019	\$325,360	\$325,360	-	\$ 20,720,880	1.57%
June 30, 2019	June 30, 2018	\$291,004	\$291,004	-	\$ 20,139,765	1.44%
June 30, 2018	June 30, 2017	\$286,404	\$286,404	-	\$ 19,772,974	1.45%
June 30, 2017	June 30, 2016	\$481,453	\$481,453	-	\$ 19,205,680	2.51%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

OYSTER RIVER COOPERATIVE SCHOOL DISTRICT

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in the Total OPEB Liability
(Unaudited)

Oyster River Cooperative School District Plan *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 462,918	\$ 452,909	\$ 287,147	\$ 294,513
Interest on unfunded liability - time value of money	166,924	156,766	173,379	196,582
Differences between expected and actual experience	-	55,412	(149,316)	(75,156)
Changes of assumptions	-	2,031,203	217,321	(586,970)
Benefit payments, including refunds of member contributions	<u>(151,710)</u>	<u>(148,430)</u>	<u>(146,165)</u>	<u>(89,545)</u>
Net change in total OPEB liability	478,132	2,547,860	382,366	(260,576)
Total OPEB liability - beginning	<u>7,628,963</u>	<u>5,081,103</u>	<u>4,698,737</u>	<u>4,959,313</u>
Total OPEB liability - ending	<u>\$ 8,107,095</u>	<u>\$ 7,628,963</u>	<u>\$ 5,081,103</u>	<u>\$ 4,698,737</u>
Covered employee payroll	\$ 21,769,072	\$ 20,720,880	\$ 20,139,765	\$ 19,772,974
Contributions as a percentage of covered employee payroll	37.24%	36.82%	25.23%	23.76%

* Does not include New Hampshire Retirement System Medical Subsidy.

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.