

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

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

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the School Board  
Dresden School District  
Hanover, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Dresden 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 Dresden School District, as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the general 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-D 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.

*Dresden 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 - NHRS,
- Schedule of School District Contributions - Pensions - NHRS,
- Schedule of the School District's Proportionate Share of Net Pension Liability - VSTRS,
- Schedule of School District Contributions - Pensions - VSTRS,
- Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability - NHRS,
- Schedule of School District Contributions - Other Postemployment Benefits - NHRS,
- Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability - VSTRS,
- Schedule of School District Contributions - Other Postemployment Benefits - VSTRS,
- 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 Dresden 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.

April 15, 2021

*Plodzik & Sanderson  
Professional Association*

# DRESDEN SCHOOL DISTRICT

## Management's Discussion And Analysis (MD&A) of the Annual Financial Report For The Year Ended June 30, 2020

The Superintendent of Schools and Business Administrator of School Administrative Unit (SAU) #70, as management of the Dresden School District (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2020. This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual audit.

### FINANCIAL HIGHLIGHTS

The District's total net position for the year ending June 30, 2020, was \$14,071,179. Net position decreased by \$109,072 or 0.77% between July 1, 2019 and June 30, 2020. The District's total net position consisted of \$28,264,221 in capital assets net of debt, \$224,487 restricted net position, and (\$14,417,529), in unrestricted net position. The District's long-term obligations of \$23,104,648 consisted of \$7,308,827 in general obligation bonds, \$155,428 in unamortized bond premium, \$38,047 capital leases payable, \$157,469 in compensated absences, and \$5,004,605 in other postemployment benefits. In compliance with GASB 68, the district now reports its prorated share of the unfunded liability of the New Hampshire Retirement System on its financial statements. That amount--\$10,440,272--is now included in the statement of Long Term Liabilities.

During the year, the District's combined expenses of \$29,969,489 were \$109,072 more than its revenues of \$29,860,417. Governmental expenditure activities include unallocated depreciation in the amount of \$1,326,859. Revenues consisted of: charges for services/tuition; operating grants and contributions; capital grants and contributions, and general revenues (which consist of local and state property tax assessments, state and federal grants, and miscellaneous amounts).

### 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 and compliance information. The district's annual financial report consists of four elements: 1) government-wide financial statements; 2) fund financial statements; 3) notes to the financial statements; and 4) required supplementary information, including this discussion and analysis. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting. The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund definitions are part of a uniform accounting system and chart of accounts mandated by the state and federal governments for all school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A detailed statement of financial activity is reported annually to the State of New Hampshire through its annual MS-25 and DOE-25 reports.

All of the funds of the District are divided into two categories: governmental funds and fiduciary funds. The General Fund, Grants Fund, High School Food Service Fund, Special Gifts Fund and Student Activity Funds comprise the major governmental funds, while four Special Revenue Funds are consolidated as non-major governmental funds. The non-major funds are the Richmond Middle School Food Service Fund, March Intensive Fund, Mindfulness Fund and the Drainage/Turf Field Upgrade Capital Project Fund. General Fund revenues and expenditures are compared to budget in the Budgetary Comparison Schedules 1 and 2; the non-major funds can be reviewed in Schedules 4 and 5. Fiduciary funds are private-purpose trust funds, which are used to benefit outside parties and cannot be used to support any of the district's own programs, and agency funds, which are the student activities funds.

### *Notes To The Financial Statements*

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### *Change in Net Position*

The government-wide financial statements—the Statement of Net Position (Exhibit A) and Statement of Activities (Exhibit B) provide a comprehensive summary of governmental activities. The Statement of Net Position may serve, over time, as a useful indicator of a government's financial position. As of June 30, 2020, the unrestricted net position of the District totaled (\$14,417,529). The largest portion of the District's net position reflects its investment in capital assets (that is, land and improvements, buildings and improvements, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt

**Dresden School District**  
**Management Discussion and Analysis for the Year Ended June 30, 2020**

obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention, thus the depreciated value of a District asset, as reflected in these reports, does not reflect an asset's useful, market or replacement value. Comparative Net Position for the periods ending June 30, 2019 (as restated), and June 30, 2020 are shown below.

<b>Comparative Statement of Changes in Net Position</b>			
	<b>2020</b>	<b>2019</b>	<b>Increase</b>
		<b>(As restated)</b>	<b>(Decrease)</b>
<b>Current assets</b>	\$ 1,719,140	\$ 2,338,636	\$ (619,496)
<b>Non-current assets</b>	35,733,733	36,111,723	(377,990)
<b>Total assets</b>	<u>37,452,873</u>	<u>38,450,359</u>	<u>(997,486)</u>
<b>Deferred outflows of resources</b>	<u>2,225,845</u>	<u>2,386,584</u>	<u>(160,739)</u>
<b>Current liabilities</b>	1,345,707	1,688,106	(342,399)
<b>Non-current liabilities</b>	23,104,648	24,022,336	(917,688)
<b>Total liabilities</b>	<u>24,450,355</u>	<u>25,710,442</u>	<u>(1,260,087)</u>
<b>Deferred inflows of resources</b>	<u>1,157,184</u>	<u>946,250</u>	<u>210,934</u>
<b>Net Investment in Capital Assets</b>	28,264,221	27,713,045	551,176
<b>Restricted Net Position</b>	224,487	107,688	116,799
<b>Unrestricted Net Position</b>	<u>(14,417,529)</u>	<u>(13,640,482)</u>	<u>(777,047)</u>
<b>Total Net Position</b>	<u><b>\$ 14,071,179</b></u>	<u><b>\$ 14,180,251</b></u>	<u><b>\$ (109,072)</b></u>

The School District's negative net position is due in part to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires the School District to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.

***Statement of Activities***

The Statement of Activities (Exhibit B) provides an important record of overall expenditures and revenues for the fiscal year; it includes transactions from all funds. The District's total expenses were \$29,969,489; total revenues were \$29,860,417, resulting in an decrease in net position of \$109,072. The largest share of revenue, \$20,792,060 (69.7% of total revenues), was from assessments from the two member districts. The District's expenditures were largely for instruction (\$18,857,211 or 62.9%) and support services (\$7,361,652 or 24.6%). Additional expenses include Interest on Long-Term Debt (\$1,838,903 or 6.1%), Unallocated Depreciation (\$1,326,859 or 4.4%) and other Non-Instructional Services (\$584,864 or 2.0%).

A comparative 2-year report is as follows.

Dresden School District  
Management Discussion and Analysis for the Year Ended June 30, 2020

Comparative Statement of Changes in Activities

	FY2020	FY2019	\$ Chg	% Chg
Instruction	\$ 18,857,211	\$ 17,558,396	\$ 1,298,815	7.40%
Support Services				
Student	1,391,502	1,383,893	7,609	0.55%
Instructional Staff	576,416	698,820	(122,404)	-17.52%
General Administration	107,006	116,928	(9,922)	-8.49%
Executive Administration	965,023	904,759	60,264	6.66%
School Administration	2,117,634	2,158,729	(41,095)	-1.90%
Operation & Maintenance of Plant	2,053,705	2,136,571	(82,866)	-3.88%
Student Transportation	150,366	231,629	(81,263)	-35.08%
Non-Instructional Services	584,864	643,724	(58,860)	-9.14%
Interest on Long-Term Debt	1,838,903	1,713,775	125,128	7.30%
Depreciation - Unallocated	1,326,859	1,393,522	(66,663)	-4.78%
<b>Total Governmental Activities</b>	<b>29,969,489</b>	<b>28,940,746</b>	<b>1,028,743</b>	<b>-58.89%</b>
<b>Program Revenues</b>				
Charges for Services	5,546,109	5,940,689	(394,580)	-6.64%
Operating Grants & Contributions	2,641,867	2,812,057	(170,190)	-6.05%
Capital Grants & Contributions	385,074	404,588	(19,514)	-4.82%
<b>General Revenue</b>				
School District Assessment	20,792,060	20,480,180	311,880	1.52%
Unrestricted Investment Income	29,180	46,844	(17,664)	-37.71%
Miscellaneous	466,127	196,143	269,984	137.65%
<b>Total Revenues</b>	<b>29,860,417</b>	<b>29,880,501</b>	<b>(20,084)</b>	<b>-0.07%</b>
Change in Net Position	(109,072)	939,755	(1,048,827)	-111.61%
Prior period adjustment for GASB No. 84	-	237,964	(237,964)	
Net Position, beginning	14,180,251	13,002,532	1,177,719	9.06%
Net Position, ending	<b>\$14,071,179</b>	<b>\$14,180,251</b>	<b>\$ (109,072)</b>	<b>-0.77%</b>

**FUND FINANCIAL STATEMENTS**

*General Fund*

The Dresden School District governmental funds include the General Fund, Grants Fund, High School Food Service, Special Gifts, Student Activity Funds and "Other Governmental" funds. The School District uses separate fund accounting for each of its funds to ensure compliance with finance-related legal requirements. Information from the fund accounting system is essential in managing budgets as the financial year progresses and is useful in assessing financial resource needs for future operation of the schools. The General Fund is what most people think of as "the budget" since it is the focal point of the Annual District Meeting and largely supported by locally raised taxes.

