

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT

Financial Statements

With Schedule of Expenditures of Federal Awards

June 30, 2021

and

Independent Auditor's Report

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

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

Schedule of Findings and Questioned Costs

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Hinsdale, New Hampshire 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 Hinsdale, New Hampshire 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

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's proportionate share of the net OPEB liability, schedule of District OPEB contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of changes in the District's proportionate share of the net pension liability, and schedule of District pension contributions, on pages i-v and 30-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The schedule of expenditures of federal awards and the combining nonmajor governmental fund financial statements 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 schedule of expenditures of federal awards and the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2022 on our consideration of the Hinsdale, New Hampshire School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 Hinsdale, New

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

Vachon Clukay & Company PC

Manchester, New Hampshire
March 22, 2022

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

Presented herewith please find the Management Discussion & Analysis Report for the Hinsdale School District for the fiscal year ending June 30, 2021. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the District’s financial position, and the results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an accurate understanding of the District’s financial activities have been included.

The School District Administration is responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Hinsdale School District using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to Hinsdale School District’s financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

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 most private-sector companies.

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 remaining difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District 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 of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

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. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District solely employs the use of governmental funds.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

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 financial 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 government’s near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The District maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and Federal Projects Fund. Data from the other governmental funds are combined into a single, aggregate presentation.

The District adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget.

Notes to the Basic 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

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, as previously mentioned. Also, as required, this section also includes a schedule changes in the District’s proportionate share of the net OPEB liability, schedule of District OPEB contributions, schedule of changes in the District’s total OPEB liability and related ratios, schedule of changes in the District’s proportionate share of the net pension liability and a schedule of District pension contributions.

Other Supplementary Information

Other supplementary information includes the schedule of expenditures of federal awards and combining financial statements for nonmajor governmental funds.

Government-Wide Financial Analysis

Statement of Net Position

The table below provides a summary of the District’s net position for the years ended June 30, 2021 and 2020:

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

	<u>FY 2021</u>	<u>FY 2020</u>
Capital and other assets:		
Capital assets, net	\$ 13,814,876	\$ 14,323,748
Other assets	<u>2,094,999</u>	<u>1,681,460</u>
Total Assets	<u>15,909,875</u>	<u>16,005,208</u>
Deferred Outflows of Resources:		
Deferred outflows related to OPEB	523,704	140,291
Deferred outflows related to pension	<u>3,744,544</u>	<u>1,992,220</u>
Total Deferred Outflows of Resources	<u>4,268,248</u>	<u>2,132,511</u>
Long-term and other liabilities:		
Long-term liabilities	17,638,505	15,592,156
Other liabilities	<u>2,030,512</u>	<u>1,141,447</u>
Total Liabilities	<u>19,669,017</u>	<u>16,733,603</u>
Deferred Inflows of Resources:		
Deferred inflows related to OPEB	119,422	139,161
Deferred inflows related to pension	<u>124,995</u>	<u>260,358</u>
Total Deferred Inflows of Resources	<u>244,417</u>	<u>399,519</u>
Net Position:		
Net investment in capital assets	9,273,611	9,033,901
Restricted	78,088	27,631
Unrestricted (deficit)	<u>(9,087,010)</u>	<u>(8,056,935)</u>
Total Net Position	<u>\$ 264,689</u>	<u>\$ 1,004,597</u>

Statement of Activities

Changes in net position for the fiscal years ended June 30, 2021 and 2020 are as follows:

	<u>FY 2021</u>	<u>FY 2020</u>
Program revenues:		
Charges for services	\$ 96,522	\$ 132,525
Operating grants and contributions	1,674,466	927,534
Capital grants and contributions	<u>462,803</u>	<u>462,803</u>
Total Program revenues	<u>2,233,791</u>	<u>1,522,862</u>
General revenues:		
Property taxes	7,297,186	7,098,368
State adequacy grant	5,081,016	4,632,509
Interest and investment income	8,059	24,919
Miscellaneous	<u>199,682</u>	<u>75,495</u>
Total General revenues	<u>12,585,943</u>	<u>11,831,291</u>
Total Revenues	<u>14,819,734</u>	<u>13,354,153</u>

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

Expenses:		
Instruction	8,350,940	7,462,564
Supporting services	1,450,595	1,184,484
Instructional staff services	608,971	425,425
General administration	2,528,062	2,298,808
Operation and maintenance of plant	1,625,036	1,683,276
Pupil transportation	594,486	463,787
Food service	253,950	270,864
Other miscellaneous	62,222	
Other student	5,360	5,250
Interest and fiscal charges	125,866	154,054
Total Expenses	<u>15,605,488</u>	<u>13,948,512</u>
Change in net position	(785,754)	(594,359)
Net position at beginning of year, as restated	<u>1,050,443</u>	<u>1,598,956</u>
Net position at end of year	<u>\$ 264,689</u>	<u>\$ 1,004,597</u>

As shown in the above statement, the District experienced a decrease in net position of \$785,754 on the full accrual basis of accounting. This was primarily a result of the District incurring depreciation expense of \$527,987 without adding significant capital assets to the depreciable base in the current year. The significant deficit unrestricted net position balance at year end is due to the required implementation of GASB Statement No. 68 during the year ended June 30, 2015 and GASB Statement No. 75 during the year ended June 30, 2018. The unrestricted net position deficit increased by \$1,030,075 from the prior year. A deficit unrestricted net position balance is expected to continue into subsequent years due to the net pension liability and OPEB liability being included on the government-wide financial statements.

Governmental Funds Analysis

The General Fund shows an ending fund balance of \$883,441, an increase of \$321,057, which is better than anticipated as the District applied \$130,854 of its beginning fund balance to offset the tax rate. This resulted from a combination of cost savings (actual expenditures were \$312,527 less than budgeted) and unanticipated revenues from multiple sources (actual revenues were \$148,621 more than budgeted).

The ending fund balance of the Nonmajor Governmental Funds increased by \$34,615 from the prior year to \$108,092, primarily due to the District adopting GASB Statement No. 75 which brought on a beginning fund balance of \$45,846. In addition, the Food Service Fund received additional funding due to changes in the National School Lunch Program.

General Fund Budgetary Highlights

There was no difference between the original and final budgets for the General Fund in the current fiscal year. Actual revenues and other financing sources on the budgetary basis exceeded the budgeted amount by \$148,621. Actual appropriations (expenditures and transfers out) were less than budgeted amounts by \$312,527.

