

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

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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Newmarket School District
Newmarket, New Hampshire

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

***Newmarket School District
Independent Auditor's Report***

Other Matters

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

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

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

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

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

January 13, 2021

*Plodzik & Sanderson
Professional Association*



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Superintendent of Schools

Janna Mellon
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Assistant Superintendent

Erica MacNeil
Student Services

December 29, 2020

Newmarket School Board
Newmarket School District
186A South Main Street
Newmarket, NH 03857

This report was prepared by the School District Business Office for the fiscal year ended June 30, 2020. The responsibility for the completeness and fairness of the data presented and all accompanying disclosures rests with the School District. To provide a reasonable basis for making these representations, the District's management has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles in the United States of America. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects, includes all funds, and financial transactions, and is presented fairly to disclose the financial position, and results of operations of the District at June 30, 2020, and for the year then ended. Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

THE DISTRICT

The Newmarket School District (SAU 31) is a single-town school district with historical roots that date back to 1703, when Newmarket was still part of Exeter, NH¹. The first documented school building in Newmarket dates back to 1817; records show a small building listed as a school at the location of South Main Street and South Street². Newmarket is located in Rockingham County, approximately 14 miles east of Portsmouth, NH and based on recent information aggregated by the World Population Review, currently has an estimated 9,237 resident population³.

¹ <https://www.newmarket.k12.nh.us/about/history>

² <https://www.newmarket.k12.nh.us/about/history>

³ <https://www.census.gov/data/datasets/2016/demo/popest/total-cities-and-towns.html> as cited on worldpopulationreview.com

The estimated rate of home ownership in Newmarket based on 2018 census data is 52.4%⁴.

The Newmarket School District, a fiscally independent entity, is organized with a five-member elected School Board. In 2019-2020, management staff consisted of 1 superintendent, a Business Administrator, four (4) Directors, Principals, and Assistant principals. In 2019-2020, the District also employed 112 teachers and 78 support staff, including instructional assistants, secretaries, clerks, cooks, food service technicians, custodians, and various other professional and technical staff.

The District has experienced stable student enrollment over the past six years. The table below shows that the number of students in the District has grown by 49, or an average growth of approximately 1.0% percent during the last six years.

Student Enrollment by Grade-Newmarket							
School Year	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	Total Change in Enrollment 2014-2020
Pre-Kindergarten	37	35	33	35	34	38	1
Kindergarten	75	80	79	83	85	86	11
Grade 1	100	78	76	79	83	88	-12
Grade 2	93	97	76	79	80	87	-6
Grade 3	95	82	99	79	82	71	-24
Grade 4	74	94	85	94	83	82	8
Grade 5	100	67	98	81	86	84	-16
Grade 6	90	95	67	90	79	87	-3
Grade 7	59	85	94	64	90	77	18
Grade 8	68	65	85	93	64	91	23
Grade 9	69	65	61	79	88	62	-7
Grade 10	55	71	64	57	79	84	29
Grade 11	69	59	67	61	60	80	11
Grade 12	48	63	53	67	59	63	15
SP-Beyond 12	0	0	0	0	0	1	1
Total Enrollment	1032	1036	1037	1041	1052	1081	
Overall Growth		4	1	4	11	29	49
Overall Growth %		0%	0%	0%	1%	3%	1%

Beginning in 2017, the District underwent two major projects to upgrade its facilities. General obligation bonds issued in 2017 financed the renovation and expansion of the Newmarket Elementary School as well as a renovation and expansion of the Newmarket Junior Senior High School. At the Elementary School, 23,000 square feet were added, and 18,000 square feet of existing space were renovated, resulting in a new facility total of 85,007 square feet. These renovations included the addition of a gym and classroom spaces, an expanded kitchen and cafeteria, infrastructure updates throughout the building and the renovation of many classrooms. At the Junior Senior High School, 54,000 Square Feet were added to the existing building, and 60,000 square feet of existing spaces were renovated, resulting in a new building space totaling 129,529 square feet. At the Junior Senior High, these renovations included the addition of a new media center, a full renovation of the kitchen, the addition of a new science/tech ed wing, and many existing areas of the building benefitted from renovations as well.

FINANCIAL INFORMATION

Accounting Policies:

⁴ <https://data.census.gov/cedsci/table?tid=ACSST5Y2018.S1101&g=1600000U53301552340> as cited on worldpopulationreview.com

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are "measurable" and "available." "Measurable" means the amount of the transaction can be determined; "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Interfund transactions and certain compensated absences, claims, and judgments, are recognized as expenditures because they will be liquidated with expendable financial resources. The accrual and modified accrual basis of accounting, as utilized by Newmarket School District, are in accordance with Generally Accepted Accounting Principles.

Internal Accounting Controls: The accounting system incorporates reasonable safeguards for the assets of the District and the reliability of the financial records. Internal controls are designed to provide an adequate safeguard of District assets and provide reasonable assurance of proper recording of financial assets. Fiscal year 2020 was a transitional year for the Newmarket School District administration team, especially within the Business Office. The role of Business Administrator position was vacant for most of the year, and while basic business functions and operations continued, reduced staffing levels and key vacancies delayed or reduced the scope of certain necessary initiatives within the Business Office. In the Auditor's Report to Management, some areas were identified as material deficiencies in internal controls. Other observations resulted in recommendations for internal control enhancements. As of the writing of this analysis, these areas are actively being evaluated and addressed internally and we anticipate that all areas cited in this Auditor's report will be resolved before the end of the next fiscal cycle.

Budgetary Control:

In accordance with NH RSA 32:5, the District annually prepares a budget to control the fiscal operations for one year. In Newmarket, the School Board reviews and recommends the annual School District Budget created by District Administration; the Budget Committee certifies the budget that is placed on the Warrant and filed with the Department of Revenue. The budget committee consists of 12 members, including one School Board Representative and one Town Council Representative.

Acknowledgments: We wish to express our appreciation to the entire Business Office staff for their efforts and contributions to the Basic Financial Statements. We would also like to thank the members of the School Board for their continued support and dedication to the financial operations of the District.

Respectfully submitted,

Janna Mellon, Business Administrator

Newmarket Elementary School, 2019-2020



Newmarket Junior Senior High 2019-2020



NEWMARKET SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

As management of New Hampshire School Administrative Unit (SAU) #31, the Newmarket School District (the District), we offer readers of the District's annual financial statements this narrative discussion and brief analysis of the financial activities of the District for the fiscal year ended June 30, 2020. This management's discussion and analysis (MD&A) is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 34 (GASB-34). This section consists of a brief summary of some of the District's financial activities based on currently known facts, decisions, and conditions. This section is only an introduction and we encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements and the notes included with this annual financial report.

FINANCIAL HIGHLIGHTS

- The Newmarket School District was significantly impacted by COVID-19 in FY 20. As a result of necessary changes to operations and a shift to remote learning in the spring of 2020, many budgeted expenditures were postponed. While certain unbudgeted, additional costs were incurred as a result of COVID-19, other budgeted funds were not expended due to the District's inability to run certain programs or planned educational initiatives. These factors resulted in a larger than expected unassigned fund balance at the close of FY 20 of \$1,512,024 which was due in part to both unexpended balance of general fund appropriations in the amount of \$1,060,240⁵ and a revenue surplus of \$196,149⁶.
- The District's total net position for the year ending June 30, 2020, was (\$7,081,405). The total net position consisted of \$6,350,396 in the net investment in capital assets, a restricted net position of \$1,326,625 and an unrestricted net position balance of (\$14,758,426)⁷. The District's net position at July 1, 2019 was restated due in part to the adoption of GASB Statement 84 which took effect for FY 20 and changed the way the District reports fiduciary activities. This change in policy, coupled with a restatement for certain improperly capitalized and depreciated assets, resulted in a July 1, 2019 net position restatement in the amount of (\$47,525)⁸.
- The District's total liabilities of \$56,169,804⁹ consisted primarily of long-term liabilities including bonds \$34,535,000¹⁰, net pension liability \$13,558,858¹¹ and estimated other postemployment benefits of \$3,888,157¹². Governmental Accounting Standards Board Statement No. 75, requires that districts implement Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This liability represents an estimate of the cost to the District for additional postemployment benefits, primarily, retiree health insurance.
- During the year, the District's expenses from governmental activities totaled \$20,397,474¹³ with \$12,123,023 (59.43%) expended for instruction.
- Total revenues were \$22,063,003¹⁴ and consisted of charges for services, operating and capital grants restricted for specific programs, and general revenues (consisting of local and state property tax assessments and grants and contributions not restricted to specific programs). Local assessments generated 69.22% of the District's revenue.