Schedules 1, 2, and 3 detail general fund activity for FY2020. Budgeted revenues (excluding prior year's fund balance) totaled \$26,049,336, while actual revenues equaled \$25,854,702, an unfavorable variance of \$194,634. There were two significant and two smaller unfavorable results including tuition (\$135,610), student activities (\$40,234), investment earnings (\$6,695) and miscellaneous (\$7,535).

**Dresden School District**  
**Management Discussion and Analysis for the Year Ended June 30, 2020**

Many of the unfavorable revenue results were due to the challenges of closing down school operations due to the COVID-19 pandemic. At \$20,792,060, assessments from the two member districts comprise 80.42% of general fund revenues. Against budgeted expenditures and prior year encumbrances of \$26,954,023 and \$114,119, the district expended or encumbered \$26,358,363, leaving \$709,779 (2.6%) unexpended. The most significant budget variances are in “Special Programs”, under budget by \$194,349; “Operation & Maintenance of Plant,” under budget by \$206,730; “Other Programs” under budget by \$89,019; “Transportation,” under budget by \$94,522; and “Facilities,” under budget by \$114,711 used to finance necessary building and grounds repairs.

The cost of direct instruction makes up 57.8% of all general fund expenditures, while Support Services comprise 27.3% of the budget. The remaining 14.9% includes debt service, facilities and transfers.

***Other Funds***

Activity for the Richmond Middle School Food Service, March Intensive, Mindfulness, and Drainage/Turf Field Capital Project Fund are shown on Schedules 4 and 5. Reported fund balances are (\$6,938); \$17,604; \$0; and \$32,790 respectively.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

On June 30, 2020, the District reported capital assets of \$35,733,733 (net of accumulated depreciation), on a range of capital assets, including land and improvements, buildings and improvements, vehicles, equipment, and construction work in progress. The district annually invests in new furnishings, computers and peripherals, printed media, music, and athletic equipment.

**Statement of Capital Assets**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>% Change</u>
<b>Not Being Depreciated:</b>			
Land	\$ 1,880,377	\$ 1,880,377	0.00%
Construction in Progress	945,836	495,798	90.77%
<b>Being Depreciated:</b>			
Land Improvements	9,981,809	9,624,318	3.71%
Building and Building Improvements	41,599,699	41,588,188	0.03%
Machinery, Equipment, and Vehicles	2,829,922	2,596,052	9.01%
Infrastructure	20,239	20,239	0.00%
<b>Total Capital Assets Being Depreciated</b>	<u>54,431,669</u>	<u>53,828,797</u>	<u>1.12%</u>
<b>Total All Capital Assets</b>	<u>57,257,882</u>	<u>56,204,972</u>	<u>1.87%</u>
<b>Less Accumulated Depreciation:</b>			
Land Improvements	(3,241,798)	(3,003,793)	7.92%
Building and Building Improvements	(15,980,707)	(14,971,490)	6.74%
Machinery, Equipment, and Vehicles	(2,290,006)	(2,107,340)	8.67%
Infrastructure	(11,638)	(10,626)	9.52%
<b>Total accumulated depreciation</b>	<u>(21,524,149)</u>	<u>(20,093,249)</u>	<u>7.12%</u>
<b>Net Book Value, capital assets being depreciated</b>	<u>32,907,520</u>	<u>33,735,548</u>	<u>-2.45%</u>
<b>Net Book Value, all capital assets</b>	<u>\$ 35,733,733</u>	<u>\$ 36,111,723</u>	<u>-1.05%</u>

***Long-Term Debt***

The district has five general obligation bond issues outstanding. Two of these were issued for school construction and renovation projects during FY2003 and FY2004. The original principal for each was \$37,775,000 and \$4,000,000 respectively. The District has issued three bonds for athletic field acquisition, construction and upgrades, one during the 2000-01 fiscal year for \$1,100,000, one during the 2006-07 fiscal year for \$2,578,120 (including bond premium), and the other during this 2019-20 fiscal year for \$900,000. The first four issues were for twenty-year terms and the last one is for fifteen years, with the intention of paying it off in full in year six.

**Long Term Liabilities**

	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>\$ Change</b>
<b>General Obligation Bond</b>	\$ 7,308,827	\$ 8,120,736	\$ (811,909)
<b>Unamortized Bond Premium</b>	155,428	192,331	(36,903)
<b>Capital Leases Payable</b>	38,047	85,611	(47,564)
<b>Compensated Absences</b>	157,469	120,336	37,133
<b>Net Other Postemployment Benefits</b>	5,004,605	4,503,636	500,969
<b>Net Pension Liability</b>	10,440,272	10,999,686	(559,414)
<b>Total Long-Term Debt Outstanding</b>	<b>\$ 23,104,648</b>	<b>\$ 24,022,336</b>	<b>\$ (917,688)</b>

**FUTURE BUDGETARY IMPLICATIONS**

The residents of Hanover, New Hampshire and Norwich, Vermont have a long history of strong support for the education of their children and for providing sufficient resources for quality education. There is no indication of any change in this support. Nonetheless, funding for education is a matter of concern in view of constantly changing economic conditions. The lack of long-term legislation for education funding in New Hampshire creates an atmosphere of uncertainty and concern over tax rate growth. School policymakers constantly struggle with the challenges of operating the district's programs. With state financing systems in both states that struggle to equitably fund education on a long term basis taxpayers worry over the prospect of rising tax rates. Increases in the costs of NH retirement system rates, health insurance costs, special education funding, and building as well as system upgrades will present significant budgetary challenges. School administrators are constantly mindful of the financial impact of school budgets on the taxpayer. The school board and administration are committed to continually looking for ways to contain cost increases and to keep budgets as low as possible, while at the same time not compromising services to students. Taxpayers have shown patience in that they have not let taxation issues detract from their financial support of their schools.

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. It is important that we recognize and disclose the following event:

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 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 of the School District though such an impact is unknown at this time. The School District does have a good amount of reserves available to deal with unscheduled emergency issues that might arise with building needs and/or special education pressures.

**Dresden School District  
Management Discussion and Analysis for the Year Ended June 30, 2020**

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**Contacting School District's Financial Management**

Questions regarding this report should be directed to Jay Badams, PhD, Superintendent of Schools or to Jamie Teague, Business Administrator, at (603-643-6050) or by mail at:

Dresden School District  
c/o School Administrative Unit #70  
41 Lebanon Street, Suite 2  
Hanover, New Hampshire 03755

***BASIC FINANCIAL STATEMENTS***

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

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 683,860
Investments	842,464
Other receivables	20,685
Intergovernmental receivable	168,160
Prepaid items	3,971
Capital assets, not being depreciated	2,826,213
Capital assets, net of accumulated depreciation	32,907,520
Total assets	37,452,873
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	1,712,272
Amounts related to other postemployment benefits	513,573
Total deferred outflows of resources	2,225,845
<b>LIABILITIES</b>	
Accounts payable	188,408
Accrued interest payable	1,157,299
Noncurrent obligations:	
Due within one year	1,773,703
Due in more than one year	21,330,945
Total liabilities	24,450,355
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	13,250
Amounts related to pensions	786,965
Amounts related to other postemployment benefits	356,969
Total deferred inflows of resources	1,157,184
<b>NET POSITION</b>	
Net investment in capital assets	28,264,221
Restricted	224,487
Unrestricted	(14,417,529)
Total net position	\$ 14,071,179

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

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

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 18,857,211	\$ 5,057,286	\$ 2,641,867	\$ -	\$(11,158,058)
Support services:					
Student	1,391,502	-	-	-	(1,391,502)
Instructional staff	576,416	-	-	-	(576,416)
General administration	107,006	-	-	-	(107,006)
Executive administration	965,023	-	-	-	(965,023)
School administration	2,117,634	-	-	-	(2,117,634)
Operation and maintenance of plant	2,053,705	22,286	-	-	(2,031,419)
Student transportation	150,366	9,588	-	-	(140,778)
Noninstructional services	584,864	456,949	-	-	(127,915)
Interest on long-term debt	1,838,903	-	-	385,074	(1,453,829)
Depreciation - unallocated	1,326,859	-	-	-	(1,326,859)
Total governmental activities	<u>\$ 29,969,489</u>	<u>\$ 5,546,109</u>	<u>\$ 2,641,867</u>	<u>\$ 385,074</u>	<u>(21,396,439)</u>
General revenues:					
School district assessment					20,792,060
Interest					29,180
Miscellaneous					466,127
Total general revenues					<u>21,287,367</u>
Change in net position					(109,072)
Net position, beginning, as restated (see Note 16)					14,180,251
Net position, ending					<u>\$ 14,071,179</u>