Variiances between the final budgeted amounts and actual results in the General Fund are shown in the Required Supplementary Information and Notes on pages 30 and 36, respectively.

**HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021**

Capital assets

Hinsdale School District considers a capital asset to be an asset whose costs exceed or equal \$10,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. During fiscal year 2021, the net capital assets of the District decreased by \$508,872. The decrease was a result of depreciation expense on existing capital assets of \$527,987 and current year additions of \$19,115. See Note 3 in the Notes to the Basic Financial Statements for further information regarding capital asset activity.

Long-term Obligations

During fiscal year 2021, Hinsdale School District had a decrease in bonds payable of \$744,898. The District had \$720,000 from scheduled payments made during the year on an existing obligation. The related bond premiums decreased by \$24,898 from current year amortization. The District had a net decrease in capital leases payable of \$3,684 due to scheduled payments. The District showed a net increase in potential future payments for the accrued longevity payout of \$10,261 and a net increase in compensated absences of \$11,723. Finally, the District recognized an increase in other postemployment benefits net of related deferred outflows and inflows of \$179,236, and an increase in net pension liability net of related deferred outflows and inflows of \$1,191,860. See Notes 4, 5, and 6 in the Notes to the Basic Financial Statements for further information regarding long-term obligations activity.

CONTACTING HINSDALE SCHOOL DISTRICT FINANCIAL MANAGEMENT

This financial report is intended to provide our citizens and creditors with a general overview of the Hinsdale School District's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, please contact Hinsdale School District Business Office at 49 School Street, Hinsdale, NH 03451-0027 or by telephone at (603) 336-5728.

EXHIBIT A
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,017,238
Accounts receivable	6,756
Due from other governments	<u>1,071,005</u>
Total Current Assets	<u>2,094,999</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	194,218
Depreciable capital assets, net	<u>13,620,658</u>
Total Noncurrent Assets	<u>13,814,876</u>
Total Assets	<u>15,909,875</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	523,704
Deferred outflows related to pension	<u>3,744,544</u>
Total Deferred Outflows of Resources	<u>4,268,248</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	218,375
Accrued liabilities	919,016
Unearned revenue	4,133
Current portion of bonds payable	720,000
Current portion of capital lease payable	4,059
Current portion of accrued longevity payout	28,855
Current portion of compensated absences	<u>136,074</u>
Total Current Liabilities	<u>2,030,512</u>
Noncurrent liabilities:	
Bonds payable	3,817,206
Accrued longevity payout	208,863
Compensated absences	23,300
OPEB liability	1,947,744
Net pension liability	<u>11,641,392</u>
Total Noncurrent Liabilities	<u>17,638,505</u>
Total Liabilities	<u>19,669,017</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	119,422
Deferred inflows related to pension	<u>124,995</u>
Total Deferred Inflows of Resources	<u>244,417</u>
NET POSITION	
Net investment in capital assets	9,273,611
Restricted	78,088
Unrestricted (deficit)	<u>(9,087,010)</u>
Total Net Position	<u>\$ 264,689</u>

See accompanying notes to the basic financial statements

EXHIBIT B
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 8,350,940	\$ 92,134	\$ 984,258		\$ (7,274,548)
Supporting services	1,450,595		120,274		(1,330,321)
Instructional staff services	608,971		1,391		(607,580)
General administration	2,528,062		291,183		(2,236,879)
Operation and maintenance of plant	1,625,036			\$ 462,803	(1,162,233)
Pupil transportation	594,486				(594,486)
Food service	253,950	4,388	277,360		27,798
Other student	62,222				(62,222)
Other miscellaneous	5,360				(5,360)
Interest and fiscal charges	125,866				(125,866)
Total governmental activities	<u>\$ 15,605,488</u>	<u>\$ 96,522</u>	<u>\$ 1,674,466</u>	<u>\$ 462,803</u>	<u>(13,371,697)</u>
General revenues:					
					7,297,186
					5,081,016
					8,059
					199,682
					<u>12,585,943</u>
					(785,754)
					<u>1,050,443</u>
					<u>\$ 264,689</u>

See accompanying notes to the basic financial statements

EXHIBIT C
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2021

	General <u>Fund</u>	Federal Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 987,234		\$ 30,004	\$ 1,017,238
Accounts receivable	2,960		3,796	6,756
Due from other governments	473,923	\$ 525,696	71,386	1,071,005
Due from other funds	437,796		28,358	466,154
Total Assets	<u>1,901,913</u>	<u>525,696</u>	<u>133,544</u>	<u>2,561,153</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,901,913</u>	<u>\$ 525,696</u>	<u>\$ 133,544</u>	<u>\$ 2,561,153</u>
LIABILITIES				
Accounts payable	\$ 137,514	\$ 59,542	\$ 21,319	\$ 218,375
Accrued liabilities	880,958			880,958
Unearned revenue			4,133	4,133
Due to other funds		466,154		466,154
Total Liabilities	<u>1,018,472</u>	<u>525,696</u>	<u>25,452</u>	<u>1,569,620</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted			78,088	78,088
Committed	414,339			414,339
Assigned	26,873		30,004	56,877
Unassigned	442,229			442,229
Total Fund Balances	<u>883,441</u>	<u>-</u>	<u>108,092</u>	<u>991,533</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,901,913</u>	<u>\$ 525,696</u>	<u>\$ 133,544</u>	<u>\$ 2,561,153</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 991,533
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,814,876
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB	523,704
Deferred outflows of resources related to pension	3,744,544
Deferred inflows of resources related to OPEB	(119,422)
Deferred inflows of resources related to pension	(124,995)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Accrued interest on long-term obligations	(38,058)
Bonds payable	(4,537,206)
Capital lease payable	(4,059)
Accrued longevity payout	(237,718)
Compensated absences	(159,374)
OPEB liability	(1,947,744)
Net pension liability	<u>(11,641,392)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 264,689</u>