⁵ Schedule 2

⁶ Schedule 1

⁷ Exhibit A

⁸ Note 14

⁹ Exhibit A

¹⁰ Exhibit C-2

¹¹ Exhibit C-2

¹² Exhibit C-2

¹³ Exhibit B

¹⁴ Exhibit C-3

NEWMARKET SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- The fiscal year end balances for the governmental funds as of June 30, 2020 were categorized as follows:
 - Non-Spendable = \$25,659 (inventory and prepaid items)¹⁵
 - Restricted = \$1,250,452 (capital projects, State and local grants)¹⁶
 - Committed = \$780,989¹⁷
Expendable Trusts/Capital Reserve funds: \$730,989
Voted Appropriations: \$50,000
 - Assigned = \$499,085 (Encumbrance for amounts owed for purchased services, student activity funds and reserve for contingency)¹⁸
 - Unassigned = \$1,487,834¹⁹
2.5% Retained Balance (per RSA 198:4-bII): \$429,404
Unassigned, unrestricted: \$1,082,620
Food Service fund deficit: (\$24,190)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes, and related financial/compliance information. Our annual financial report consists of four elements:

- 1) government-wide financial statements
- 2) fund financial statements
- 3) notes to the financial statements
- 4) required supplementary information including this discussion and analysis.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The financial statements also include notes that explain some of the information in the financial statements.

Government-wide Financial Statements

The government-wide financial statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as "governmental activities." Intergovernmental revenues include local, state and federal monies. The governmental activities of the District include instruction, support services, administration, operation and maintenance of plant, student transportation, operation of non-instructional services and Interest on long-term debt. Taxes and intergovernmental revenues also support fixed assets and related debt.

¹⁵ Note 13

¹⁶ Note 13

¹⁷ Note 13

¹⁸ Note 13

¹⁹ Exhibit C-1 and Note 13

NEWMARKET SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE FISCAL YEAR ENDED
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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 fund financial statements focus on the individual parts of the government and report the District's operations in more detail than the government-wide statements. Fund definitions are part of a state mandated uniform accounting system and chart of accounts for all New Hampshire school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fiduciary Funds

Fiduciary funds are agency funds which account for resources held in a purely custodial capacity consisting of student activities and athletic activity funds. The District excludes certain activities from the government-wide financial statements because these funds cannot be used to finance its operations. However, in FY 20, the District adopted GASB Statement 84 which changed the way that the District reports certain fiduciary funds. Accordingly, certain student activity funds have been included in the District's government-wide financial statements in FY 20. This change resulted in a prior period adjustment, reported in Note 14.

Statement of Net Position

The District's current year net position is higher than the prior year net position (as restated, see Note 14 for additional information on restatement). Net position at June 30, 2020 was (\$7,081,405) compared to (\$8,746,934) at June 30, 2019, a change in net position of \$1,665,529. Below is a comparison of net position for fiscal year 2020²⁰ and fiscal year 2019²¹.

Governmental Activities
Two-Year Comparison
Statement of Net Position

	2020	2019	Change	% Change
Assets				
Current assets	\$ 4,190,007	\$ 15,118,085	\$ (10,928,078)	-72.28%
Capital assets, net of accumulated depreciation	43,937,307	37,051,729	6,885,578	18.58%
<i>Total assets</i>	<u>48,127,314</u>	<u>52,169,814</u>	<u>(4,042,500)</u>	<u>-7.75%</u>
 Deferred outflows of resources	 2,925,550	 2,830,900	 94,650	 3.34%
Liabilities				
Current liabilities	680,824	6,590,584	(5,909,760)	-89.67%
Long-term liabilities	55,488,980	55,603,560	(114,580)	-0.21%
<i>Total liabilities</i>	<u>56,169,804</u>	<u>62,194,144</u>	<u>(6,024,340)</u>	<u>-9.69%</u>
 Deferred inflows of resources	 1,964,465	 1,505,979	 458,486	 30.44%
 Net Position, Unadjusted	 <u>(7,081,405)</u>	 <u>(8,699,409)</u>	 <u>1,618,004</u>	 <u>18.60%</u>
Restatement (Note 14)		(47,525)		
Net Position, as restated	<u>(7,081,405)</u>	<u>(8,746,934)</u>	<u>1,665,529</u>	<u>19.04%</u>

²⁰ Exhibit A, FY 2020

²¹ Exhibit A, FY 2019

NEWMARKET SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Statement of Activities

The District had total expenditures of \$20.4 million with revenues of \$22.1 million. The District's expenses cover a range of services, the largest of which are school instruction (59.43% of total expenses) and support services (32.45% of total expenses). Below is a comparison of expenditures and revenues for FY 2020²² and FY 2019²³.

Governmental Activities Two-Year Comparison Statement of Activities				
	6/30/2020	6/30/2019	Change	% Change
Revenues				
Program Revenues				
Charges for Services	\$ 168,774	\$ 224,370	\$ (55,596)	-24.78%
Operating Grants & Contributions	1,198,806	1,046,736	152,070	14.53%
Capital Grants and Contributions	815,642	239,940	575,702	239.94%
General Revenues				
School District Assessment	15,271,018	16,515,715	(1,244,697)	-7.54%
Grants and contributions not restricted to specific programs	4,578,898	2,411,060	2,167,838	89.91%
Interest	20,611	409,519	(388,908)	-94.97%
Miscellaneous	9,254	462,014	(452,760)	-98.00%
Total Revenues	<u>22,063,003</u>	<u>21,309,354</u>	<u>753,649</u>	<u>3.54%</u>
Expenses				
Instruction	12,123,023	11,168,624	954,399	8.55%
Support Services:				
Student	1,195,774	1,205,620	(9,846)	-0.82%
Instructional Staff	1,187,312	1,128,604	58,708	5.20%
General Administration	2,261,919	2,126,820	135,099	6.35%
Operation and Maintenance of Plant	1,336,970	1,801,745	(464,775)	-25.80%
Student Transportaion	621,428	666,309	(44,881)	-6.74%
Other	16,474	-	16,474	-
Noninstructional Services	321,995	371,741	(49,746)	-13.38%
Interest on Long-Term Debt	1,332,579	1,276,341	56,238	4.41%
Total Expenses	<u>20,397,474</u>	<u>19,745,804</u>	<u>651,670</u>	<u>3.30%</u>
Change in Net Position	1,665,529	1,563,550	101,979	6.52%
Net Position, beginning as restated	(8,746,934)	(10,262,959)	1,516,025	14.77%
Net Position, ending, as restated (see Note 14)	<u>\$ (7,081,405)</u>	<u>\$ (8,746,934)</u>	<u>\$ 1,665,529</u>	<u>19.04%</u>