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

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

	General	Grants	High School Fund Service	Special Gifts	Student Activity Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 152,609	\$ -	\$ 38,114	\$ 192,729	\$ 226,767	\$ 73,641	\$ 683,860
Investments	784,686	-	-	-	57,778	-	842,464
Receivables:							
Accounts	20,618	-	-	-	-	67	20,685
Intergovernmental	81,468	74,304	12,388	-	-	-	168,160
Interfund receivables	74,304	-	-	-	-	-	74,304
Prepaid items	3,971	-	-	-	-	-	3,971
Total assets	<u>\$ 1,117,656</u>	<u>\$ 74,304</u>	<u>\$ 50,502</u>	<u>\$ 192,729</u>	<u>\$ 284,545</u>	<u>\$ 73,708</u>	<u>\$ 1,793,444</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 81,185	\$ -	\$ 67,074	\$ 1,032	\$ 8,820	\$ 30,297	\$ 188,408
Interfund payable	-	74,304	-	-	-	-	74,304
Total liabilities	<u>81,185</u>	<u>74,304</u>	<u>67,074</u>	<u>1,032</u>	<u>8,820</u>	<u>30,297</u>	<u>262,712</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	13,250	-	-	-	-	-	13,250
<b>FUND BALANCES (DEFICIT)</b>							
Nonspendable	3,971	-	-	-	-	-	3,971
Restricted	-	-	-	191,697	-	32,790	224,487
Committed	56,126	-	-	-	-	17,604	73,730
Assigned	102,017	-	-	-	275,725	-	377,742
Unassigned (deficit)	861,107	-	(16,572)	-	-	(6,983)	837,552
Total fund balances (deficit)	<u>1,023,221</u>	<u>-</u>	<u>(16,572)</u>	<u>191,697</u>	<u>275,725</u>	<u>43,411</u>	<u>1,517,482</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,117,656</u>	<u>\$ 74,304</u>	<u>\$ 50,502</u>	<u>\$ 192,729</u>	<u>\$ 284,545</u>	<u>\$ 73,708</u>	<u>\$ 1,793,444</u>

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,517,482
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	\$ 57,257,882	
Less accumulated depreciation	<u>(21,524,149)</u>	35,733,733
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 1,712,272	
Deferred inflows of resources related to pensions	(786,965)	
Deferred outflows of resources related to OPEB	513,573	
Deferred inflows of resources related to OPEB	<u>(356,969)</u>	1,081,911
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (74,304)	
Payables	<u>74,304</u>	-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(1,157,299)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 7,308,827	
Unamortized bond premium	155,428	
Capital lease	38,047	
Compensated absences	157,469	
Net pension liability	10,440,272	
Other postemployment benefits	<u>5,004,605</u>	(23,104,648)
Net position of governmental activities (Exhibit A)		<u>\$ 14,071,179</u>

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

	General	Grants	Fund Service	Special Gifts	Student Activity Funds	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
School district assessment	\$ 20,792,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,792,060
Other local	4,655,320	-	324,675	133,329	576,879	323,129	6,013,332
State	407,927	-	-	-	-	-	407,927
Federal	-	273,013	-	-	-	-	273,013
Total revenues	<u>25,855,307</u>	<u>273,013</u>	<u>324,675</u>	<u>133,329</u>	<u>576,879</u>	<u>323,129</u>	<u>27,486,332</u>
<b>EXPENDITURES</b>							
Current:							
Instruction	15,235,171	273,013	-	26,425	538,571	200,329	16,273,509
Support services:							
Student	1,385,247	-	-	-	-	-	1,385,247
Instructional staff	615,539	-	-	-	-	-	615,539
General administration	107,006	-	-	-	-	-	107,006
Executive administration	965,023	-	-	-	-	-	965,023
School administration	2,084,009	-	-	-	-	-	2,084,009
Operation and maintenance of plant	1,886,852	-	-	-	-	-	1,886,852
Student transportation	161,496	-	-	-	-	-	161,496
Noninstructional services	-	-	410,506	-	-	200,460	610,966
Debt service:							
Principal	1,748,343	-	-	-	-	-	1,748,343
Interest	1,800,557	-	-	-	-	-	1,800,557
Facilities acquisition and construction	153,353	-	-	-	-	807,530	960,883
Total expenditures	<u>26,142,596</u>	<u>273,013</u>	<u>410,506</u>	<u>26,425</u>	<u>538,571</u>	<u>1,208,319</u>	<u>28,599,430</u>
Excess (deficiency) of revenues over (under) expenditures	(287,289)	-	(85,831)	106,904	38,308	(885,190)	(1,113,098)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	165	-	50,400	-	-	64,667	115,232
Transfers out	(115,067)	-	-	-	-	(165)	(115,232)
Bond issued	-	-	-	-	-	900,000	900,000
Total other financing sources (uses)	<u>(114,902)</u>	<u>-</u>	<u>50,400</u>	<u>-</u>	<u>-</u>	<u>964,502</u>	<u>900,000</u>
Net change in fund balances	(402,191)	-	(35,431)	106,904	38,308	79,312	(213,098)
Fund balances, beginning	1,425,412	-	18,859	84,793	237,417	(35,901)	1,730,580
Fund balances, ending	<u>\$ 1,023,221</u>	<u>\$ -</u>	<u>\$ (16,572)</u>	<u>\$ 191,697</u>	<u>\$ 275,725</u>	<u>\$ 43,411</u>	<u>\$ 1,517,482</u>

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

**EXHIBIT C-4**  
**DRESDEN 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)		\$ (213,098)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 1,052,910	
Depreciation expense	<u>(1,430,900)</u>	(377,990)
On-behalf contributions by the State of Vermont to the Vermont State Teachers' Retirement System to cover the School District's share of the expense.		
Contributions related to pension liability	\$ 1,895,917	
Pension expense	<u>(1,895,917)</u>	
Contributions related to other postemployment benefits liability	478,168	
Other postemployment benefits expense	<u>(478,168)</u>	-
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (115,232)	
Transfers out	<u>115,232</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. Neither transaction, however, has any effect on net position.		
Issuance of bond	\$ (900,000)	
Principal repayment of bond	1,711,909	
Amortization of bond premium	36,903	
Principal repayment of capital leases	<u>47,564</u>	896,376
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.		
Increase in accrued interest expense	\$ (75,249)	
Increase in compensated absences payable	(37,133)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(241,178)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(60,800)</u>	(414,360)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (109,072)</u></u>

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

**EXHIBIT D**  
**DRESDEN 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		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
School district assessment	\$ 20,792,060	\$ 20,792,060	\$ 20,792,060	\$ -
Other local	4,844,624	4,844,624	4,654,550	(190,074)
State	412,652	412,652	407,927	(4,725)
Total revenues	<u>26,049,336</u>	<u>26,049,336</u>	<u>25,854,537</u>	<u>(194,799)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	15,595,685	15,570,987	15,235,045	335,942
Support services:				
Student	1,406,064	1,415,358	1,385,247	30,111
Instructional staff	650,532	642,980	612,437	30,543
General administration	63,014	62,714	107,006	(44,292)
Executive administration	965,023	965,023	965,023	-
School administration	2,054,857	2,090,791	2,084,009	6,782
Operation and maintenance of plant	2,117,343	2,091,455	1,884,725	206,730
Student transportation	250,308	256,018	161,496	94,522
Debt service:				
Principal	1,748,343	1,748,343	1,748,343	-
Interest	1,787,854	1,787,854	1,800,557	(12,703)
Facilities acquisition and construction	260,000	260,000	145,289	114,711
Total expenditures	<u>26,899,023</u>	<u>26,891,523</u>	<u>26,129,177</u>	<u>762,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(849,687)</u>	<u>(842,187)</u>	<u>(274,640)</u>	<u>567,547</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	165	165
Transfers out	(55,000)	(62,500)	(115,067)	(52,567)
Total other financing sources (uses)	<u>(55,000)</u>	<u>(62,500)</u>	<u>(114,902)</u>	<u>(52,402)</u>
Net change in fund balance	<u>\$ (904,687)</u>	<u>\$ (904,687)</u>	(389,542)	<u>\$ 515,145</u>
Decrease in nonspendable fund balance			8,278	
Unassigned fund balance, beginning			1,242,371	
Unassigned fund balance, ending			<u>\$ 861,107</u>	

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

*EXHIBIT E-1*  
*DRESDEN SCHOOL DISTRICT*  
*Fiduciary Funds*  
*Statement of Fiduciary Net Position*  
*June 30, 2020*

	<u>Private Purpose Trust</u>
<b>ASSETS</b>	
Intergovernmental receivable	<u>\$ 35,313</u>
<b>NET POSITION</b>	
Held in trust for specific purposes	<u>\$ 35,313</u>

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

**EXHIBIT E-2**  
**DRESDEN SCHOOL DISTRICT**  
*Fiduciary Funds*  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2020**

	Private Purpose Trust
<b>ADDITIONS</b>	
Contributions	\$ 1,804
<b>DEDUCTIONS</b>	
Benefits paid	574
Change in net position	1,230
Net position, beginning	34,083
Net position, ending	\$ 35,313

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

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

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

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**DRESDEN 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 Dresden School District, in Hanover, 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-D for further information on this pronouncement.