See accompanying notes to the basic financial statements

EXHIBIT D
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General <u>Fund</u>	Federal Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 7,297,186			\$ 7,297,186
Intergovernmental	5,825,159	\$ 1,121,650	\$ 271,476	7,218,285
Charges for services	92,134		4,388	96,522
Investment income	8,059			8,059
Miscellaneous	119,225		80,457	199,682
Total Revenues	<u>13,341,763</u>	<u>1,121,650</u>	<u>356,321</u>	<u>14,819,734</u>
Expenditures:				
Current operations:				
Instruction	6,770,770	702,918	6,278	7,479,966
Supporting services	1,150,416	120,274		1,270,690
Instructional staff services	549,916	1,391		551,307
General administration	2,053,073	255,112		2,308,185
Operation and maintenance of plant	1,059,075			1,059,075
Pupil transportation	590,599			590,599
Food service	220	5,884	247,846	253,950
Other student			62,222	62,222
Other miscellaneous			5,360	5,360
Debt service:				
Principal retirement	720,000			720,000
Interest and fiscal charges	162,708			162,708
Total Expenditures	<u>13,056,777</u>	<u>1,085,579</u>	<u>321,706</u>	<u>14,464,062</u>
Excess revenues over (under) expenditures	<u>284,986</u>	<u>36,071</u>	<u>34,615</u>	<u>355,672</u>
Other financing sources (uses):				
Transfers in	36,071			36,071
Transfers out		(36,071)		(36,071)
Total Other financing sources (uses)	<u>36,071</u>	<u>(36,071)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	321,057	-	34,615	355,672
Fund Balances at beginning of year, as restated	<u>562,384</u>	<u>-</u>	<u>73,477</u>	<u>635,861</u>
Fund Balances at end of year	<u>\$ 883,441</u>	<u>\$ -</u>	<u>\$ 108,092</u>	<u>\$ 991,533</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
HINSDALE, NEW HAMPSHIRE 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 Change in Fund Balances - Governmental Funds (Exhibit D) \$ 355,672

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

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 as depreciation expense as follows:

Capital outlay	19,115
Depreciation expense	(527,987)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	720,000
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Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,684
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Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized over the life of the related debt in the statement of activities.	24,898
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	11,944
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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. These expenses are from the following activities:

Accrued longevity payout	(10,261)
Compensated absences	(11,723)

Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.

Net changes in OPEB	(179,236)
Net changes in pension	<u>(1,191,860)</u>

Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (785,754)</u>
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HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hinsdale, New Hampshire School District conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Hinsdale, New Hampshire School District (the “District”) is an independent governmental entity organized under the laws of the State of New Hampshire to provide public education within the borders of the Town of Hinsdale, New Hampshire. The District’s legislative body is the annual meeting of registered voters within the District and is governed by an elected School Board. The District has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that are required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District solely employs the use of governmental funds.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the District's major governmental funds:

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

The *Federal Projects Fund* is used to account for the financial resources related to various federal education grants and the related expenditures.

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, and student fees.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The District's budget represents functional appropriations as authorized by annual District meetings. The school board may transfer funds between operating categories as they deem necessary. The District adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2021

State law requires balanced budgets but requires the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2021, the District applied \$130,854 of its unappropriated fund balance to reduce the tax rate.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The District maintains a capitalization threshold of \$10,000. The District does not possess any infrastructure or intangible assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Land improvements	10
	Buildings and improvements	5-39
	Machinery and equipment	3-10

Bond Premiums

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premiums.

Compensated Absences

District teachers may accumulate sick leave days at a rate of fifteen days per year, cumulative to a maximum of 125 days. A provision for annual sick leave is made in the annual operating budget. No payment for unused sick leave is made upon termination or retirement for teachers.

District administrators may accumulate sick leave at a rate of fifteen days per year, cumulative to a maximum of 120 days. Sick leave will only be paid out upon retirement with 18 months prior notice given. Administrators will be paid out a percent of their unused sick time based on years of service. Payout percentages range from 30-50% based on years of service of at least 5 years. The District recognizes an obligation for payment of unused sick leave only upon receipt of a qualifying notification to retire.

District administrators may also accumulate unused vacation time up to a total of 35 days, with a maximum of 10 days carried forward into the next fiscal year. All unused accrued vacation time will be paid upon voluntary separation from the District.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Longevity Payout

District teachers with a minimum of fifteen years of service are entitled to a one-time lump sum payment at the time of their retirement equal to one percent (1%) of their current earnings, multiplied by the number of years of their service. An annual budgetary provision is made by the District for any expected lump sum payments.

For governmental fund financial statements, accrued longevity payouts are reported as liabilities and expenditures as payments come due upon the occurrence of employee retirement. The entire accrued longevity payout liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences and accrued longevity payouts that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net 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 (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

Pensions

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 New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's 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 the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their 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. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

The District has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts that can only be spent for specific purposes stipulated by external resource providers or by enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation.
- *Committed Fund Balance*: Amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision making authority (the School Board). Commitments may be changed or lifted only by the governing board taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance*: Amounts the District intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive fund balance is to be classified as "Assigned".
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and is available for any purpose. These amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

The School Board delegates to the Superintendent of Schools, through the Business Administrator, the authority to assign amounts to be used for specific purposes.

Minimum Level of Unassigned Fund Balance

Pursuant to the District's policy, the School Board will return to the Town, any unassigned fund balance of the General Fund at fiscal year-end, to be used to offset the subsequent fiscal year's tax rate.

Spending Prioritizations

The District's policy is to first apply restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Deficit Fund Balance

Pursuant to the District’s policy, if any of the special revenue funds has a deficit unassigned fund balance at fiscal year end, the Superintendent is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—DEPOSITS

Deposits as of June 30, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	<u>\$ 1,017,238</u>

Deposits at June 30, 2021 consist of the following:

Deposits with financial institutions	<u>\$ 1,017,238</u>
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The School District's investment policy for its governmental funds requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The District’s deposits with financial institutions consist solely of demand deposits.

Deposits for the Student Activity Funds are at the discretion of the School Principals and Superintendent of Schools.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District’s investment policy stipulates that all deposits and investments be covered by federal depository insurance, with all balances in excess of FDIC insurance limits collateralized.