²² Exhibit B FY 2020

²³ Exhibit B FY 2019, Restated per Note 14

NEWMARKET SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Comments on General Fund Budget Comparisons²⁴

- General fund actual revenues totaling \$20,416,222 exceeded budgeted revenues by \$196,149 (1%).
 - **Local sources** totaling \$62,949 were below budget by \$8,551 primarily due to decreases in facility use fees, and the reconfiguration of a shared finance position.
 - **State sources** totaling \$4,878,334 were above budget by \$105,779 primarily due to higher than anticipated Special Education Aid.
 - **Federal sources** totaling \$203,921 exceeded budgeted revenues by \$98,921 due to higher than anticipated Medicaid funding.
- General fund expenditures (including encumbrances to the subsequent year) totaling \$19,690,040 were less than appropriations (including encumbrances from the prior year) totaling \$20,730,114 by \$1,040,074 (5.1%). Significant general fund budget variances occurred in these functions:
 - **Instruction** totaling \$11,130,171 is the largest expense of the District and was below budget by \$1,003,327 primarily due to changes in personnel salaries and a change in Health Insurance Plans for certain employee groups.
 - **Student support services** totaling \$1,175,720 was below budget by \$187,176 primarily due to changes in personnel and benefits, and savings in contracted professional services.
 - **Instructional staff support services** totaling \$1,163,016 was above budget by \$235,182 primarily due to new professional development initiatives targeting curriculum development.
 - **General administration** totaling \$267,432 was above budget by \$130,436 primarily due to changes in personnel and benefits and higher than anticipated legal expenditures.
 - **Executive administration** totaling \$1,024,206 was above budget by \$71,108 primarily due to changes in personnel, benefits and contracted services.
 - **School administration** totaling \$973,332 was below budget by \$81,035 primarily due to changes in personnel and benefits.
 - **Operation and maintenance of plant** totaling \$1,231,948 was above budget by \$19,260 primarily due to supplies and equipment purchased to address COVID-19.
 - **Student transportation** totaling \$619,404 was below budget by \$161,302 primarily due to a decrease in student transportation needs as a result of COVID-19.
 - **Other** totaling \$14,705 was below budget by \$17,058 primarily due changes in personnel and benefits.

We are constantly making changes to our budget planning processes to improve the accuracy of our budget assessments and reduce the size and frequency of future budget variances. Since it is not possible to know in advance all of the circumstances that might create budget variances, we will continue to estimate future costs based on our experience, judgment, and actual expenditure data.

²⁴ Exhibit D-1

NEWMARKET SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2020, the District reported capital assets of \$43,937,307, which consist of a broad range of capital assets, including construction in progress, land & land improvements, buildings & improvements, equipment and vehicles. More detailed information about the District's capital assets is presented in the notes to the financial statements, see Note 5.

Governmental Activities
Capital Assets

	Beginning Balance 7/1/2019	Changes	Ending Balance 6/30/2020
Non-Depreciable Assets:			
Land	\$ 1,546,441	\$ -	\$ 1,546,441
Construction in Progress	32,042,726	7,325,933	39,368,659
Depreciable Assets:			
Land improvements	5,100	-	5,100
Buildings and Improvements	10,430,706	-	10,430,706
Equipment and Vehicles	535,877	15,000	550,877
Total All Capital Assets	44,560,850	7,340,933	51,901,783
Less Accumulated Depreciation	(7,713,480)	(250,996)	(7,964,476)
Net Book Value, Capital Assets Being Depreciated	3,258,203	(235,996)	3,022,207
Net Value, All Capital Assets	\$ 36,847,370	\$ 7,089,937	\$ 43,937,307

Long-Term Liabilities

During fiscal year 2020, the District did enter into a new a capital lease agreement in the amount of \$84,250 for energy performance upgrades (lighting)²⁵. The District is complying with Governmental Accounting Standards Board requirements in terms of net other postemployment benefits (GASB Statement No. 75) and net pension related liability (GASB Statement No 68). The District also reports compensated absences as a long-term liability. The following table illustrates the changes and balances for all long-term liabilities. More detailed information on the District's long-term liabilities is presented in the notes to the financial statements, see Note 8.

²⁵ Note 7

**NEWMARKET SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**Governmental Activities
Long-Term Liabilities**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Bond Payable:			
General Obligation bond	\$34,535,000	\$35,190,000	\$ (655,000)
Premium	\$2,834,493	\$2,939,475	\$ (104,982)
Total Bond Payable	<u>\$37,369,493</u>	<u>\$38,129,475</u>	<u>\$ (759,982)</u>
Capital Leases	\$ 141,245	\$ 105,078	\$ 36,167
Compensated Absences	531,227	497,202	34,025
Net Other Postemployment Benefits	13,558,858	13,689,326	(130,468)
Net Pension Liability	<u>3,888,157</u>	<u>3,896,462</u>	<u>(8,305)</u>
Total Long-Term Liabilities	<u>\$ 55,488,980</u>	<u>\$ 56,317,543</u>	<u>\$ (828,563)</u>

FUTURE BUDGETARY IMPLICATIONS

Significant activities or events, which will have an impact on future district finances, include:

- The State shifting cost responsibilities to local governments may have an impact on taxation calculations.
- Operations in FY 21 requiring modifications to staffing, operations and facilities to address COVID-19.
- Changes in the State education funding model which may have an impact on taxation calculations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Business Administrator, at (603) 659-5020 or by mail at:

Newmarket School District
186 A South Main Street
Newmarket, NH 03857

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,243,904
Other receivables	3,186
Intergovernmental receivable	917,258
Inventory	24,190
Prepaid items	1,469
Capital assets, not being depreciated	40,915,100
Capital assets, net of accumulated depreciation	3,022,207
Total assets	<u>48,127,314</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	2,077,603
Amounts related to other postemployment benefits	847,947
Total deferred outflows of resources	<u>2,925,550</u>
LIABILITIES	
Accounts payable	94,868
Accrued salaries and benefits	16,099
Accrued interest payable	534,836
Retainage payable	35,021
Noncurrent obligations:	
Due within one year	878,492
Due in more than one year	54,610,488
Total liabilities	<u>56,169,804</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	829,597
Amounts related to other postemployment benefits	1,134,868
Total deferred inflows of resources	<u>1,964,465</u>
NET POSITION	
Net investment in capital assets	6,350,396
Restricted	1,326,625
Unrestricted	(14,758,426)
Total net position	<u>\$ (7,081,405)</u>

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

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

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
Governmental activities:					
Instruction	\$ 12,123,023	\$ 34,999	\$ 794,239	\$ -	\$ (11,293,785)
Support services:					
Student	1,195,774	-	6,210	-	(1,189,564)
Instructional staff	1,187,312	-	45,127	-	(1,142,185)
General administration	288,551	-	-	-	(288,551)
Executive administration	988,163	-	-	-	(988,163)
School administration	985,205	-	-	-	(985,205)
Operation and maintenance of plant	1,336,970	-	-	262,610	(1,074,360)
Student transportation	621,428	-	19,704	-	(601,724)
Other	16,474	-	-	-	(16,474)
Noninstructional services	321,995	133,775	170,465	-	(17,755)
Interest on long-term debt	1,332,579	-	-	-	(1,332,579)
Facilities acquisition and construction	-	-	163,061	553,032	716,093
Total governmental activities	<u>\$ 20,397,474</u>	<u>\$ 168,774</u>	<u>\$ 1,198,806</u>	<u>\$ 815,642</u>	<u>(18,214,252)</u>
General revenues:					
School district assessment					15,271,018
Grants and contributions not restricted to specific programs					4,578,898
Interest					20,611
Miscellaneous					9,254
Total general revenues					<u>19,879,781</u>
Change in net position					1,665,529
Net position, beginning, as restated (see Note 14)					(8,746,934)
Net position, ending					<u>\$ (7,081,405)</u>