**1-A Reporting Entity**

The Dresden School District is a municipal corporation governed by an elected 12-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

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

**1-B Government-wide and Fund Financial Statements**

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

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and are presented in the other governmental column of the fund financial statements.

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

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

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

**Measurement Focus and Basis of Accounting** – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for custodial funds which do not have a measurement focus. 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.

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

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. 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 the district portion of the student activity funds and expendable trust funds are consolidated in the general fund.

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

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

**Special Gifts** – accounts for amounts that were donated to the district.

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

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

**Fiduciary Fund Financial Statements** – Fiduciary fund financial statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These funds account for resources held by the School District for the benefit of other parties, and include the private purpose trust funds. Fiduciary funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

### **1-D Cash and Cash Equivalents**

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits. 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.

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

***1-E Investments***

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the School District to invest in the following type of obligations:

- Obligations of the United States government.
- The public deposit investment pool established pursuant to RSA 383:22;
- Savings bank deposits; and
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the School District. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

**Fair Value Measurement of Investments** – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using the net asset value (NAV) as a practical expedient to estimate fair value, the School District categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

**Level 1** – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets and liabilities that the School District has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

**Level 2** – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

**Level 3** – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative financial instruments. The School District held no Level 3 investments as of June 30, 2020.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level of the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the School District and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified as Level 1. Corporate fixed income securities and certain government securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair value for shares in registered mutual funds and exchange traded funds are based on published share prices and classified in Level 1.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the School District held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized in Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the School District in accordance with the NHPDIP's information statement.

***1-F 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.

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***1-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.

***1-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. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The School District has established a threshold of \$5,000 or more and an estimated useful life in excess of one year for capitalization of depreciable assets.

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:

<b>Capital Asset Class:</b>	<u>Years</u>
Land improvements	20 - 40
Buildings and building improvements	10 - 40
Machinery, equipment, and vehicles	4 - 15
Infrastructure	20

***1-I Interfund Activities***

Interfund activities are reported as follows:

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

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

***1-J Accounts Payable***

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

***1-K Deferred Outflows/Inflows of Resources***

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

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

***1-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 premiums are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the bond premium.

In the fund financial statements, governmental fund types report bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

***1-M Compensated Absences***

General leave for the School District includes vacation 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 up to 20 days, 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 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.

The schedules prepared by the Vermont Municipal Employees' Retirement System and Vermont State Teachers' Retirement System are audited by the plan's independent auditors.

***1-O 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.

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**Vermont State Teachers' Retirement System Plan (VSTRS)** – The School District is a member of the VSTRS, a cost-sharing multiple employer OPEB plan with special funding situation as defined in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The State of Vermont is the sole contributor to the plan, and is considered a nonemployer contributing entity. Employer contributions are required by statute to be made by the State on behalf of member employers. Since the School District does not contribute directly to VSTRS, there is no net OPEB liability, deferred inflows of resources, or deferred outflows of resources to report in the School District's financial statements. The School District does disclose their portion of the State's total proportionate share of the collective net OPEB liability, deferred outflows of resources, and deferred inflows of resources as noted in Note 12-B. The School District recognizes pension expense and revenue equal to the amount of the State's total proportionate share of the collective OPEB expense associated with the School District

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

***1-P 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 bonds 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 \$661,000 to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

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**1-Q Use of Estimates**

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District’s operations. At its annual meeting, the School District adopts a budget for the current year for the general 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, \$904,687 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 the general fund. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues:	
Per Exhibit D (budgetary basis)	\$ 25,854,702
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Other local revenue of the blended student activity fund	770
Per Exhibit C-3 (GAAP Basis)	<u>\$ 25,855,472</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 26,244,244
Adjustments:	
Basis difference:	
Encumbrances, beginning	114,119
Encumbrances, ending	(100,826)
GASB Statement No. 54:	
Expenditures of the blended student activity fund	126
Per Exhibit C-3 (GAAP basis)	<u>\$ 26,257,663</u>

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**2-C Deficit Fund Balance**

The high school food service fund had a fund balance deficit of \$16,572 and the Richmond Middle School food service had a fund balance deficit of \$6,983 at June 30, 2020. These deficits are a result of less local revenue being received and the district giving free meals during the last quarter of the year due to the COVID-19 pandemic. These deficits will be made up by local revenues in the next year.

**2-D Accounting Change**

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 16.

**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 \$683,860 and the bank balances totaled \$1,118,670.

**NOTE 4 – INVESTMENTS**

Note 1-E describes statutory requirements covering the investment of the School District funds. The School District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the School District's mission, the School District determines that the disclosures related to these investments only need to be disaggregated by major type. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District's investments of \$842,464 consist of balances in the New Hampshire Public Deposit Investment Pool and are classified as level 2 investments in the fair value hierarchy.

**NOTE 5 – RECEIVABLES**

Receivables at June 30, 2019, consisted of accounts and intergovernmental amounts arising from grants, reimbursable salaries, and other miscellaneous amounts. 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.

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**NOTE 6 – CAPITAL ASSETS**

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

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 1,880,377	\$ -	\$ -	\$ 1,880,377
Construction in progress	495,798	807,529	(357,491)	945,836
Total capital assets not being depreciated	<u>2,376,175</u>	<u>807,529</u>	<u>(357,491)</u>	<u>2,826,213</u>
Being depreciated:				
Land improvements	9,624,318	357,491	-	9,981,809
Buildings and building improvements	41,588,188	11,511	-	41,599,699
Machinery, equipment, and vehicles	2,596,052	233,870	-	2,829,922
Infrastructure	20,239	-	-	20,239
Total capital assets being depreciated	<u>53,828,797</u>	<u>602,872</u>	<u>-</u>	<u>54,431,669</u>
Total capital assets	<u>56,204,972</u>	<u>1,410,401</u>	<u>(357,491)</u>	<u>57,257,882</u>
Less accumulated depreciation:				
Land improvements	(3,003,793)	(238,005)	-	(3,241,798)
Buildings and building improvements	(14,971,490)	(1,009,217)	-	(15,980,707)
Machinery, equipment, and vehicles	(2,107,340)	(182,666)	-	(2,290,006)
Infrastructure	(10,626)	(1,012)	-	(11,638)
Total accumulated depreciation	<u>(20,093,249)</u>	<u>(1,430,900)</u>	<u>-</u>	<u>(21,524,149)</u>
Net book value, capital assets being depreciated	<u>33,735,548</u>	<u>(828,028)</u>	<u>-</u>	<u>32,907,520</u>
Net book value, all capital assets	<u>\$ 36,111,723</u>	<u>\$ (20,499)</u>	<u>\$ (357,491)</u>	<u>\$ 35,733,733</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	\$ 93,461
Support services:	
Operation and maintenance of plant	1,643
Unallocated	1,335,796
Total depreciation expense	<u>\$ 1,430,900</u>

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

The balance of \$74,304 due to the general fund from the grants fund results from payments made in anticipation of federal grants reimbursement.

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

	Transfers In:		
	High School Food Service	Nonmajor Funds	Total
Transfers out:			
General fund	<u>\$ 50,400</u>	<u>\$ 64,667</u>	<u>\$ 115,067</u>

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

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**NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of at June 30, 2020 consist of amounts related to pensions totaling \$1,712,272 and amounts related to OPEB totaling \$513,573. For further discussion on these amounts, see Notes 11 and 12, respectively.