Of the District’s deposits with financial institutions at year end, \$1,142,340 was collateralized by securities held by the Bank of New York Mellon in the name of the District.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets of the governmental activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 194,218			\$ 194,218
Total capital assets not being depreciated	<u>194,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>194,218</u>
Other capital assets:				
Land improvements	109,576			109,576
Buildings and improvements	20,421,884			20,421,884
Machinery and equipment	<u>315,937</u>	<u>19,115</u>		<u>335,052</u>
Total other capital assets at historical cost	<u>20,847,397</u>	<u>19,115</u>	<u>-</u>	<u>20,866,512</u>
Less accumulated depreciation for:				
Land improvements	(109,576)			(109,576)
Buildings and improvements	(6,307,645)	(516,055)		(6,823,700)
Machinery and equipment	<u>(300,646)</u>	<u>(11,932)</u>		<u>(312,578)</u>
Total accumulated depreciation	<u>(6,717,867)</u>	<u>(527,987)</u>	<u>-</u>	<u>(7,245,854)</u>
Total other capital assets, net	<u>14,129,530</u>	<u>(508,872)</u>	<u>-</u>	<u>13,620,658</u>
Total capital assets, net	<u>\$ 14,323,748</u>	<u>\$ (508,872)</u>	<u>\$ -</u>	<u>\$ 13,814,876</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 5,187
General administration	531
Operation and maintenance of plant	518,382
Pupil transportation	<u>3,887</u>
	<u>\$ 527,987</u>

The balance of the assets acquired through capital leases as of June 30, 2021 is as follows:

Machinery and equipment	\$ 15,560
Less: Accumulated depreciation	<u>(11,670)</u>
	<u>\$ 3,890</u>

NOTE 4—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2021 are as follows:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Type	Balance			Balance June 30, 2021	Amounts
	July 1, 2020	Additions	Reductions		Due Within One Year
Bonds payable	\$ 5,145,000		\$ (720,000)	\$ 4,425,000	\$ 720,000
Unamortized bond premium	137,104		(24,898)	112,206	
Total Bonds payable	5,282,104	\$ -	(744,898)	4,537,206	720,000
Capital lease payable	7,743		(3,684)	4,059	4,059
Accrued longevity payout	227,457	18,736	(8,475)	237,718	28,855
Compensated absences	147,651	27,530	(15,807)	159,374	136,074
Totals	<u>\$ 5,664,955</u>	<u>\$ 46,266</u>	<u>\$ (772,864)</u>	<u>\$ 4,938,357</u>	<u>\$ 888,988</u>

Payments on the outstanding general obligation bonds, capital lease, accrued longevity payouts, and compensated absences, are paid out of the General Fund. Amortization of the bond premium is recognized as a component of interest expense on the Statement of Activities (Exhibit B).

General Obligation Bonds

Bonds payable at June 30, 2021 is comprised of the following individual issues:

Description	Original Issue	Interest Rate	Maturity Date	Balance at June 30, 2021
2010 Series A Refunding Bonds	\$ 13,032,960	4.04%	August 2025	\$ 3,250,000
2018 Series A Bonds	1,385,425	2.86%	February 2038	1,175,000
	<u>\$ 14,418,385</u>			4,425,000
			Add: <i>Unamortized bond premium</i>	112,206
			Total Bonds Payable	<u>\$ 4,537,206</u>

General obligation bonds are direct obligations of the District, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within District boundaries.

Debt service requirements to retire general obligation bonds outstanding at June 30, 2021 are as follows:

Year Ended June 30,	Principal	Interest	Totals
2022	\$ 720,000	\$ 131,675	\$ 851,675
2023	720,000	100,317	820,317
2024	720,000	80,554	800,554
2025	720,000	64,546	784,546
2026	720,000	37,178	757,178
2027-2031	350,000	116,088	466,088
2032-2036	345,000	52,737	397,737
2037-2038	130,000	6,289	136,289
Sub-total Bonds Payable	4,425,000	589,384	5,014,384
Add: <i>Unamortized bond premium</i>	112,206		112,206
Total Bonds Payable	<u>\$ 4,537,206</u>	<u>\$ 589,384</u>	<u>\$ 5,126,590</u>

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of asset acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. The following is the individual capital lease payable at June 30, 2021:

Office Equipment, due in yearly installments of \$4,474 through March 2022, including interest of 10.20%	<u>\$ 4,059</u>
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Debt service requirements to retire the capital lease obligation outstanding at June 30, 2021 are as follows:

Year Ended <u>June 30,</u> 2022	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
	<u>\$ 4,059</u>	<u>\$ 415</u>	<u>\$ 4,474</u>

NOTE 5—OTHER POSTEMPLOYMENT BENEFITS

Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense

	<u>Deferred Outflows</u>	<u>OPEB Liability</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 102,729	\$ 773,251	\$ 2,241	\$ 139,339
Single Employer Plan	<u>420,975</u>	<u>1,174,493</u>	<u>117,181</u>	<u>161,932</u>
Total	<u>\$ 523,704</u>	<u>\$ 1,947,744</u>	<u>\$ 119,422</u>	<u>\$ 301,271</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$404,282.

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

The OPEB Plan is divided into four membership types. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. The OPEB plan is closed to new entrants.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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 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. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two-person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

Funding Policy

Per RSA 100-A:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contribution rates for the covered payroll of political subdivision employees and teachers were 0.29% and 1.81%, respectively, for the year ended June 30, 2021. Contributions to the OPEB plan for the District were \$86,103 for the year ended June 30, 2021. Employees are not required to contribute to the OPEB plan.

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

At June 30, 2021, the District reported a liability of \$773,251 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2019. The District's proportion of the net OPEB liability was based on actual contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2020, the District's proportion was approximately 0.1767 percent, which was an increase of 0.0161 percentage points from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$139,339. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 2,241
Net difference between projected and actual earnings on OPEB plan investments	\$ 2,893	
Changes of assumptions	4,972	
Changes in proportion and differences between District contributions and proportionate share of contributions	8,761	
District contributions subsequent to the measurement date	<u>86,103</u>	
Totals	<u>\$ 102,729</u>	<u>\$ 2,241</u>

The District reported \$86,103 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period 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 for the measurement periods as follows:

<u>June 30,</u>	
2021	\$ 11,711
2022	856
2023	1,021
2024	<u>797</u>
	<u>\$ 14,385</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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, 2015 – June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)
- Increased the medical subsidy margin for teachers from 0.20% to 0.50%

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	3.71-4.15%
International equity	20%	3.96-6.20%
Fixed income	25%	0.42-1.66%
Alternative investments	15%	4.81-7.71%
Real estate	<u>10%</u>	2.95%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2020 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and RSA 100-A:53. 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 District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using the discount rate of 6.75 percent, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net OPEB liability	\$ 839,670	\$ 773,251	\$ 715,586

SINGLE EMPLOYER PLAN

Plan Description

The Hinsdale, New Hampshire School District administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The District provides medical insurance benefits to its eligible retirees. The benefits are provided through fully insured plans that are provided through the New Hampshire Inter-Local Trust. Benefits are provided to the retirees and covered dependents. Employees hired before July 1, 2011 are eligible for benefits after (1) attaining age 60 or (2) attaining age 50 with 10 or more years of service or (3) age plus service is at least 70 with 20 or more years of service. Employees hired on or after July 1, 2011 are eligible for benefits after (1) attaining age 65 or (2) attaining age 60 with 30 or more years of service. Retirees and their covered spouses are required to pay 100% of the premium for medical and dental coverage. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>112</u>
	<u><u>114</u></u>

Total OPEB Liability

The District's total OPEB liability of \$1,174,493 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the July 1, 2020 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Salary increases	2.00%
Discount rate	2.16%
Healthcare cost trend rates	6.00% increasing to 7.00% in the next year and then decreasing to an ultimate rate of 4.04% by year 2089

The discount rate was based on the index provided by the Bond Buyer 20-Bond General Obligation Index based on the 20-year AA municipal bond rate as of June 30, 2021.