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

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

	General	Food Service	Federal Projects	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,789,265	\$ -	\$ -	\$ 1,253,148	\$ 201,491	\$ 3,243,904
Receivables:						
Accounts	1,726	35	-	-	1,425	3,186
Intergovernmental	823,192	23,149	70,917	-	-	917,258
Interfund receivables	109,531	-	-	-	-	109,531
Inventory	-	24,190	-	-	-	24,190
Prepaid items	-	-	-	-	1,469	1,469
Total assets	\$ 2,723,714	\$ 47,374	\$ 70,917	\$ 1,253,148	\$ 204,385	\$ 4,299,538
LIABILITIES						
Accounts payable	\$ 61,108	\$ 8,760	\$ -	\$ 25,000	\$ -	\$ 94,868
Accrued salaries and benefits	16,099	-	-	-	-	16,099
Interfund payable	-	38,614	70,917	-	-	109,531
Retainage payable	-	-	-	35,021	-	35,021
Total liabilities	77,207	47,374	70,917	60,021	-	255,519
FUND BALANCES (DEFICIT)						
Nonspendable	-	24,190	-	-	1,469	25,659
Restricted	-	-	-	1,193,127	57,325	1,250,452
Committed	780,989	-	-	-	-	780,989
Assigned	353,494	-	-	-	145,591	499,085
Unassigned (deficit)	1,512,024	(24,190)	-	-	-	1,487,834
Total fund balances	2,646,507	-	-	1,193,127	204,385	4,044,019
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,723,714	\$ 47,374	\$ 70,917	\$ 1,253,148	\$ 204,385	\$ 4,299,538

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 4,044,019
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 51,901,783	
Less accumulated depreciation	<u>(7,964,476)</u>	
		43,937,307
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 2,077,603	
Deferred inflows of resources related to pensions	(829,597)	
Deferred outflows of resources related to OPEB	847,947	
Deferred inflows of resources related to OPEB	<u>(1,134,868)</u>	
		961,085
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (109,531)	
Payables	<u>109,531</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(534,836)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 34,535,000	
Unamortized bond premium	2,834,493	
Capital leases	141,245	
Compensated absences	531,227	
Net pension liability	13,558,858	
Other postemployment benefits	<u>3,888,157</u>	
		(55,488,980)
Net position of governmental activities (Exhibit A)		<u>\$ (7,081,405)</u>

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

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

	General	Food Service	Federal Projects	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
School district assessment	\$ 15,271,018	\$ -	\$ -	\$ -	\$ -	\$ 15,271,018
Other local	77,165	135,976	-	386,512	321,512	921,165
State	4,878,334	5,358	-	-	163,061	5,046,753
Federal	203,921	162,906	456,370	-	870	824,067
Total revenues	<u>20,430,438</u>	<u>304,240</u>	<u>456,370</u>	<u>386,512</u>	<u>485,443</u>	<u>22,063,003</u>
EXPENDITURES						
Current:						
Instruction	11,144,827	-	405,033	-	140,055	11,689,915
Support services:						
Student	1,175,720	-	6,210	-	-	1,181,930
Instructional staff	1,136,874	-	45,127	-	-	1,182,001
General administration	310,683	-	-	-	-	310,683
Executive administration	988,163	-	-	-	-	988,163
School administration	973,332	-	-	-	-	973,332
Operation and maintenance of plant	1,212,082	-	-	-	-	1,212,082
Student transportation	619,404	-	-	-	2,000	621,404
Other	14,705	-	-	-	-	14,705
Noninstructional services	-	312,574	-	-	354	312,928
Debt service:						
Principal	655,000	-	-	-	-	655,000
Interest	1,442,388	-	-	-	-	1,442,388
Facilities acquisition and construction	35,226	-	-	7,162,872	258,586	7,456,684
Total expenditures	<u>19,708,404</u>	<u>312,574</u>	<u>456,370</u>	<u>7,162,872</u>	<u>400,995</u>	<u>28,041,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>722,034</u>	<u>(8,334)</u>	<u>-</u>	<u>(6,776,360)</u>	<u>84,448</u>	<u>(5,978,212)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	8,334	-	-	-	8,334
Transfers out	(8,334)	-	-	-	-	(8,334)
Capital lease	84,250	-	-	-	-	84,250
Total other financing sources (uses)	<u>75,916</u>	<u>8,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,250</u>
Net change in fund balances	797,950	-	-	(6,776,360)	84,448	(5,893,962)
Fund balances, beginning, as restated (see Note 14)	<u>1,848,557</u>	<u>-</u>	<u>-</u>	<u>7,969,487</u>	<u>119,937</u>	<u>9,937,981</u>
Fund balances, ending	<u>\$ 2,646,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,127</u>	<u>\$ 204,385</u>	<u>\$ 4,044,019</u>

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

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

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (5,893,962)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 7,340,933	
Depreciation expense	<u>(250,996)</u>	
		7,089,937
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (8,334)	
Transfers out	<u>8,334</u>	
		-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital leases	\$ (84,250)	
Principal repayment of bond	655,000	
Amortization of bond premium	104,982	
Principal repayment of capital leases	<u>48,083</u>	
		723,815
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 4,827	
Increase in compensated absences payable	(34,025)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(289,784)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>64,721</u>	
		(254,261)
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,665,529</u>

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

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

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
School district assessment	\$ 15,271,018	\$ 15,271,018	\$ 15,271,018	\$ -
Other local	71,500	71,500	62,949	(8,551)
State	4,772,555	4,772,555	4,878,334	105,779
Federal	105,000	105,000	203,921	98,921
Total revenues	20,220,073	20,220,073	20,416,222	196,149
EXPENDITURES				
Current:				
Instruction	12,133,558	12,133,498	11,130,171	1,003,327
Support services:				
Student	1,362,836	1,362,896	1,175,720	187,176
Instructional staff	927,834	927,834	1,163,016	(235,182)
General administration	138,956	136,996	267,432	(130,436)
Executive administration	951,138	953,098	1,024,206	(71,108)
School administration	1,054,367	1,054,367	973,332	81,035
Operation and maintenance of plant	1,251,568	1,251,568	1,231,948	19,620
Student transportation	780,706	780,706	619,404	161,302
Other	31,763	31,763	14,705	17,058
Debt service:				
Principal	655,000	655,000	655,000	-
Interest	1,442,388	1,442,388	1,442,388	-
Facilities acquisition and construction	-	-	(7,282)	7,282
Total expenditures	20,730,114	20,730,114	19,690,040	1,040,074
Excess (deficiency) of revenues over (under) expenditures	(510,041)	(510,041)	726,182	1,236,223
OTHER FINANCING USES				
Transfers out	(28,500)	(28,500)	(8,334)	20,166
Net change in fund balance	\$ (538,541)	\$ (538,541)	717,848	\$ 1,256,389
Increase in committed fund balance			(50,000)	
Increase in assigned fund balance (non-encumbrance)			(100,000)	
Unassigned fund balance, beginning			944,176	
Unassigned fund balance, ending			\$ 1,512,024	

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

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

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Local:				
Sales	\$ 200,900	\$ 195,535	\$ 133,775	\$ (61,760)
Miscellaneous	-	1,000	2,201	1,201
State:				
Lunch reimbursement	4,500	5,000	5,358	358
Federal:				
Lunch reimbursement	97,000	97,000	94,218	(2,782)
Breakfast reimbursement	33,000	36,865	39,966	3,101
USDA commodities	-	28,722	28,722	-
Total revenues	<u>335,400</u>	<u>364,122</u>	<u>304,240</u>	<u>(59,882)</u>
EXPENDITURES				
Current:				
Noninstructional services	<u>335,400</u>	<u>364,122</u>	<u>312,574</u>	<u>51,548</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(8,334)</u>	<u>(8,334)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>8,334</u>	<u>8,334</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ -</u>	

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

EXHIBIT D-3
NEWMARKET SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Federal Projects Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Federal	\$ 395,151	\$ 456,370	\$ 456,370	\$ -
EXPENDITURES				
Current:				
Instruction	395,151	405,033	405,033	-
Support services:				
Student	-	6,210	6,210	-
Instructional staff	-	45,127	45,127	-
Total expenditures	395,151	456,370	456,370	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

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

1-B Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

The School District reports the following major governmental funds:

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

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

Federal Projects Fund – accounts for the resources received from various federal agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Capital Projects Fund – the capital projects fund accounts for activity pertaining to the construction/renovation of the elementary and junior/senior high schools.