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

	Governmental Activities	General Fund
Fall participation fees and donation	\$ 13,250	\$13,250
Amounts related to pensions, see Note 11	786,965	-
Amounts related to OPEB, see Note 12	356,969	-
Total deferred inflows of resources	<u>\$ 1,157,184</u>	<u>\$13,250</u>

**NOTE 9 – CAPITAL LEASE OBLIGATIONS**

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

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2020
Capital lease obligations:		
Lighting project	4.43%	<u>\$ 38,047</u>

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

	Governmental Activities
Building improvements:	
Lighting project	\$ 256,500
Less: accumulated depreciation	(89,775)
Total capital lease equipment	<u>\$ 166,725</u>

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

Fiscal Year Ending June 30,	Governmental Activities
2021	\$ 39,733
Less: interest	(1,686)
Present value of remaining payments	<u>\$ 38,047</u>

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

**NOTE 10 – 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
Bonds payable:					
General obligation bonds	\$ 8,120,736	\$ 900,000	\$(1,711,909)	\$ 7,308,827	\$ 1,698,753
Premium	192,331	-	(36,903)	155,428	36,903
Total bonds payable	<u>8,313,067</u>	<u>900,000</u>	<u>(1,748,812)</u>	<u>7,464,255</u>	<u>1,735,656</u>

*(Continued)*

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Long-term liabilities continued:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Capital lease	85,611	-	(47,564)	38,047	38,047
Compensated absences	120,336	37,367	(234)	157,469	-
Pension related liability	10,999,686	-	(559,414)	10,440,272	-
Net other postemployment benefits	4,503,636	500,969	-	5,004,605	-
Total long-term liabilities	<u>\$24,022,336</u>	<u>\$ 1,438,336</u>	<u>\$ (2,356,024)</u>	<u>\$ 23,104,648</u>	<u>\$ 1,773,703</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2020
General obligation bonds payable:					
Land acquisition	\$ 1,100,000	2001	2022	4.71%	\$ 110,000
School improvements	\$37,775,000	2003	2024	4.62%	4,951,804
School construction	\$ 4,000,000	2004	2025	4.47%	695,843
School improvements	\$ 2,526,000	2007	2027	4.08%	651,180
Turf field	\$ 900,000	2020	2035	2.80%	900,000
					<u>\$ 7,308,827</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,698,753	\$ 1,892,658	\$ 3,591,411
2022	1,625,830	1,957,331	3,583,161
2023	1,506,594	2,026,218	3,532,812
2024	1,438,130	2,177,583	3,615,713
2025	274,918	303,672	578,590
2026-2030	464,602	280,197	744,799
2031-2035	300,000	21,000	321,000
Totals	<u>\$ 7,308,827</u>	<u>\$ 8,658,659</u>	<u>\$ 15,967,486</u>

**Bonds Authorized and Unissued** – Bonds and notes authorized and unissued as of June 30, 2020 were as follows:

Per District Meeting Vote of	Purpose	Unissued Amount
March 4, 2014	Fieldwork at Dresden fields	<u>\$ 225,000</u>

**NOTE 11 – DEFINED BENEFIT PENSION PLAN**

**11-A New Hampshire Retirement System (NHRS)**

**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.

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**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.

**Contributions** – The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2020, the School District contributed 15.99% for teachers and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$998,576, 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 \$10,440,272 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 0.22% which was a decrease of 0.01% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$1,239,754. 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	\$ 281,377	\$ 477,187
Net difference between projected and actual investment earnings on pension plan investments	-	85,282
Changes in assumptions	374,593	-
Differences between expected and actual experience	57,726	224,496
Contributions subsequent to the measurement date	998,576	-
Total	\$ 1,712,272	\$ 786,965

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The \$998,576 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	\$ 305,255
2021	(240,883)
2022	(73,243)
2023	(64,398)
Thereafter	-
Totals	<u>\$ (73,269)</u>

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

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

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

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

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

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

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**Discount Rate** – The discount rate used to measure the 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, 2018	<u>\$13,979,955</u>	<u>\$ 10,440,272</u>	<u>\$ 7,514,753</u>

**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.

**11-B Vermont State Teachers’ Retirement System (VSTRS)**

**Plan Description** – The Vermont State Teachers’ Retirement System (VSTRS) is a cost-sharing, multi-employer defined benefit plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered in classes is a condition of employment. The plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 55. Management of the plan is vested in the VSTRS Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

The Pension Plan is divided into the following membership groups:

- Group A – for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A.
- Group C – for public school teachers employed within the State of Vermont on or after July 1, 1990, or hired before July 1, 1990 and were a member of Group B at that time.

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All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VSTRS	Group A	Group C - Group #1*	Group C - Group #2++
Normal service retirement eligibility (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
VSTRS	Group A	Group C - Group #1*	Group C - Group #2++
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula - normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 X AFC + 1.67% x service after 7/1/90 x AFC after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement, minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5; minimum of 1% after 12 months of normal retirement age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

\*Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010.

++ Group #2 are members who were less than 57 years of age or had less than 25 years of service on June 30, 2010.

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Members of all groups may qualify for vested deferred allowance, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC and service.

**Contributions:** Contribution requirements for the Vermont Teachers' Retirement System were 5.0% of gross salary from employees only (no employer contribution; state contributes 100% of employer portion based on actuarial recommendation) with the State contributing \$968,813 for the fiscal year ended June 30, 2020.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:** 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. For the year ended June 30, 2020, the School District recorded pension expense of \$1,895,917, which has also been recognized as both a pension expense and intergovernmental revenue on the Statement of Activities. At June 30, 2019, the School District's proportion was 0.85% which was an increase of 0.02% in its proportion measured as of June 30, 2018.

At June 30, 2020, the School District disclosed a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the School District. The State's portion of the collective net pension liability that was associated with the District was \$13,292,145.

At June 30, 2020, the School District disclosed 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 and difference between employer contributions and proportionate share of contributions	\$ 317,889	\$ 52,356
Net difference between projected and actual investment earnings on pension plan investments	227,910	-
Changes in assumptions	395,728	140,349
Differences between expected and actual experience	465,153	-
Total	\$ 1,406,680	\$ 192,705

Amounts disclosed 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	\$ 852,409
2021	133,650
2022	182,605
2023	45,311
Thereafter	-
Totals	\$1,213,975

**Actuarial Assumptions:** The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2018 with update procedures used to roll forward the total pension liability to June 30, 2019.

**Long-term Rates of Return** – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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Best estimates of arithmetic real rates of return for each major asset class included in the pension plans target asset allocation as of June 30, 2019 is summarized in the following table:

Asset Class	Target Asset Allocation	Long-term expected real rate of return
Global Equity	29.00%	6.90%
US Equity-Large Cap	4.00%	5.94%
US Equity-Small/Mid Cap	3.00%	6.72%
Non-US Equity-Large Cap	5.00%	6.81%
Non-US Equity-Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
Total	<u>100.00%</u>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the 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 7.50% 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 (6.50%) or 1-percentage point higher (8.50%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.50%	Current Single Rate Assumption 7.50%	1% Increase 8.50%
June 30, 2019	<u>\$16,507,345</u>	<u>\$ 13,292,145</u>	<u>\$10,579,409</u>

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

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**12-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](http://www.nhrs.org).

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

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

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

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

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

**Contributions** – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2019, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2020, the School District contributed 1.81% for teachers and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$87,134, 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 \$748,247 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 0.17% which was a decrease of 0.01% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized OPEB benefit of \$27,481. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 4,393
Net difference between projected and actual investment earnings on OPEB plan investments	-	841
Differences between expected and actual experience	-	1,302
Contributions subsequent to the measurement date	87,134	-
Total	\$ 87,134	\$ 6,536

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The \$87,134 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30.	
2020	\$(6,253)
2021	(558)
2022	58
2023	217
Thereafter	-
Totals	<u><u>\$(6,536)</u></u>

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

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

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

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

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

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

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 811,588	\$ 748,247	\$ 693,208

**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.

**12-B Vermont State Teachers’ Retirement System (VSTRS)**

**Plan Description** - The Vermont State Teachers' Retirement System (VSTRS) is a cost-sharing, multiple-employer postemployment benefit (OPEB) plan with a special funding situation (the Plan). The Plan provides postemployment benefits to eligible VSTRS employees who retire from the System.

The plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2019, the plan consisted of 225 participating employers.

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the Vermont State Teachers' Retirement System Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members.

VSTRS does not issue stand-alone financial reports but are instead included as part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed at the State’s Department of Finance and Management website at: <http://finance.vermont.gov/reports-and-publications/cafr>.

**Summary of Plan:**

Eligibility VSTRS retirees and their spouses are eligible for health coverage if the retiree is eligible for pension benefits. Pension eligibility requirements are below:

Group A - Public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A. Retirement: Attainment of 30 years of creditable service, or age 55.

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Group C - Public school teachers employed within the State of Vermont on or after July 1,1990. Teachers hired before July 1,1990 and were Group B members in service on July 1,1990 are now Group C members. Grandfathered participants are Group C members who were within five years of normal retirement eligibility as defined prior to July 1,2010.

- Retirement Group C Grandfathered: Attainment of age 62, or 30 years creditable service, or age 55 with 5 years of creditable service.
- Retirement Group C Non-grandfathered: Attainment of age 65, or age plus creditable service equal to 90, or age 55 with 5 years of creditable service.

Vesting and Disability      5 years of creditable service. Participants who terminate with 5 years of service under the age of 55 may elect coverage upon receiving pension benefits.

Benefit Types                      Medical and prescription drug. Retirees pay the full cost for dental benefits.

Duration of Coverage          Lifetime

Spousal Benefits                 Same benefits as for retirees.

Spousal Coverage                Lifetime

**Retiree Contributions:**

**Retired before June 30, 2010** - Retirees with at least 10 years of service pay premium costs in excess of an 80% VSTRS subsidy. Retirees with less than 10 years of service do not receive any premium subsidy. Spouses do not receive any premium subsidy, regardless of the retiree's service.