Mortality rates were based on the SOA Pub-2014 Total Dataset Mortality with Scale MP-2020 Base Rate 2006.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 661,252
Changes for the year:	
Service cost	77,885
Interest	23,566
Differences between expected and actual experience	(31,718)
Changes in assumptions or other inputs	479,441
Benefit payments	<u>(35,933)</u>
Net changes	<u>513,241</u>
Balance at June 30, 2021	<u>\$ 1,174,493</u>

Changes of assumptions and other inputs reflect a decrease in the discount rate from 3.50% at July 1, 2019 to 2.16% at July 1, 2020. Initial trend rates were advanced as the model for trends in subsequent years is based on the Getzen Model. Additionally, mortality assumptions changed from SOA Pub-2014 Total Dataset Mortality with Scale MP-2018 Base Rate 2006 to SOA Pub-2014 Total Dataset Mortality with Scale MP-2020 Base Rate 2006.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
Total OPEB liability	\$ 1,262,187	\$ 1,174,493	\$ 1,089,368

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2021

(5.00 percent decreasing to 3.04 percent) or 1-percentage-point higher (7.00 percent decreasing to 5.04 percent) than the current healthcare cost trend rate:

	1% Decrease (5.00% decreasing to 3.04%)	Healthcare Cost Trend Rates (6.00% decreasing to 4.04%)	1% Increase (7.00% decreasing to 5.04%)
Total OPEB liability	\$ 1,032,925	\$ 1,174,493	\$ 1,340,651

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 OPEB expense of \$161,932. At June 30, 2021, the 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
Differences between expected and actual experience	\$ 2,625	\$ 105,584
Changes of assumptions	418,350	11,597
Totals	<u>\$ 420,975</u>	<u>\$ 117,181</u>

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

<u>June 30,</u>	
2022	\$ 56,952
2023	45,186
2024	59,545
2025	76,403
2026	65,708
	<u>\$ 303,794</u>

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2021

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

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.

Benefits Provided

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

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

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Changes in Benefits

Ch 340 laws of 2019 (HB 616) 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 beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.

Funding Policy

Plan members are required to contribute 7.0% of their covered salary and the District is required to contribute at an actuarially determined rate. The District's contribution rates for the covered payroll of teachers and employees were 15.99% and 10.88%, respectively, for the year ended June 30, 2021. The District contributes 100% of the employer cost for teachers and general employees of the District.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended June 30, 2021

Per RSA 100-A:16, plan member contribution rates are established and may be amended by the New Hampshire State Legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The District's contributions to the NHRS for the year ending June 30, 2021 were \$860,923.

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

At June 30, 2021, the District reported a liability of \$11,641,392 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 a roll forward of the actuarial valuation from June 30, 2019. The District's proportion of the net pension liability was based on actual contributions by the District during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2020, the District's proportion was approximately 0.1820 percent, which was an increase of 0.0041 percentage points from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$2,052,781. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 314,374	\$ 124,995
Change in assumptions	1,151,565	
Net difference between projected and actual earnings on pension plan investments	720,033	
Changes in proportion and differences between District contributions and proportionate share of contributions	697,649	
District contributions subsequent to the measurement date	<u>860,923</u>	
Totals	<u>\$ 3,744,544</u>	<u>\$ 124,995</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$3,619,549. The District reported \$860,923 as deferred outflows of resources related to pension resulting from District contributions made subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense for the measurement periods as follows:

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

<u>June 30</u>	
2021	\$ 713,012
2022	774,365
2023	695,282
2024	<u>575,967</u>
	<u>\$ 2,758,626</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)

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

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	3.71-4.15%
International equity	20%	3.96-6.20%
Fixed income	25%	0.42-1.66%
Alternative investments	15%	4.81-7.71%
Real estate	10%	2.95%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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 collective pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
District's proportionate share of the net pension liability	\$ 15,070,864	\$ 11,641,392	\$ 8,839,058

NOTE 7—INTERFUND BALANCES AND TRANSFERS

The District has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2021 are as follows:

	Due From	
	Federal Projects	Totals
Due to General Fund	\$ 437,796	\$ 437,796
Nonmajor Governmental Funds	28,358	28,358
	<u>\$ 466,154</u>	<u>\$ 466,154</u>

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

During the fiscal year, the Federal Projects Fund made a transfer to the General Fund for indirect costs allocated to grants. The transfer was made in accordance with the terms and provisions of the grant awards. The interfund transfer for the year ended June 30, 2021 amounted to \$36,071.

NOTE 8—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes as follows:

Food service operations	\$ 52,037
Afterschool and instructional activities	26,051
	<u>\$ 78,088</u>

NOTE 9—COMPONENTS OF FUND BALANCE

The components of the District’s fund balance for its governmental funds at June 30, 2021 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:			
Food service operations		\$ 52,037	\$ 52,037
Afterschool and instructional activities		26,051	26,051
Committed for:			
Expendable trusts	\$ 414,339		414,339
Assigned for:			
Student activity funds		30,004	30,004
Encumbrances	26,873		26,873
Unassigned:			
General operations	442,229		442,229
	<u>\$ 883,441</u>	<u>\$ 108,092</u>	<u>\$ 991,533</u>

NOTE 10—PROPERTY TAXES

Property taxes levied to support the Hinsdale, New Hampshire School District are based on the assessed valuation of the prior April 1st for all taxable real property.