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

1-D Cash and Cash Equivalents

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

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

1-E Receivables

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

1-F Inventory

Inventories are valued at cost (first-in, first-out) which approximates market. The inventories of the School District's food service fund consist of materials and supplies held for subsequent use. The cost of these inventories is expended when consumed rather than when purchased.

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I-G Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used.

I-H Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. The School District has established a threshold of \$5,000 per or more per item, except for infrastructure assets which are capitalized over \$100,000, and an estimated useful life in excess of five years for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Capital Asset Class:	Years
Land improvements	20
Buildings and building improvements	3 - 45
Equipment and vehicles	3 - 15

I-I Interfund Activities

Interfund activities are reported as follows:

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

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

I-J Accounts Payable

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

I-K Deferred Outflows/Inflows of Resources

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

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time.

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1-L Long-term Obligations

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

1-M Compensated Absences

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

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

1-N Claims and Judgements

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred.

1-O Defined Benefit Pension Plan

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

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

1-P Postemployment Benefits Other Than Pensions (OPEB)

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

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

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

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I-Q Net Position/Fund Balances

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

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

Restricted Net Position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The School District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future period.

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

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

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

In accordance with RSA 198:4-bII, *Contingency Fund*, the School District voted to retain general fund unassigned fund balance of \$429,404 to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

I-R Use of Estimates

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

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NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District's operations. At its annual meeting, the School District adopts a budget for the current year for the general, food service, and federal projects funds. The School Board has voted and accepted the federal grants awarded to the School District through the year so these amounts are reported as final budget for the federal projects fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2020, \$538,541 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 20,416,222
Adjustments:	
Basis difference:	
Capital lease inception	84,250
GASB Statement No. 54:	
Interest earnings of the blended expendable trust funds	1,915
Revenue of the blended student activity funds	12,301
Per Exhibit C-3 (GAAP Basis)	<u>\$ 20,514,688</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 19,698,374
Adjustments:	
Basis difference:	
Encumbrances, beginning	158,687
Encumbrances, ending	(241,697)
Capital lease inception	84,250
GASB Statement No. 54:	
Expenditures of the blended student activity funds	17,124
Per Exhibit C-3 (GAAP basis)	<u>\$ 19,716,738</u>

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2-C Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position was restated to retroactively report the change in accounting principle, see Note 14.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$3,243,904 and the bank balances totaled \$4,007,144.

NOTE 4 – RECEIVABLES

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

NOTE 5 – CAPITAL ASSETS

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

	Balance, beginning (as restated)	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 1,546,441	\$ -	\$ 1,546,441
Construction in progress	32,042,726	7,325,933	39,368,659
Total capital assets not being depreciated	33,589,167	7,325,933	40,915,100
Being depreciated:			
Land improvements	5,100	-	5,100
Buildings and building improvements	10,430,706	-	10,430,706
Equipment and vehicles	535,877	15,000	550,877
Total capital assets being depreciated	10,971,683	15,000	10,986,683
Total capital assets	44,560,850	7,340,933	51,901,783

(Continued)

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Capital assets continued:

	Balance, beginning (as restated)	Additions	Balance, ending
Less accumulated depreciation:			
Land improvements	(5,100)	-	(5,100)
Buildings and building improvements	(7,279,694)	(218,462)	(7,498,156)
Equipment and vehicles	(428,686)	(32,534)	(461,220)
Total accumulated depreciation	(7,713,480)	(250,996)	(7,964,476)
Net book value, capital assets being depreciated	3,258,203	(235,996)	3,022,207
Net book value, all capital assets	<u>\$ 36,847,370</u>	<u>\$ 7,089,937</u>	<u>\$ 43,937,307</u>

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

Instruction	\$ 218,462
Support services:	
General administration	9,752
Operation and maintenance of plant	12,823
Noninstructional services	9,959
Total depreciation expense	<u>\$ 250,996</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General	Food service	\$ 38,614
	Federal projects	70,917
		<u>\$ 109,531</u>

The interfund transfer in the amount of \$8,334 from the general fund to the food service fund during the year ended June 30, 2020 was made to cover an operating deficit.

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

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The School District has entered into certain capital lease agreements under which the related equipment will become the property of the School District when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2020
Capital lease obligations:		
Copier equipment	6.18%	\$ 46,347
Ford F-250	5.99%	10,648
Energy performance upgrades	3.79%	84,250
Total capital lease obligations		<u>\$ 141,245</u>

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Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
Copier equipment	\$ 221,700
Ford F-250	24,400
Energy performance upgrades	85,250
Total equipment	331,350
Less: accumulated depreciation	(314,406)
Total capital lease equipment	<u>\$ 16,944</u>

The annual requirements to amortize the capital leases payable as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2021	\$ 63,603
2022	16,312
2023	10,401
2024	10,401
2025	10,401
2026-2030	52,005
Total requirements	163,123
Less: interest	(21,878)
Present value of remaining payments	<u>\$ 141,245</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 8 – LONG-TERM LIABILITIES

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

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Bond payable:					
General obligation bond	\$ 35,190,000	\$ -	\$ (655,000)	\$ 34,535,000	\$ 690,000
Premium	2,939,475	-	(104,982)	2,834,493	104,982
Total bond payable	38,129,475	-	(759,982)	37,369,493	794,982
Capital leases	105,078	84,250	(48,083)	141,245	58,295
Compensated absences	497,202	34,025	-	531,227	25,215
Pension related liability	13,689,326	-	(130,468)	13,558,858	-
Net other postemployment benefits	3,896,462	38,651	(46,956)	3,888,157	-
Total long-term liabilities	<u>\$ 56,317,543</u>	<u>\$ 156,926</u>	<u>\$ (985,489)</u>	<u>\$ 55,488,980</u>	<u>\$ 878,492</u>

The long-term bond is as follows:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2020
General obligation bond payable:					
School Building Renovation	\$ 35,816,700	2017	2047	3.33%	<u>\$ 34,535,000</u>

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The annual requirements to amortize the general obligation bond outstanding as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 690,000	\$ 1,408,090	\$ 2,098,090
2022	725,000	1,372,008	2,097,008
2023	765,000	1,334,013	2,099,013
2024	805,000	1,293,978	2,098,978
2025	845,000	1,251,903	2,096,903
2026-2030	4,910,000	5,555,875	10,465,875
2031-2035	6,060,000	4,375,990	10,435,990
2036-2040	7,130,000	3,271,935	10,401,935
2041-2045	8,635,000	1,727,637	10,362,637
2046-2047	3,970,000	164,410	4,134,410
Totals	<u>\$ 34,535,000</u>	<u>\$ 21,755,839</u>	<u>\$ 56,290,839</u>

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

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Contributions – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2020, the School District contributed 15.99% for teachers and 10.08% for other employees. The contribution requirement for the fiscal year 2020 was \$1,374,495, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the School District reported a liability of \$13,558,858 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the School District's proportion was 0.28%, which was an increase of 0.01% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$1,664,280. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 141,653	\$ 427,287
Net difference between projected and actual investment earnings on pension plan investments	-	110,756
Changes in assumptions	486,486	-
Differences between expected and actual experience	74,969	291,554
Contributions subsequent to the measurement date	1,374,495	-
Total	<u>\$ 2,077,603</u>	<u>\$ 829,597</u>

The \$1,374,495 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2020	\$ 361,299
2021	(354,005)
2022	(145,033)
2023	11,250
Totals	<u>\$ (126,489)</u>

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

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

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

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

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

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

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 18,155,870	\$ 13,558,858	\$ 9,759,464

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

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

10-A New Hampshire Retirement System (NHRS)

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

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

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

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

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16, or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2019, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2020, the School District contributed 1.81% for teachers and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$141,341, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2020, the School District reported a liability of \$1,122,620 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on a projection of the School District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the School District's proportion was 0.26%, which was the same as its proportion measured as of June 30, 2018.