**Retired after June 30, 2010** - Retirees pay premium costs in excess of the following VSTRS subsidy, based on service:

Retiree Subsidy Level	Subsidy
Years of service at June 30, 2010:	
10 years or more	80.00%
Less than 10 years	
Less than 15 years at retirement	0.00%
15-19.99 years at retirement	60.00%
20-24.99 years at retirement	70.00%
25 or more years at retirement	80.00%

Spouses of retirees can receive an 80% subsidy, if they meet the following requirements:

Spouse Coverage with 80% Subsidy	
Years of service at June 30, 2010:	Required years of serviced at retirement:
Less than 10 years	25 years of service at retirement
Between 10 and 14.99 years	25 years of service at retirement
Between 15 and 24.99 years	10 additional years from June 30, 2010
Between 25 and 29.99 years	35 years of service at retirement
30 or more years	5 additional years from June 30, 2010

Spouses of retirees who do not meet the above requirements for an 80% subsidy can receive unsubsidized coverage.

**Premium Reduction Option** - Participants retiring on or after January 1, 2007 with a VSTRS premium subsidy have a one-time option to reduce the VSTRS subsidy percentage during the retiree's life so that a surviving spouse may continue to receive the same VSTRS subsidy for the spouse's lifetime. If the retiree elects the joint and survivor pension option but not the Premium Reduction Option, spouses are covered for the spouse's lifetime but pay 100% of the plan premium after the retiree's death.

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**Contributions:** The State of Vermont, as a non-employer contributing entity makes 100% of the contributions to the VSTRS, there are no employee or employer contributions. Contributions are actuarially determined, but the State has elected to appropriate State contributions to fund current year retiree health expenses on a pay-as-you-go basis.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB –** At June 30, 2020, the School District disclosed a liability of \$8,167,437 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. For the year ended June 30, 2020, the School District recorded OPEB expense of \$478,168, which has been recognized as both an OPEB expense and intergovernmental revenue on the Statement of Activities. At June 30, 2019, the School District disclosed 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 and difference between employer contributions and proportionate share of contributions	\$ 313,639	\$ 58,199
Changes in assumptions	494,782	293,213
Differences between expected and actual experience	328,711	21,566
Total	\$ 1,137,132	\$ 372,978

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

Fiscal Year Ending	
June 30,	
2020	\$ 188,127
2021	227,738
2022	276,306
2023	71,983
Thereafter	-
Totals	\$ 764,154

**Actuarial Assumptions -** The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 with update procedures used to roll forward the total pension liability to June 30, 2019.

The Total OPEB Liability used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**Discount Rate**                      3.50% based on the index rate for tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, and a 7.50% long-term rate of return on plan assets blended as prescribed by GASB 75.

**Salary Increase Rate**                Varies by age. Representative values of the assumed annual rates of future salary increases are as follows:

Service	Annual Rate of Salary Increase (%)
20	9.09%
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

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Inflation	2.75%
Healthcare Cost Trend Rates	Non-Medicare - 7.15% graded to 4.50% over 12 years Medicare - 7.15% graded to 4.50% over 11 years
Retiree Contributions	Are assumed to increase with health trend
Pre-retirement Mortality	98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2017
Post-retirement Mortality	98% of RP-2006 With Collar Annuitant with generational projection using Scale SSA-2017
Disabled Mortality	RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017
Actuarial Cost Method	Entry-Age Normal, Level Percentage of Pay
Asset Valuation Method	Market Value
Measurement Date	June 30, 2019
Actuarial Valuation Date	June 30, 2018

**Per Capita Cost Development:**

**Medical and Prescription Drug** - Per capita claims costs were based on claims for the period July 1, 2016 through June 30, 2019. Claims were separated by non-Medicare and Medicare retirees, and by medical and prescription drug. Claims were separated by plan year, then adjusted as follows:

- Total claims were divided by the number of adult members to yield a per capita claim,
- The per capita claim was trended to the midpoint of the valuation year at assumed trend rates, and
- The per capita claim was adjusted for the effect of any plan changes.

Per capita claims for each plan year were then combined by taking a weighted average. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender.

**Administrative Expenses** - Per capita claims costs were based on claims for the period July 1, 2016 through June 30, 2019. Claims were separated by plan year, then adjusted as described above to yield a combined weighted average per capita claims cost.

**Per Capita Health Costs:** Medical and prescription drug claims for the year beginning July 1, 2019 are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Medical				Prescription Drugs			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
50	\$ 8,609	\$ 9,806	\$ 6,013	\$ 7,873	\$ 1,553	\$ 1,769	\$ 1,085	\$ 1,421
55	10,224	10,555	8,046	9,113	1,845	1,905	1,452	1,644
60	12,142	11,377	10,772	10,570	2,191	2,053	1,944	1,907
64	13,930	12,070	13,598	11,897	2,514	2,178	2,454	2,147
65	1,502	1,277	1,502	1,277	2,053	1,745	2,053	1,745
70	1,741	1,376	1,741	1,376	2,379	1,881	2,379	1,881
75	1,876	1,481	1,876	1,481	2,564	2,024	2,564	2,024

**Administrative Expenses:** An annual administrative expense of \$568 per participant with health and welfare coverage increasing at 3.0% per year was added to projected incurred claim costs in developing the benefit obligations.

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**Health Care Cost Trend Rates:** Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year's cost to yield the next year's projected cost.

Year Ending June 30,	Health Costs
2018	7.150%
2019	6.925%
2020	6.700%
2021	6.475%
2022	6.250%
2023	6.025%
2024	5.800%
2025	5.575%
2026	5.350%
2027	5.125%
2028	4.900%
2029	4.675%
2030+	4.500%

The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using the data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P and Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

**Retiree Contribution Increase Rate:** Retiree contributions were assumed to increase with health trends. Retiree contribution rates were based on 2019 premiums. Plan premiums were weighted by actual retiree and dependent enrollment, separately for non-Medicare and Medicare.

**Health Care Reform Assumption:** The Plan is assumed to be in compliance with the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 as of the valuation date. The valuation includes the projected effect of the Act's provision which imposes an excise tax on high cost employer-sponsored health coverage beginning in 2022. The excise tax limit is assumed to increase by 2.0% each year after 2019.

**Long-term Rates of Return** – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Asset Allocation	Long-term expected real rate of return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	4.37%
Total	100.00%	

**Discount Rate** – The projection of cash flow used to determine the discount rate assumed by the plan's contributions would be made at rates equal to the projected benefit payments for the upcoming year. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be exhausted within the first year. Therefore, the long-term bond rate expected rate of return of 3.87% on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The 3.87% is based on the 20-year Bond Buyer GO index at June 30, 2018. The discount rate used in the prior year was 3.58%.

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**Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate** – The June 30, 2018 actuarial valuation was prepared using a discount rate of 3.50%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$9,550,718, or by 16.94%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$7,040,010, or by 13.80%.

Actuarial Valuation Date	Current Single		
	1% Decrease 2.50%	Rate Assumption 3.50%	1% Increase 4.50%
June 30, 2019	\$ 9,550,718	\$ 8,167,437	\$ 7,040,010

**Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The June 30, 2018 actuarial valuation was prepared using an initial trend rate of 7.15%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$6,886,461, or by 15.68%. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$9,824,789 or by 20.29%.

Actuarial Valuation Date	Health Cost		
	1% Decrease 6.15%	Trend Rate 7.15%	1% Increase 8.15%
June 30, 2019	\$ 6,886,461	\$ 8,167,437	\$ 9,824,789

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Vermont State Teachers' Retirement System Actuarial Valuation and Review of Other Postemployment Benefits Report.

**12-C Retiree Health Benefit Program**

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

**Benefits Provided** – The School District provides postemployment 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, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	251
Total participants covered by OPEB plan	<u>255</u>

**Total OPEB Liability** – The School District's total OPEB liability of \$4,256,358 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 \$4,256,358 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:	2.66%
Healthcare Cost Trend Rates:	
Current Year Trend	8.00%
Second Year Trend	7.50%
Decrement	0.50%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2028
Salary Increases:	2.75%

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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 July 1, 2019.

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

**Changes in the Total OPEB Liability**

	June 30,	
	2019	2020
Total OPEB liability, beginning of year	\$ 3,750,480	\$ 3,680,884
Changes for the year:		
Service cost	207,258	229,040
Interest	152,368	146,772
Changes in benefit terms	(461,725)	(58,711)
Assumption changes and difference between actual and expected experience	123,939	383,878
Benefit payments	(91,436)	(125,505)
Total OPEB liability, end of year	<u>\$ 3,680,884</u>	<u>\$ 4,256,358</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 2.66%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$3,955,243 or by 7.07%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$4,573,587 or by %.

	Discount Rate		
	1% Decrease	Baseline 2.66%	1% Increase
Total OPEB Liability	<u>\$ 4,573,587</u>	<u>\$ 4,256,358</u>	<u>\$ 3,955,243</u>

**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 8.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$4,662,915 or by 9.55%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$3,898,221 or by 7.00%.