Under state statutes, the Town of Hinsdale, New Hampshire (an independent governmental unit) collects School District taxes and State of New Hampshire Education taxes as part of local property tax assessments. As collection agent, the Town is required to pay over to the District its share of property tax assessments through periodic payments based on cash flow requirements of the District. The Town assumes financial responsibility for all uncollected property taxes under state statutes. For the year ended June 30, 2021, School District taxes were \$6,812,448 and State of New Hampshire Education taxes were \$484,738.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

NOTE 11—RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the District was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2021.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member school districts, school administrative units, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the District shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member school districts, school administrative units, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 12—CONTINGENT LIABILITIES

Federal Grants

The District participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Litigation

There may be various claims and suits pending against the District, which arise in the normal course of the District's activities. In the opinion of District management, any potential claims against the District, which are not covered by insurance are immaterial and would not affect the financial position of the District.

NOTE 13—RESTATEMENT OF EQUITY

During the year ended June 30, 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 84 – Fiduciary Activities.

The impact on net position of the governmental activities as of July 1, 2020 is as follows:

	Governmental <u>Activities</u>
Net Position - July 1, 2020 (as previously reported)	\$ 1,004,597
Amount of restatement due to:	
Implementation of GASB Statement 84	<u>45,846</u>
Net Position - July 1, 2020, as restated	<u>\$ 1,050,443</u>

The impact on fund balance on the governmental funds as of July 1, 2020 is as follows:

	Nonmajor Governmental <u>Funds</u>
Fund Balance - July 1, 2020 (as previously reported)	\$ 27,631
Amount of restatement due to:	
Implementation of GASB Statement 84	<u>45,846</u>
Fund Balance - July 1, 2020, as restated	<u>\$ 73,477</u>

NOTE 14—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, which the District is required to implement in the fiscal year ending June 30, 2022. Management believes that this pronouncement will have a potentially significant impact on the District's financial statements, wherein the District will be required to recognize a lease liability and an intangible right-to-use lease asset for all leases which are not short-term or where ownership of the underlying asset does not transfer to the District.

SCHEDULE 1
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 7,297,186	\$ 7,297,186	\$ 7,297,186	\$ -
Intergovernmental	5,754,897	5,754,897	5,825,159	70,262
Charges for services	17,000	17,000	92,134	75,134
Miscellaneous	116,000	116,000	119,225	3,225
Total Revenues	<u>13,185,083</u>	<u>13,185,083</u>	<u>13,333,704</u>	<u>148,621</u>
Expenditures:				
Current operations:				
Instruction	6,880,637	6,880,637	6,770,477	110,160
Supporting services	1,234,355	1,234,355	1,150,463	83,892
Instructional staff services	591,983	591,983	555,677	36,306
General administration	2,120,929	2,120,929	2,052,266	68,663
Operation and maintenance of plant	1,203,998	1,203,998	1,060,300	143,698
Pupil transportation	476,326	476,326	590,599	(114,273)
Food service	1	1	220	(219)
Debt service:				
Principal retirement	720,000	720,000	720,000	-
Interest and fiscal charges	162,708	162,708	162,708	-
Total Expenditures	<u>13,390,937</u>	<u>13,390,937</u>	<u>13,062,710</u>	<u>328,227</u>
Excess revenues over (under) expenditures	<u>(205,854)</u>	<u>(205,854)</u>	<u>270,994</u>	<u>476,848</u>
Other financing sources (uses):				
Transfers in	175,000	175,000	64,846	(110,154)
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Total Other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>(10,154)</u>	<u>(110,154)</u>
Net change in fund balance	(105,854)	(105,854)	260,840	366,694
Fund Balances at beginning of year				
- Budgetary Basis	<u>181,389</u>	<u>181,389</u>	<u>181,389</u>	<u>-</u>
Fund Balances at end of year				
- Budgetary Basis	<u>\$ 75,535</u>	<u>\$ 75,535</u>	<u>\$ 442,229</u>	<u>\$ 366,694</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT

Schedule of Changes in the District's Proportionate Share of the Net OPEB Liability

For the Year Ended June 30, 2021

Cost-Sharing Multiple Employer Plan Information Only					
<u>Measurement Period Ended</u>	<u>District's Proportion of the Net OPEB Liability</u>	<u>District's Proportionate Share of the Net OPEB Liability</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2020	0.17665863%	\$ 773,251	\$ 5,379,846	14.37%	7.74%
June 30, 2019	0.16060365%	\$ 704,104	\$ 5,221,992	13.48%	7.75%
June 30, 2018	0.15116324%	\$ 692,094	\$ 4,816,106	14.37%	7.53%
June 30, 2017	0.18821975%	\$ 860,605	\$ 4,573,961	18.82%	7.91%
June 30, 2016	0.17971432%	\$ 870,006	\$ 4,307,606	20.20%	5.21%

Significant Actuarial Assumptions					
<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015

See accompanying notes to the required supplementary information

SCHEDULE 3
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of District OPEB Contributions
For the Year Ended June 30, 2021

Cost-Sharing Multiple Employer Plan Information Only					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	\$ 86,103	\$ (86,103)	\$ -	\$ 5,769,344	1.49%
June 30, 2020	\$ 82,000	\$ (82,000)	\$ -	\$ 5,379,846	1.52%
June 30, 2019	\$ 73,293	\$ (73,293)	\$ -	\$ 5,221,992	1.40%
June 30, 2018	\$ 66,864	\$ (66,864)	\$ -	\$ 4,816,106	1.39%
June 30, 2017	\$ 111,558	\$ (111,558)	\$ -	\$ 4,573,961	2.44%
June 30, 2016	\$ 104,425	\$ (104,425)	\$ -	\$ 4,307,606	2.42%

See accompanying notes to the required supplementary information

SCHEDULE 4

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

For the Year Ended June 30, 2021

<u>Single Employer Plan Information Only</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:				
Service cost	\$ 77,885	\$ 45,240	\$ 43,710	\$ 54,851
Interest	23,566	21,258	19,899	21,021
Changes of assumptions or other inputs	479,441	-	(25,295)	-
Differences between expected and actual experience	(31,718)	-	(147,648)	(37,129)
Benefit payments	<u>(35,933)</u>	<u>(25,214)</u>	<u>(24,361)</u>	<u>(45,340)</u>
Net change in total OPEB liability	513,241	41,284	(133,695)	(6,597)
Total OPEB Liability at beginning of year	<u>661,252</u>	<u>619,968</u>	<u>753,663</u>	<u>760,260</u>
Total OPEB Liability at end of year	<u>\$ 1,174,493</u>	<u>\$ 661,252</u>	<u>\$ 619,968</u>	<u>\$ 753,663</u>
Covered employee payroll	\$ 5,316,541	\$ 6,089,162	\$ 5,969,767	\$ 4,923,019
Total OPEB liability as a percentage of covered employee payroll	22.09%	10.86%	10.39%	15.31%