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For the year ended June 30, 2020, the School District recognized OPEB expense of \$146,193. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 298	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	1,261
Differences between expected and actual experience	-	1,953
Contributions subsequent to the measurement date	141,341	-
Total	<u>\$ 141,639</u>	<u>\$ 3,214</u>

The \$141,341 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2020	\$ (2,492)
2021	(837)
2022	87
2023	326
Totals	<u>\$ (2,916)</u>

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

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

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

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

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

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

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

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 1,217,652	\$ 1,122,620	\$ 1,040,044

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

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

10-B Retiree Health Benefit Program

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

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Benefits Provided – The School District provides postemployment healthcare benefits for certain eligible retirees. The School District provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

Employees Covered by Benefit Terms – At July 1, 2019, 162 active employees were covered by the benefit terms.

Total OPEB Liability – The School District's total OPEB liability of \$2,765,537 was measured as of July 1, 2019, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$2,765,537 in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.21%
Healthcare Cost Trend Rates:	
Current Year Trend	1.82%
Second Year Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2030
Salary Increases:	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of June 30, 2020.

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

Changes in the Total OPEB Liability

	June 30,	
	2019	2020
Total OPEB liability beginning of year	\$2,593,425	\$2,726,886
Changes for the year:		
Service cost	165,409	176,968
Interest	91,795	56,419
Assumption changes and difference between actual and expected experience	(65,133)	(153,245)
Benefit payments	(58,610)	(41,491)
Total OPEB liability end of year	<u>\$2,726,886</u>	<u>\$2,765,537</u>

Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate – The July 1, 2019 actuarial valuation was prepared using a discount rate of 2.21%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$2,969,174, or by 7.36%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$2,564,952, or by 7.25%.

	Discount Rate		
	1% Decrease	Baseline 2.21%	1% Increase
Total OPEB Liability	<u>\$2,969,174</u>	<u>\$ 2,765,537</u>	<u>\$2,564,952</u>

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Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2019 actuarial valuation was prepared using an initial trend rate of 1.82%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$2,426,573, or by 12.26%. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$3,161,017, or by 14.30%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 1.82%	1% Increase
Total OPEB Liability	<u>\$ 2,426,573</u>	<u>\$ 2,765,537</u>	<u>\$ 3,161,017</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the School District recognized OPEB expense of \$122,963. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 706,308	\$ -
Differences between expected and actual experience	-	1,131,654
Total	<u>\$ 706,308</u>	<u>\$ 1,131,654</u>

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

Fiscal Year Ending June 30,	
2021	\$ (110,424)
2022	(110,424)
2023	(110,424)
2024	(66,854)
2025-2029	(25,205)
Thereafter	(2,015)
Totals	<u>\$ (425,346)</u>

NOTE 11 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2020 are as follows:

Current:	
Instruction:	
Regular programs	\$ 10,968
Support services:	
Instructional staff	73,259
General administration	2,500
Executive administration	40,000
Operation and maintenance of plant	107,032
Total support services	<u>222,791</u>
Facilities acquisition and construction	<u>7,938</u>
Total encumbrances	<u>\$ 241,697</u>

NEWMARKET SCHOOL DISTRICT
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NOTE 12 – GOVERNMENTAL ACTIVITIES NET POSITION

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

	Governmental Activities
Net investment in capital assets:	
Net book value of all capital assets	\$ 43,937,307
Less:	
General obligation bond payable	(34,535,000)
Unamortized bond premium	(2,834,493)
Capital leases payable	(141,245)
Amount of debt related to unspent proceeds	(76,173)
Total net investment in capital assets	<u>6,350,396</u>
Restricted net position:	
Capital projects	1,269,300
State and local grants	57,325
Total restricted net position	<u>1,326,625</u>
Unrestricted	<u>(14,758,426)</u>
Total net position	<u><u>\$ (7,081,405)</u></u>

NOTE 13 – GOVERNMENTAL FUND BALANCES

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

	General	Food Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	\$ -	\$ 24,190	\$ -	\$ -	\$ 24,190
Prepaid items	-	-	-	1,469	1,469
Total nonspendable fund balance	<u>-</u>	<u>24,190</u>	<u>-</u>	<u>1,469</u>	<u>25,659</u>
Restricted:					
Capital projects	-	-	1,193,127	-	1,193,127
State and local grants	-	-	-	57,325	57,325
Total restricted fund balance	<u>-</u>	<u>-</u>	<u>1,193,127</u>	<u>57,325</u>	<u>1,250,452</u>
Committed:					
Expendable trust	730,989	-	-	-	730,989
Voted appropriation - March 2020	50,000	-	-	-	50,000
Total committed fund balance	<u>780,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,989</u>
Assigned:					
Encumbrances	241,697	-	-	-	241,697
Student activity funds	11,797	-	-	145,591	157,388
Reserve for contingency	100,000	-	-	-	100,000
Total assigned fund balance	<u>353,494</u>	<u>-</u>	<u>-</u>	<u>145,591</u>	<u>499,085</u>
Unassigned (deficit):					
Unassigned - retained (RSA 198:4-bII)	429,404	-	-	-	429,404
Unassigned	1,082,620	-	-	-	1,082,620
Deficit	-	(24,190)	-	-	(24,190)
Total unassigned fund balance (deficit)	<u>1,512,024</u>	<u>(24,190)</u>	<u>-</u>	<u>-</u>	<u>1,487,834</u>
Total governmental fund balances	<u><u>\$ 2,646,507</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,193,127</u></u>	<u><u>\$ 204,385</u></u>	<u><u>\$ 4,044,019</u></u>

NEWMARKET SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 14 – PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements	General Fund	Other Governmental Funds	Fiduciary Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84	\$ 156,834	\$ 16,620	\$ 140,214	\$ (156,834)
To restate for improperly capitalized and depreciated assets	(204,359)	-	-	-
Net position/fund balance, as previously reported	(8,699,409)	1,831,937	(20,277)	156,834
Net position/fund balance, as restated	<u>\$ (8,746,934)</u>	<u>\$ 1,848,557</u>	<u>\$ 119,937</u>	<u>\$ -</u>

NOTE 15 – RISK MANAGEMENT

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

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2019 to June 30, 2020 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2019-20 the School District paid \$39,958 and \$47,994, respectively, to Primex³ for workers' compensation and property/liability. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 16 – CONTINGENT LIABILITIES

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

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

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 13, 2021, the date the June 30, 2020 financial statements were available to be issued, and noted the following event occurred that requires recognition or disclosure:

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

REQUIRED SUPPLEMENTARY INFORMATION

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

School District's:	2014	2015	2016	June 30, 2017	2018	2019	2020
Proportion of the net pension liability	0.27%	0.29%	0.28%	2.92%	2.96%	0.28%	0.28%
Proportionate share of the net pension liability	\$ 11,827,657	\$ 10,945,522	\$ 11,245,488	\$ 15,542,037	\$ 14,564,652	\$ 13,689,326	\$ 13,558,858
Covered payroll	\$ 7,709,188	\$ 8,180,598	\$ 8,230,593	\$ 8,554,011	\$ 8,864,986	\$ 8,127,930	\$ 9,079,553
Proportionate share of the net pension liability as a percentage of its covered payroll	153.42%	133.80%	136.63%	181.69%	164.29%	168.42%	149.33%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%

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

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 683,350	\$ 946,024	\$ 952,343	\$ 1,046,576	\$ 1,084,724	\$ 1,201,590	\$ 1,226,307
Contributions in relation to the contractually required contributions	(683,350)	(946,024)	(952,343)	(1,046,576)	(1,084,724)	(1,201,590)	(1,226,307)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 7,709,188	\$ 8,180,598	\$ 8,230,593	\$ 8,554,011	\$ 8,864,986	\$ 8,127,930	\$ 9,079,553
Contributions as a percentage of covered payroll	8.86%	11.56%	11.57%	12.23%	12.24%	14.78%	13.51%

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

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

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

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

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

Other Information:

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

	June 30,			
	2017	2018	2019	2020
School District's proportion of the net OPEB liability	0.33%	0.34%	0.26%	0.26%
School District's proportionate share of the net OPEB liability (asset)	\$ 1,611,701	\$ 1,547,743	\$ 1,169,576	\$ 1,122,620
School District's covered payroll	\$ 8,554,011	\$ 8,864,986	\$ 8,127,930	\$ 9,079,553
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	18.84%	17.46%	14.39%	12.36%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

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

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

	June 30,			
	2017	2018	2019	2020
Contractually required contribution	\$ 193,448	\$ 200,630	\$ 112,994	\$ 116,858
Contributions in relation to the contractually required contribution	(193,448)	(200,630)	(112,994)	(116,858)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 8,554,011	\$ 8,864,986	\$ 8,127,930	\$ 9,079,553
Contributions as a percentage of covered payroll	2.26%	2.26%	1.39%	1.29%

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

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

	June 30,			
	2017	2018	2019	2020
OPEB liability, beginning of year	\$ 3,284,734	\$ 2,444,592	\$ 2,593,425	\$ 2,726,886
Changes for the year:				
Service cost	133,487	162,167	165,409	176,968
Interest	130,605	86,468	91,795	56,419
Assumption changes	(508,268)	-	-	-
Difference between actual and expected experience	(556,737)	(41,206)	(65,133)	(153,245)
Benefit payments	(39,229)	(58,596)	(58,610)	(41,491)
OPEB liability, end of year	<u>\$ 2,444,592</u>	<u>\$ 2,593,425</u>	<u>\$ 2,726,886</u>	<u>\$ 2,765,537</u>
Covered payroll	<u>\$ 8,991,663</u>	<u>\$ 7,993,074</u>	<u>\$ 8,152,935</u>	<u>\$ 8,464,202</u>
Total OPEB liability as a percentage of covered payroll	27.19%	32.45%	33.45%	32.67%

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

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

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

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

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

Methods and Assumptions:

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

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

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

Assumptions and Methodology

Economic Assumptions:

Discount Rate	An interest rate of 2.21% was used to calculate the net OPEB expense for the fiscal years ending June 30, 2020 and June 30, 2021.
Payroll Growth	2.00% per year.

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

Trend It was assumed that health care costs would increase in accordance with the trend rates in the following table:

Year	Medical
2019	1.82%
2020	9.50%
2021	9.00%
2022	8.50%
2023	8.00%
2024	7.50%
2025	7.00%
2026	6.50%
2027	6.00%
2028	5.50%
2029	5.00%

Demographic Assumptions:

Census Collection Date The census used in this report represents the eligible population as of July 1, 2019. The valuation date is July 1, 2019 and the measurement dates are June 30, 2020 and June 30, 2021.

Mortality SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006).

Retirement Rates The following are representative assumed retirement rates for eligible employees:

Age	Male	Female
50	NA	NA
55	0.05000	0.05000
60	0.12500	0.13000
65	0.22000	0.18667
>=70	1.0000	1.00000

Termination Rates These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement:

Age	Male	Female
35	0.05500	0.06000
40	0.04500	0.05000
45	0.04000	0.04000
50	0.03500	0.03500

Benefit Assumptions

Participation Rate It was assumed that 100% of future retirees eligible for coverage will elect coverage under the Yellow Open Access w/Choice plan.

Percent Married It was assumed that 80% of future retirees will be married with spouses who will also elect coverage under the Yellow Open Access w/Choice plan, with male spouses assumed to be 3 years older than female spouses.

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

Per Capita Costs

The following rates were used in the development of per capita costs:

Plan	Single	Two Person	Single	Two Person
Yellow Open Access w/Choice	\$9,894.00	\$ 19,788.00	\$ 10,074.00	\$ 20,148.00

Implicit Subsidy

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

The following age-based factors were used to adjust for the implicit subsidy and are based on an average age of 46.

Age	Annual Increase Factor
20	3.30%
25	3.30%
30	3.30%
35	3.30%
40	3.30%
45	3.80%
46	3.80%
50	4.30%
55	4.40%

Other Assumptions:

Actuarial Value of Assets

None.

Administrative Expenses

Included in the premiums used

COMBINING AND INDIVIDUAL FUND SCHEDULES

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

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 15,271,018	\$ 15,271,018	\$ -
Other local sources:			
Tuition	10,000	34,999	24,999
Investment earnings	5,000	18,696	13,696
Miscellaneous	56,500	9,254	(47,246)
Total from other local sources	71,500	62,949	(8,551)
State sources:			
Adequacy aid (grant)	2,663,777	2,663,777	-
Adequacy aid (tax)	1,905,156	1,905,156	-
Kindergarten aid	19,122	19,122	-
Catastrophic aid	165,000	262,610	97,610
Vocational aid	9,500	17,704	8,204
Other state aid	10,000	9,965	(35)
Total from state sources	4,772,555	4,878,334	105,779
Federal sources:			
Medicaid	105,000	203,921	98,921
Total revenues	20,220,073	\$ 20,416,222	\$ 196,149
Use of fund balance to reduce school district assessment	538,541		
Total revenues and use of fund balance	\$ 20,758,614		

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 8,500	\$ 7,163,005	\$ 6,644,477	\$ 10,968	\$ 516,060
Special programs	-	4,216,003	3,828,146	-	387,857
Vocational programs	-	157,950	123,752	-	34,198
Other programs	-	596,540	531,328	-	65,212
Total instruction	8,500	12,133,498	11,127,703	10,968	1,003,327
Support services:					
Student	-	1,362,896	1,175,720	-	187,176
Instructional staff	47,117	927,834	1,136,874	73,259	(235,182)
General administration	45,751	136,996	310,683	2,500	(130,436)
Executive administration	3,957	953,098	988,163	40,000	(71,108)
School administration	-	1,054,367	973,332	-	81,035
Operation and maintenance of plant	2,916	1,251,568	1,127,832	107,032	19,620
Student transportation	-	780,706	619,404	-	161,302
Other	-	31,763	14,705	-	17,058
Total support services	99,741	6,499,228	6,346,713	222,791	29,465
Debt service:					
Principal of long-term debt	-	655,000	655,000	-	-
Interest on long-term debt	-	1,442,388	1,442,388	-	-
Total debt service	-	2,097,388	2,097,388	-	-
Facilities acquisition and construction	50,446	-	35,226	7,938	7,282
Other financing uses:					
Transfers out	-	28,500	8,334	-	20,166
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 158,687	\$ 20,758,614	\$ 19,615,364	\$ 241,697	\$ 1,060,240