	Healthcare Cost Trend Rates		
	1% Decrease 7.00% Year 1, Decreasing to 3.50%	Baseline 8.00% Year 1, Decreasing to 4.50%	1% Increase 9.00% Year 1, Decreasing to 5.50%
Total OPEB Liability	<u>\$ 3,898,221</u>	<u>\$ 4,256,358</u>	<u>\$ 4,662,915</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 \$254,523. 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	\$ 421,053	\$ 13,566
Differences between expected and actual experience	5,386	336,867
Total	<u>\$ 426,439</u>	<u>\$ 350,433</u>

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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	\$ (17,619)
2022	(17,619)
2023	(17,619)
2024	(17,619)
2025	(17,619)
Thereafter	12,089
Totals	<u><u>\$ (76,006)</u></u>

**NOTE 13 – ENCUMBRANCES**

Encumbrances outstanding in the general fund at June 30, 2020 are as follows:

Current:	
Support services:	
Instructional staff	\$ 3,450
Facilities acquisition and construction	97,376
Total encumbrances	<u><u>\$ 100,826</u></u>

**NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION**

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

Net investment in capital assets:	
Net book value of all capital assets	\$ 35,733,733
Add:	
Unspent Bond Proceeds	32,790
Less:	
General obligation bond payable	(7,308,827)
Unamortized bond premium	(155,428)
Capital leases payable	(38,047)
Total net investment in capital assets	<u><u>28,264,221</u></u>
Restricted:	
Special gifts	191,697
Capital project	32,790
Total restricted	<u><u>224,487</u></u>
Unrestricted	(14,417,529)
Total net position	<u><u>\$ 14,071,179</u></u>

**NOTE 15 – GOVERNMENTAL FUND BALANCES**

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

	General Fund	High School Food Service Fund	Special Gifts	Student Activity	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Prepaid	\$ 3,971	\$ -	\$ -	\$ -	\$ -	\$ 3,971
<b>Restricted:</b>						
Special gifts	-	-	191,697	-	-	191,697
Capital project	-	-	-	-	32,790	32,790
Total restricted fund balance	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>191,697</u></u>	<u><u>-</u></u>	<u><u>32,790</u></u>	<u><u>224,487</u></u>

*(Continued)*

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Governmental fund balances continued:

	General Fund	High School Food Service Fund	Special Gifts	Student Activity	Nonmajor Governmental Funds	Total Governmental Funds
<b>Committed:</b>						
Expendable trust	56,126	-	-	-	-	56,126
March intensive	-	-	-	-	17,604	17,604
Total committed fund balance	56,126	-	-	-	17,604	73,730
<b>Assigned:</b>						
Encumbrances	100,826	-	-	-	-	100,826
Student activity	1,191	-	-	275,725	-	276,916
Total assigned fund balance	102,017	-	-	275,725	-	377,742
<b>Unassigned (deficit):</b>						
Unassigned - retained (RSA 198:4-bII)	661,000	-	-	-	-	661,000
Unassigned (deficit)	200,107	(16,572)	-	-	(6,983)	176,552
Total unassigned fund balance (deficit)	861,107	(16,572)	-	-	(6,983)	837,552
Total governmental fund balances (deficit)	\$ 1,023,221	\$ (16,572)	\$ 191,697	\$ 275,725	\$ 43,411	\$ 1,517,482

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

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

	Government-wide Statements	General Fund	Student Activity Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84	\$ 241,104	\$ 547	\$ 240,557
Net position/fund balance, as previously reported	13,939,147	1,424,865	-
Net position/fund balance, as restated	\$ 14,180,251	\$ 1,425,412	\$ 240,557

**NOTE 17 – 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 (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs is a pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2019 to June 30, 2020 by Primex<sup>3</sup>, 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 Primex<sup>3</sup> 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 \$21,641 and \$57,449, respectively, to Primex for workers' compensation and property/liability. At this time, Primex<sup>3</sup> 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 18 – DONATIONS**

The School District received a numerous donations throughout the year in support of special functions. The more significant donations throughout the year are approved by the School Board at their regular meetings. For the year ending June 30, 2020, the School District received \$96,000 from a single foundation to support the School District's special programs.

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**NOTE 19 – CONTINGENT LIABILITIES**

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 20 – 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 April 15, 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 F**  
**DRESDEN 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*

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
School District's:							
Proportion of the net pension liability	0.22%	0.22%	0.22%	0.22%	0.22%	0.23%	0.22%
Proportionate share of the net pension liability	\$9,626,912	\$8,352,579	\$8,553,450	\$11,811,513	\$10,811,229	\$10,999,686	\$10,440,272
Covered payroll	\$6,311,448	\$6,238,373	\$6,080,252	\$6,484,024	\$6,656,725	\$6,912,743	\$6,755,475
Proportionate share of the net pension liability as a percentage of its covered payroll	152.53%	133.89%	140.68%	182.16%	162.41%	159.12%	154.55%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%	65.47%	58.30%	62.66%	64.73%	65.59%

**EXHIBIT G**  
**DRESDEN 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	\$ 556,200	\$ 721,915	\$ 724,362	\$ 795,370	\$ 805,333	\$ 965,505	\$ 944,252
Contributions in relation to the contractually required contributions	(556,200)	(721,915)	(724,362)	(795,370)	(805,333)	(965,505)	(944,252)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$6,311,448	\$6,238,373	\$6,080,252	\$6,484,024	\$6,656,725	\$6,912,743	\$6,755,475
Contributions as a percentage of covered payroll	8.81%	11.57%	11.91%	12.27%	12.10%	13.97%	13.98%

**EXHIBIT H**  
**DRESDEN SCHOOL DISTRICT**  
*Schedule of the School District's Proportionate Share of Net Pension Liability*  
*Vermont State Teachers' 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
School District's:							
Proportion of the net pension liability	0.73%	0.72%	0.84%	0.80%	0.84%	0.83%	0.85%
Proportionate share of the net pension liability	\$ 7,300,250	\$ 6,986,591	\$ 9,999,647	\$ 10,491,202	\$ 12,443,979	\$ 12,555,391	\$ 13,292,145
Covered payroll	\$ 4,132,140	\$ 4,069,794	\$ 4,700,264	\$ 5,189,809	\$ 5,547,102	\$ 5,618,489	\$ 5,852,449
Proportionate share of the net pension liability as a percentage of its covered payroll	176.67%	171.67%	212.75%	202.15%	224.33%	223.47%	227.12%
Plan fiduciary net position as a percentage of the total pension liability	60.59%	64.02%	58.22%	55.31%	53.98%	54.81%	54.96%

**EXHIBIT I**  
**DRESDEN SCHOOL DISTRICT**  
*Schedule of School District Contributions - Pensions*  
*Vermont State Teachers' 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	\$ 349,579	\$ 374,972	\$ 614,462	\$ 586,640	\$ 660,339	\$ 917,143	\$ 968,813
Contributions in relation to the contractually required contributions	(349,579)	(374,972)	(614,462)	(586,640)	(660,339)	(917,143)	(968,813)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	<u>\$4,132,140</u>	<u>\$4,069,794</u>	<u>\$4,700,264</u>	<u>\$5,189,809</u>	<u>\$5,547,102</u>	<u>\$5,618,489</u>	<u>\$5,852,449</u>
Contributions as a percentage of covered payroll	8.46%	9.21%	13.07%	11.30%	11.90%	16.32%	16.55%



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

Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.50% per year
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	Pre-retirement: 98% of RP-2006 White Collar Employee Mortality Table with generational projection using scale SSA-2017 Healthy Post-retirement: 68% of RP-2006 White Collar Annuitant Mortality Table with generational projection using scale SSA-2017 Disabled Post-retirement: RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017

**EXHIBIT J**  
**DRESDEN 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	0.22%	0.22%	0.18%	0.17%
School District's proportionate share of the net OPEB liability (asset)	\$1,078,258	\$1,007,788	\$ 822,752	\$ 748,247
School District's covered payroll	\$6,484,024	\$6,656,725	\$6,912,743	\$6,755,475
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.63%	15.14%	11.90%	11.08%
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 K**  
**DRESDEN 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	\$ 129,421	\$ 130,637	\$ 79,487	\$ 77,888
Contributions in relation to the contractually required contribution	(129,421)	(130,637)	(79,487)	(77,888)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$6,484,024	\$6,656,725	\$6,912,743	\$ 6,755,475
Contributions as a percentage of covered payroll	2.00%	1.96%	1.15%	1.15%

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

**EXHIBIT L**  
**DRESDEN SCHOOL DISTRICT**  
*Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability*  
*Vermont State Teachers' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2020*

	June 30.		
	2018	2019	2020
School District's proportion of the net OPEB liability	0.75%	0.74%	0.78%
School District's proportionate share of the net OPEB liability (asset)	\$ 7,031,242	\$ 7,089,792	\$ 8,167,437
School District's covered payroll	\$ 4,422,548	\$ 4,512,281	\$ 5,852,449
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	158.99%	157.12%	139.56%
Plan fiduciary net position as a percentage of the total OPEB liability	(2.94%)	(2.85%)	0.03%

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

**EXHIBIT M**  
**DRESDEN SCHOOL DISTRICT**  
*Schedule of School District Contributions - Other Postemployment Benefits*  
*Vermont State Teachers' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2020*

	June 30,		
	2018	2019	2020
Contractually required contribution	\$ -	\$ -	\$ - *
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School District's covered payroll	\$ 4,422,548	\$ 4,512,281	\$ 5,852,449
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

\*State of Vermont has elected to appropriate State contributions to fund current year retiree health expenses on a pay-as-you-go basis, rather than funding existing liability.