Significant Actuarial Assumptions

Discount rate	2.16%	3.50%	3.50%	2.85%
Health cost trend rates:				
Initial	6.0% - 2020	7.3% - 2018	7.3% - 2018	9.5% - 2016
Ultimate	4.04% - 2089	5% - 2028	5% - 2028	5% - 2028
Mortality data set	SOA Pub-2014	SOA Pub-2014	SOA Pub-2014	RP-2000
Mortality improvement scale	MP-2020	MP-2018	MP-2018	Scale AA

See accompanying notes to the required supplementary information

SCHEDULE 5

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT

Schedule of Changes in the District's Proportionate Share of the Net Pension Liability

For the Year Ended June 30, 2021

<u>Measurement Period Ended</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2020	0.18200620%	\$ 11,641,392	\$ 5,379,846	216.39%	58.72%
June 30, 2019	0.17793973%	\$ 8,561,845	\$ 5,221,992	163.96%	65.59%
June 30, 2018	0.16838260%	\$ 8,107,963	\$ 4,816,106	168.35%	64.73%
June 30, 2017	0.15431971%	\$ 7,589,432	\$ 4,573,961	165.93%	62.66%
June 30, 2016	0.14856216%	\$ 7,899,934	\$ 4,307,606	183.39%	58.30%
June 30, 2015	0.14736996%	\$ 5,838,101	\$ 4,234,568	137.87%	65.47%
June 30, 2014	0.14941127%	\$ 5,608,280	\$ 4,156,311	134.93%	66.32%
June 30, 2013	0.15314731%	\$ 6,591,130	\$ 4,285,391	153.80%	59.81%

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

See accompanying notes to the required supplementary information

SCHEDULE 6
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of District Pension Contributions
For the Year Ended June 30, 2021

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	\$ 860,923	\$ (860,923)	\$ -	\$ 5,769,344	14.92%
June 30, 2020	\$ 808,549	\$ (808,549)	\$ -	\$ 5,379,846	15.03%
June 30, 2019	\$ 774,361	\$ (774,361)	\$ -	\$ 5,221,992	14.83%
June 30, 2018	\$ 711,682	\$ (711,682)	\$ -	\$ 4,816,106	14.78%
June 30, 2017	\$ 565,340	\$ (565,340)	\$ -	\$ 4,573,961	12.36%
June 30, 2016	\$ 531,970	\$ (531,970)	\$ -	\$ 4,307,606	12.35%
June 30, 2015	\$ 494,409	\$ (494,409)	\$ -	\$ 4,234,568	11.68%
June 30, 2014	\$ 484,725	\$ (484,725)	\$ -	\$ 4,156,311	11.66%
June 30, 2013	\$ 380,807	\$ (380,807)	\$ -	\$ 4,285,391	8.89%

See accompanying notes to the required supplementary information

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the District. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). General Fund budgetary revenues and other financing sources, and expenditures and other financing uses, were adjusted for non-budgetary revenues, nonbudgetary transfers, budgetary transfers and encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 13,377,834	\$ 13,056,777
Non-budgetary revenues	(8,059)	
Non-budgetary transfers	28,775	
Budgetary transfers		75,000
Encumbrances - June 30, 2021		26,873
Encumbrances - June 30, 2020		(20,940)
Per Schedule 1	<u>\$ 13,398,550</u>	<u>\$ 13,137,710</u>

Major Special Revenue Fund

The District adopts its budgets under regulations of the New Hampshire Departments of Education and Revenue Administration which differ from accounting principles generally accepted in the United States of America. Consequently, budgetary information is not presented for the Federal Projects Fund, as the information is neither practical nor meaningful.

NOTE 2—SCHEDULE OF CHANGES IN THE DISTRICT’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the District’s proportionate share of the net OPEB liability and schedule of District OPEB contributions. The District implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2021

NOTE 3—SCHEDULE OF CHANGES IN THE DISTRICT’S TOTAL OPEB LIABILITY AND RELATED RATIOS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the District’s total OPEB liability and related ratios. The District implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

NOTE 4—SCHEDULE OF CHANGES IN THE DISTRICT’S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the District is required to disclose historical information for each of the prior ten years within a schedule of changes in the District’s proportionate share of the net pension liability and schedule of District pension contributions. The District implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

SCHEDULE I
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Assistance Listing <u>Number</u>	Total Federal <u>Expenditures</u>
DEPARTMENT OF AGRICULTURE		
Pass Through Payments from the New Hampshire Department of Education		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ <u>62,479</u>
National School Lunch Program	10.555	
- School Lunch (Cash)		175,683
- Commodities (Non-cash)		<u>10,746</u>
		<u>186,429</u>
Summer Food Service Program for Children	10.559	<u>9,710</u>
Total Child Nutrition Cluster		<u>258,618</u>
Child and Adult Care Food Program	10.558	<u>5,744</u>
Fresh Fruit and Vegetable Program	10.582	<u>13,807</u>
Total Department of Agriculture		<u>278,169</u>
DEPARTMENT OF THE TREASURY		
Pass Through Payments from the New Hampshire Department of Education		
COVID-19 - Coronavirus Relief Fund	21.019	<u>101,600</u>
Total Department of the Treasury		<u>101,600</u>
DEPARTMENT OF EDUCATION		
Pass Through Payments from the New Hampshire Department of Education		
Title I Grants to Local Educational Agencies	84.010	
#20200070		39,526
#20210884		<u>206,133</u>
		<u>245,659</u>
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027	
#202587		12,798
#202671		1,969
#20205020		36,633
#20210987		109,594
#20193497		<u>5,000</u>
		<u>165,994</u>
Special Education - Preschool Grants		
#20210987	84.173	<u>3,390</u>
Total Special Education Cluster (IDEA)		<u>169,384</u>

See notes to schedule of expenditures of federal awards

SCHEDULE I
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2021

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Assistance Listing <u>Number</u>	Total Federal <u>Expenditures</u>
Twenty-First Century Community Learning Centers	84.287	
#20200021		4,086
#20210838		<u>134,357</u>
		<u>138,443</u>
 Department of Education Direct Programs		
Rural Education	84.358	
#S358A202452		<u>14,616</u>
 Pass Through Payments from the New Hampshire Department of Education		
Supporting Effective Instruction State Grants	84.367	
#20190114		3,930
#20200114		967
#20211268		<u>39,353</u>
		<u>44,250</u>
 Student Support and Academic Enrichment Program	84.424	
#20190697		4,340
#20200697		<u>3,648</u>
		<u>7,988</u>
 Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425D	
COVID-19 - #20204879		179,137
COVID-19 - #20211591		<u>220,573</u>
		<u>399,710</u>
 Total Department of Education		<u>1,020,050</u>
 Total Expenditures of Federal Awards		<u>\$ 1,399,819</u>