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

Unassigned fund balance, beginning		\$ 944,176
Changes:		
Unassigned fund balance used to reduce school district assessment		(538,541)
2019-2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 196,149	
Unexpended balance of appropriations (Schedule 2)	<u>1,060,240</u>	
2019-2020 Budget surplus		1,256,389
Increase in committed fund balance		(50,000)
Increase in assigned fund balance (non-encumbrance)		<u>(100,000)</u>
Unassigned fund balance, ending		<u><u>\$ 1,512,024</u></u>

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

	<u>Special Revenue Funds</u>		
	State and Local Grants	Student Activities	Total
ASSETS			
Cash and cash equivalents	\$ 55,900	\$ 145,591	\$ 201,491
Accounts receivable	1,425	-	1,425
Prepaid items	-	1,469	1,469
Total assets	<u>\$ 57,325</u>	<u>\$ 147,060</u>	<u>\$ 204,385</u>
FUND BALANCES			
Nonspendable	\$ -	\$ 1,469	\$ 1,469
Restricted	57,325	-	57,325
Assigned	-	145,591	145,591
Total fund balances	<u>\$ 57,325</u>	<u>\$ 147,060</u>	<u>\$ 204,385</u>

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

	Special Revenue Funds		
	State and Local Grants	Student Activities	Total
REVENUES			
Other local	\$ 184,934	\$ 136,578	\$ 321,512
State	163,061	-	163,061
Federal	870	-	870
Total revenues	<u>348,865</u>	<u>136,578</u>	<u>485,443</u>
EXPENDITURES			
Current:			
Instruction	10,323	129,732	140,055
Support services:			
Student transportation	2,000	-	2,000
Noninstructional services	354	-	354
Facilities acquisition and construction	258,586	-	258,586
Total expenditures	<u>271,263</u>	<u>129,732</u>	<u>400,995</u>
Net change in fund balances	77,602	6,846	84,448
Fund balances, beginning, as restated (see Note 14)	(20,277)	140,214	119,937
Fund balances, ending	<u>\$ 57,325</u>	<u>\$ 147,060</u>	<u>\$ 204,385</u>

SCHEDULE 6
NEWMARKET SCHOOL DISTRICT
Student Activity Funds
Combining Balance Sheet
June 30, 2020

	Student Activity Funds			
	JR/SR High School	Elementary School	Athletics	Total
ASSETS				
Cash and cash equivalents	\$ 115,864	\$ 18,195	\$ 11,532	\$ 145,591
Prepaid items	-	-	1,469	1,469
Total assets	<u>\$ 115,864</u>	<u>\$ 18,195</u>	<u>\$ 13,001</u>	<u>\$ 147,060</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 1,469	\$ 1,469
Assigned	115,864	18,195	11,532	145,591
Total fund balances	<u>\$ 115,864</u>	<u>\$ 18,195</u>	<u>\$ 13,001</u>	<u>\$ 147,060</u>

SCHEDULE 7
NEWMARKET SCHOOL DISTRICT
Student Activity Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2020

	Student Activity Funds			
	JR/SR High School	Elementary School	Athletics	Total
REVENUES				
Other local	\$ 89,936	\$ 12,020	\$ 34,622	\$ 136,578
EXPENDITURES				
Current:				
Instruction	92,873	5,782	31,077	129,732
Net change in fund balances	(2,937)	6,238	3,545	6,846
Fund balances, beginning, as restated (see Note 14)	118,801	11,957	9,456	140,214
Fund balances, ending	\$ 115,864	\$ 18,195	\$ 13,001	\$ 147,060



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS

To the Members of the School Board
Newmarket School District
Newmarket, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Newmarket School District as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Newmarket 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 Newmarket School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Newmarket School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the following deficiency in internal control to be a material weakness:

Capital Asset Management

The capital asset reports generated by the School District's capital asset software program does not provide reports sufficient to perform financial statement reporting. The asset reports use various Class Codes, which the School District was unable to associate with the proper asset type. Numerous system reports as well as review of predecessor auditor workpapers was required to determine the proper allocation of these Class Codes. Capital asset information provided by the software system should be designed to meet the financial statement reporting requirements.

Per the School District's Capital (Fixed) Asset Procedures (DID-R), "The capitalization threshold for software purchases and equipment is \$500 per unit. However, the district will inventory and tag all PC's, printers, and data processing equipment." General guidance suggests using a capital asset threshold of not less than \$5,000 per individual item. Doing so will cause the capital asset recording and tracking to be unnecessarily cumbersome. While the procedures do specify a \$5,000 threshold for furniture, they have not assigned an asset threshold for any other asset class. The procedures also do not specify useful lives for any capital asset classes.

In review of the detailed capital asset list, this list also appears to serve as an asset inventory list. Certain assets, while inventoriable, may not be considered capital in nature. There were numerous items on the list that did not meet the School District's capitalization threshold of \$500 for software purchases, as some capitalized items were valued at less than \$100. Although the School District may wish to track these items for inventory purposes, they do not meet the criteria of a capital asset for financial statement reporting purposes.

Finally, the capital asset list contains a significant number of fully depreciated capital assets, some of which have far exceeded their assigned useful lives. This could indicate that old capital assets are not being removed when the asset is disposed, or the School District is not assigning reasonable useful lives to its capital assets.

Newmarket School District
Independent Auditor's Communication of Significant Deficiency and Material Weakness

To address the issues identified with capital assets, we recommend the following:

- The School District should begin by reviewing its capital asset procedures. The procedures should be revised to establish capital asset thresholds for all capital asset classes, ideally not less than \$5,000 per individual item. The procedures should establish useful lives for each asset class based on the asset's anticipated life expectancy. The procedures should also differentiate between capital assets and inventorable assets. Once adopted, changes should be implemented to the capital asset list prospectively.
- The School District should then verify the existence of its capital assets, focusing particularly on fully depreciated assets, to determine whether or not the asset is still in use. Assets that are no longer in use should be removed.
- The School District should work to improve the reporting capabilities of its capital asset software to ensure sure the appropriate information is being generated for financial statement disclosure. This includes easily identifiable asset class codes, allocations of capital asset additions by asset type and expenditure function, and allocation of depreciation expense by asset type and expenditure function.
- The School District should also differentiate between its needs for capital asset reporting for financial statement purposes and internal asset tracking for inventory purposes. Based on these needs, separate asset lists should be created within the software so that non-capital inventorable assets are not included in the reporting of capital assets.

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. We consider the following deficiency in internal control to be a significant deficiency:

Food Service Inventories

During an observation of the food service inventory, numerous discrepancies were identified on the School District's food service inventory list, including inventoried goods that could not be located, incorrect counts of inventoried items, as well as items not included on the inventory list. Due to these discrepancies, the School District was required to recount its food service inventory. As a result of the recount, the food service inventory balance was increased by \$6,714.

Furthermore, since the food service fund reported an operating deficit for the year and required a transfer from the general fund to offset the deficit, the required amount of the transfer could not be determined until the food service inventory was corrected.

Upon being notified of the discrepancies, the School District did promptly take corrective action by performing a recount of the food service inventory items. In addition, a new inventory document was created by School District in order to assist with the inventory process going forward.

This communication is intended solely for the information and use of management, the School Board, and others within Newmarket School District, and is not intended to be and should not be used by anyone other than these specified parties.

Plodzik & Sanderson
Professional Association

January 13, 2021