**EXHIBIT N**  
**DRESDEN 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,		
	2018	2019	2020
OPEB liability, beginning of year	\$ 3,942,287	\$ 3,750,480	\$ 3,680,884
Changes for the year:			
Service cost	222,323	207,258	229,040
Interest	146,609	152,368	146,772
Changes to benefit terms	-	(461,725)	(58,711)
Assumption changes and difference between actual and expected experience	(420,730)	123,939	383,878
Benefit payments	(140,009)	(91,436)	(125,505)
OPEB liability, end of year	<u>\$ 3,750,480</u>	<u>\$ 3,680,884</u>	<u>\$ 4,256,358</u>
Covered payroll	<u>\$ 12,619,213</u>	<u>\$ 12,393,548</u>	<u>\$ 14,564,982</u>
Total OPEB liability as a percentage of covered payroll	29.72%	29.70%	29.22%

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

**DRESDEN 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 J and K 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.

**VSTRS: Methods and Assumptions**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	29 years beginning July 1, 2019 (30 years beginning July 1, 2018)
Asset Valuation Method	Market value
Price Inflation	2.75% per year
Wage Inflation	2.75% per year
Salary Increases	Varies by age
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.50% per year
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	Teacher employees and retirees: SOA Pub-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2020.

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

Non-Teacher employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generation using Scale MP-2020

Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020

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

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

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**DRESDEN 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	\$ 20,792,060	\$ 20,792,060	\$ -
Other local sources:			
Tuition	4,539,624	4,404,014	(135,610)
Investment earnings	35,000	28,305	(6,695)
Student activities	120,000	79,766	(40,234)
Miscellaneous	150,000	142,465	(7,535)
Total from other local sources	<u>4,844,624</u>	<u>4,654,550</u>	<u>(190,074)</u>
State sources:			
School building aid	385,074	385,074	-
Vocational aid	27,578	22,853	(4,725)
Total from state sources	<u>412,652</u>	<u>407,927</u>	<u>(4,725)</u>
Other financing sources:			
Transfers in	-	165	165
Total revenues and other financing sources	26,049,336	<u>\$ 25,854,702</u>	<u>\$ (194,634)</u>
Use of fund balance to reduce school district assessment	904,687		
Total revenues, other financing sources, and use of fund balance	<u>\$ 26,954,023</u>		

**SCHEDULE 2**  
**DRESDEN 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	\$ -	\$ 11,345,678	\$ 11,305,291	\$ -	\$ 40,387
Special programs	-	3,165,961	2,971,612	-	194,349
Vocational programs	-	102,591	90,404	-	12,187
Other programs	-	956,757	867,738	-	89,019
Total instruction	-	<u>15,570,987</u>	<u>15,235,045</u>	-	<u>335,942</u>
Support services:					
Student	-	1,415,358	1,385,247	-	30,111
Instructional staff	6,552	642,980	615,539	3,450	30,543
General administration	-	62,714	107,006	-	(44,292)
Executive administration	-	965,023	965,023	-	-
School administration	-	2,090,791	2,084,009	-	6,782
Operation and maintenance of plant	2,127	2,091,455	1,886,852	-	206,730
Student transportation	-	256,018	161,496	-	94,522
Total support services	<u>8,679</u>	<u>7,524,339</u>	<u>7,205,172</u>	<u>3,450</u>	<u>324,396</u>
Debt service:					
Principal of long-term debt	-	1,748,343	1,748,343	-	-
Interest on long-term debt	-	1,787,854	1,800,557	-	(12,703)
Total debt service	-	<u>3,536,197</u>	<u>3,548,900</u>	-	<u>(12,703)</u>
Facilities acquisition and construction	<u>105,440</u>	<u>260,000</u>	<u>153,353</u>	<u>97,376</u>	<u>114,711</u>
Other financing uses:					
Transfers out	-	62,500	115,067	-	(52,567)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 114,119</u>	<u>\$ 26,954,023</u>	<u>\$ 26,257,537</u>	<u>\$ 100,826</u>	<u>\$ 709,779</u>

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

Unassigned fund balance, beginning		\$ 1,242,371
Changes:		
Unassigned fund balance used to reduce school district assessment		(904,687)
2019-2020 Budget summary:		
Revenue shortfall (Schedule 1)	\$(194,634)	
Unexpended balance of appropriations (Schedule 2)	<u>709,779</u>	
2019-2020 Budget surplus		515,145
Decrease in nonspendable fund balance		<u>8,278</u>
Unassigned fund balance, ending		<u><u>\$ 861,107</u></u>

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

	Special Revenue Funds			Capital Project Fund	Total
	Richmond Food Service	March Intensive	Mindfulness	Turf Fields	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 11,632	\$ 21,249	\$ -	\$ 40,760	\$ 73,641
Accounts receivable	67	-	-	-	67
Total assets	<u>\$ 11,699</u>	<u>\$ 21,249</u>	<u>\$ -</u>	<u>\$ 40,760</u>	<u>\$ 73,708</u>
<b>LIABILITIES</b>					
Accounts payable	<u>\$ 18,682</u>	<u>\$ 3,645</u>	<u>\$ -</u>	<u>\$ 7,970</u>	<u>\$ 30,297</u>
<b>FUND BALANCES (DEFICIT)</b>					
Restricted	-	-	-	32,790	32,790
Committed	-	17,604	-	-	17,604
Unassigned (deficit)	(6,983)	-	-	-	(6,983)
Total fund balances (deficit)	<u>(6,983)</u>	<u>17,604</u>	<u>-</u>	<u>32,790</u>	<u>43,411</u>
Total liabilities and fund balances	<u>\$ 11,699</u>	<u>\$ 21,249</u>	<u>\$ -</u>	<u>\$ 40,760</u>	<u>\$ 73,708</u>

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

	Special Revenue Funds			Capital Project Fund	Total
	Richmond Food Service	March Intensive	Mindfulness	Turf Fields	
<b>REVENUES</b>					
Other local	\$ 132,274	\$ 190,855	\$ -	\$ -	\$ 323,129
<b>EXPENDITURES</b>					
Current:					
Instruction	-	200,329	-	-	200,329
Noninstructional services	200,460	-	-	-	200,460
Facilities acquisition and construction	-	-	-	807,530	807,530
Total expenditures	<u>200,460</u>	<u>200,329</u>	<u>-</u>	<u>807,530</u>	<u>1,208,319</u>
Deficiency of revenues under expenditures	<u>(68,186)</u>	<u>(9,474)</u>	<u>-</u>	<u>(807,530)</u>	<u>(885,190)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	57,167	7,500	-	-	64,667
Transfers out	-	-	(165)	-	(165)
Total other financing sources (uses)	<u>57,167</u>	<u>7,500</u>	<u>(165)</u>	<u>900,000</u>	<u>964,502</u>
Net change in fund balances	(11,019)	(1,974)	(165)	92,470	79,312
Fund balances (deficit), beginning	4,036	19,578	165	(59,680)	(35,901)
Fund balances (deficit), ending	<u>\$ (6,983)</u>	<u>\$ 17,604</u>	<u>\$ -</u>	<u>\$ 32,790</u>	<u>\$ 43,411</u>

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

	Student Activity Funds			Total
	Richmond Middle School	Hanover High School	Hanover Athletics	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,270	\$ 162,910	\$ 41,587	\$ 226,767
Investments	-	57,778	-	57,778
Total assets	<u>\$ 22,270</u>	<u>\$ 220,688</u>	<u>\$ 41,587</u>	<u>\$ 284,545</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 8,820	\$ 8,820
<b>FUND BALANCES</b>				
Assigned	22,270	220,688	32,767	275,725
Total liabilities and fund balances	<u>\$ 22,270</u>	<u>\$ 220,688</u>	<u>\$ 41,587</u>	<u>\$ 284,545</u>

**SCHEDULE 7**  
**DRESDEN 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			Total
	Richmond Middle School	Hanover High School	Hanover Athletics	
<b>REVENUES</b>				
Other local	\$ 16,533	\$ 492,015	\$ 68,331	\$ 576,879
<b>EXPENDITURES</b>				
Current:				
Instruction	18,316	453,656	66,599	538,571
Net change in fund balances	(1,783)	38,359	1,732	38,308
Fund balances, beginning, as restated (see Note 16)	24,053	182,329	31,035	237,417
Fund balances, ending	<u>\$ 22,270</u>	<u>\$ 220,688</u>	<u>\$ 32,767</u>	<u>\$ 275,725</u>