See notes to schedule of expenditures of federal awards

HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hinsdale, New Hampshire School District (the District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hinsdale, New Hampshire School District, it is not intended to and does not present the financial position or changes in net position of the Hinsdale, New Hampshire School District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

The Hinsdale, New Hampshire School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Independent Auditor's Report

To the School Board
Hinsdale, New Hampshire School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinsdale, New Hampshire School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Hinsdale, New Hampshire School District's basic financial statements, and have issued our report thereon dated March 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hinsdale, New Hampshire School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hinsdale, New Hampshire School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hinsdale, New Hampshire School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hinsdale, New Hampshire School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vachon Clukay & Company PC

Manchester, New Hampshire
March 22, 2022

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

Independent Auditor's Report

To the School Board
Hinsdale, New Hampshire School District

Report on Compliance for Each Major Federal Program

We have audited the Hinsdale, New Hampshire School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hinsdale, New Hampshire School District's major federal programs for the year ended June 30, 2021. Hinsdale, New Hampshire School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Hinsdale, New Hampshire School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hinsdale, New Hampshire School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Vachon Clukay & Company PC

Manchester, New Hampshire
March 22, 2022

**Hinsdale, New Hampshire School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified – all reporting units

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified _____ yes X none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B program: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II—Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III—Federal Award Findings and Questioned Costs

There were no findings and questioned costs required to be reported under 2 CFR 200.516(a).

**Hinsdale, New Hampshire School District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021**

FEDERAL AWARD FINDING

Finding #2020-001

Criteria or specific requirement: Federal cost principles, as identified in 2 CFR 200.430, require salaries allocated to a federal award activity and non-federal award to be supported by records which accurately reflect the distribution of salary or wages. Budget estimates determined before the services are performed do not qualify as support for charges to the federal awards. Personnel activity reports are required when time is allocated between federal awards and non-federal awards. Periodic certifications are required when an individual's salary is charged solely to one federal award or cost objective.

Condition: During our testing of compliance with the federal program, we noted that personnel activity reports to document time and effort were not completed for individuals whose salaries were allocated to a federal award activity and non-federal award. Additionally, individuals charged solely to one federal award activity and cost objective did not complete periodic certifications.

Questioned costs: None.

Context: Of the District's payroll charges related to the cluster during fiscal year 2020, we haphazardly selected 31 individual charges from the bi-weekly payroll periods. All employees charged to the grant were selected for testing at least once with the sample representing \$46,827 of \$131,783 in payroll related charges. During the examination of charges, we noted all individuals selected for testing were salaried and charged either 100% or 50% to the cluster.

Effect: Controls over the financial activities of the District are weakened. The failure to properly reconcile the activity throughout the year increases the risk that errors may occur and remain undetected.

Cause: For distribution of salary related to the individual working 50% on a federal award and 50% on a non-federal award, the District failed to obtain, at a minimum, monthly personnel activity reports to support the allocation of salary to the federal award. For periodic certifications of time and effort, the District failed to obtain, at minimum semi-annual certification of time and effort.

Recommendation: We recommend whenever an employee's salary is allocated 100% to a federal award and single cost objective the District prepare, at a minimum, semi-annual certifications of time and effort. Additionally, when an employee's salary is allocated to a federal award and a non-federal award the District should complete, at a minimum, monthly personnel activity reports showing the distribution of the employee's time and effort. Any changes from the initial budgeted amounts written into the federal awards and actual time and effort as documented in the personnel activity reports must be adjusted such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

Status of Finding: The finding has been resolved. The federal award pass-through agency, New Hampshire Department of Education, has issued a letter stating they are satisfied with corrective action taken by the District.

SCHEDULE A
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2021

	Food Service <u>Fund</u>	Private Grants <u>Fund</u>	Student Activity <u>Funds</u>	Total Nonmajor <u>Funds</u>
ASSETS				
Cash and cash equivalents			\$ 30,004	\$ 30,004
Accounts receivable	\$ 3,796			3,796
Due from other governments	71,386			71,386
Due from other funds	2,307	\$ 26,051		28,358
Total Assets	<u>77,489</u>	<u>26,051</u>	<u>30,004</u>	<u>133,544</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 77,489</u>	<u>\$ 26,051</u>	<u>\$ 30,004</u>	<u>\$ 133,544</u>
LIABILITIES				
Accounts payable	\$ 21,319			\$ 21,319
Unearned revenue	4,133			4,133
Total Liabilities	<u>25,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>25,452</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	52,037	26,051		78,088
Assigned			30,004	30,004
Total Fund Balances	<u>52,037</u>	<u>26,051</u>	<u>30,004</u>	<u>108,092</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 77,489</u>	<u>\$ 26,051</u>	<u>\$ 30,004</u>	<u>\$ 133,544</u>

SCHEDULE B
HINSDALE, NEW HAMPSHIRE SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended June 30, 2021

	Food Service <u>Fund</u>	Private Grants <u>Fund</u>	Student Activity <u>Funds</u>	Total Nonmajor <u>Funds</u>
Revenues:				
Intergovernmental	\$ 271,476			\$ 271,476
Charges for services	4,388			4,388
Miscellaneous		\$ 34,077	\$ 46,380	80,457
Total Revenues	<u>275,864</u>	<u>34,077</u>	<u>46,380</u>	<u>356,321</u>
Expenditures:				
Current operations:				
Instruction		6,278		6,278
Food service	247,846			247,846
Other student			62,222	62,222
Other miscellaneous		5,360		5,360
Total Expenditures	<u>247,846</u>	<u>11,638</u>	<u>62,222</u>	<u>321,706</u>
Excess revenues over (under) expenditures	<u>28,018</u>	<u>22,439</u>	<u>(15,842)</u>	<u>34,615</u>
Other financing sources (uses):				
Transfers out				
Total Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	28,018	22,439	(15,842)	34,615
Fund Balances at beginning of year, as restated	<u>24,019</u>	<u>3,612</u>	<u>45,846</u>	<u>73,477</u>
Fund Balances at end of year	<u>\$ 52,037</u>	<u>\$ 26,051</u>	<u>\$ 30,004</u>	<u>\$ 108,092</u>